

Company Registration No. 2512083 (England and Wales)

HARBOURVEST PARTNERS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

SATURDAY



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HARBOURVEST PARTNERS (UK) LIMITED

COMPANY INFORMATION

Directors	Edward W Kane D Brooks Zug
Secretary	Martha D Vorlicek
Company number	2512083
Registered office	Berkeley Square House 8th Floor, Suite 7 Berkeley Square London W1J 6DB
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
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 2006

The directors present their report and financial statements for the year ended 31 December 2006

Principal activities and review of the business

The company has continued to be engaged by HarbourVest Partners, LLC, 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 HarbourVest Partners, LLC. Prior to 28 January 1997, the company provided similar services to Hancock Venture Partners, Inc. and continues to provide these services under run-off arrangements.

During the period the company has reported a profit after taxation and dividends of £100,423 which was in line with their expectations.

Results and dividends

The results for the year are set out on page 5.

The profit for the year after taxation, but before dividends amounts to £442,064 (2005 profit of £341,640).

An interim ordinary dividend was paid amounting to £341,641 (2005 £298,352). The directors do not recommend the payment of a final dividend.

Directors

The following directors have held office since 1 January 2006:

Edward W. Kane
D. Brooks Zug

Directors' interests

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

	Ordinary shares of £1 each	
	31 December 2006	1 January 2006
Edward W. Kane	-	-
D. Brooks Zug	-	-

Auditors

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

HARBOURVEST PARTNERS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



Martha D Vorlicek

Secretary

23 APRIL 2007

HARBOURVEST PARTNERS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HARBOURVEST PARTNERS (UK) LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared on the basis of 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

HARBOURVEST PARTNERS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF HARBOURVEST PARTNERS (UK) LIMITED

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 the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements 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

Ernst & Young LLP

Chartered Accountants

Registered Auditor

Ernst & Young LLP

1 More London Place
London
SE1 2AF

26 April 2007

HARBOURVEST PARTNERS (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	6,942,406	5,463,080
Administrative expenses		(6,319,862)	(4,975,904)
Operating profit	3	622,544	487,176
Other interest receivable and similar income	4	8,589	9,466
Profit on ordinary activities before taxation		631,133	496,642
Tax on profit on ordinary activities	5	(189,069)	(155,002)
Profit for the year	13	442,064	341,640

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

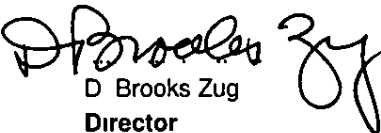
BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	7		280,528		284,100
Current assets					
Debtors	8	1,513,536		1,187,665	
Cash at bank and in hand		679,025		445,728	
		<u>2,192,561</u>		<u>1,633,393</u>	
Creditors: amounts falling due within one year	9	<u>(2,008,028)</u>		<u>(1,552,024)</u>	
Net current assets			<u>184,533</u>		<u>81,369</u>
Total assets less current liabilities			<u>465,061</u>		<u>365,469</u>
Provisions for liabilities	10		<u>(18,000)</u>		<u>(18,831)</u>
			<u>447,061</u>		<u>346,638</u>
Capital and reserves					
Called up share capital	12		5,000		5,000
Profit and loss account	13		442,061		341,638
Shareholders' funds	14		<u>447,061</u>		<u>346,638</u>

Approved by the Board and authorised for issue on 25 April 2007


Edward W Kane
Director


D Brooks Zug
Director

HARBOURVEST PARTNERS (UK) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
£	£	£
Net cash inflow from operating activities	759,204	718,276
Returns on Investments and servicing of finance		
Interest received	8,589	9,466
Net cash inflow for returns on investments and servicing of finance	8,589	9,466
Taxation	(149,900)	(127,200)
Capital expenditure		
Payments to acquire tangible assets	(42,955)	(97,230)
Net cash outflow for capital expenditure	(42,955)	(97,230)
Equity dividends paid	(341,641)	(298,352)
Net cash inflow before management of liquid resources and financing	233,297	204,960
Increase in cash in the year	233,297	204,960

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

1	Reconciliation of operating profit to net cash inflow from operating activities	2006 £	2005 £
	Operating profit	622,544	487,176
	Depreciation of tangible assets	39,421	35,007
	Loss on disposal of tangible assets	7,106	582
	Increase in debtors	(325,871)	(326,812)
	Increase in creditors within one year	416,004	522,323
	Net cash inflow from operating activities	759,204	718,276

2	Analysis of net funds	1 January 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
	Net cash				
	Cash at bank and in hand	445,728	233,297	-	679,025
	Bank deposits	-	-	-	-
	Net funds	445,728	233,297	-	679,025

3	Reconciliation of net cash flow to movement in net funds	2006 £	2005 £
	Increase in cash in the year	233,297	204,960
	Movement in net funds in the year	233,297	204,960
	Opening net funds	445,728	240,768
	Closing net funds	679,025	445,728

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 in respect of consultancy 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 5 years
Fixtures, fittings & equipment	Fixtures and fittings straight line over 10 years, Office equipment straight line over 10 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 contributes to an employee's personal pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the employee's contract of employment

1.6 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes in accordance with FRS 19. The deferred tax balance has not been discounted

Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which a deferred tax asset can be offset

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

3	Operating profit	2006	2005
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	39,421	35,007
	Loss on disposal of tangible assets	7,106	581
	Loss on foreign exchange transactions	40	1
	Operating lease rentals	427,757	354,553
	Auditors' remuneration	16,000	13,500
	Remuneration of auditors for non-audit work	-	771
		<u> </u>	<u> </u>
4	Investment income	2006	2005
		£	£
	Bank interest	8,589	9,466
		<u> </u>	<u> </u>
5	Taxation	2006	2005
		£	£
	Domestic current year tax		
	U K corporation tax	190,000	150,000
	Adjustment for prior years	(100)	-
		<u> </u>	<u> </u>
	Current tax charge	189,900	150,000
	Deferred tax		
	Deferred tax charge/credit current year	(831)	5,002
		<u> </u>	<u> </u>
		189,069	155,002
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	631,133	496,642
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	189,340	148,993
		<u> </u>	<u> </u>
	Effects of		
	Non deductible expenses	2,915	3,888
	Depreciation add back	11,826	10,502
	Capital allowances	(13,272)	(13,400)
	Other tax adjustments	(909)	17
		<u> </u>	<u> </u>
		560	1,007
		<u> </u>	<u> </u>
	Current tax charge	189,900	150,000
		<u> </u>	<u> </u>

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

6	Dividends			2006 £	2005 £
	Ordinary interim paid			341,641	298,352
7	Tangible fixed assets				
		Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
	Cost				
	At 1 January 2006	193,331	102,387	160,244	455,962
	Additions	5,136	37,652	167	42,955
	Disposals	-	(11,670)	-	(11,670)
	At 31 December 2006	198,467	128,369	160,411	487,247
	Depreciation				
	At 1 January 2006	39,960	76,606	55,296	171,862
	On disposals	-	(4,564)	-	(4,564)
	Charge for the year	15,440	11,817	12,164	39,421
	At 31 December 2006	55,400	83,859	67,460	206,719
	Net book value				
	At 31 December 2006	143,067	44,510	92,951	280,528
	At 31 December 2005	153,371	25,781	104,948	284,100
8	Debtors			2006 £	2005 £
	Amounts owed by parent and fellow subsidiary undertakings			1,314,107	932,717
	Other debtors			59,236	123,694
	Prepayments and accrued income			140,193	131,254
				1,513,536	1,187,665

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

9 Creditors, amounts falling due within one year	2006 £	2005 £
Corporation tax	190,000	150,000
Other taxes and social security costs	544,344	377,884
Accruals and deferred income	1,273,684	1,024,140
	<u>2,008,028</u>	<u>1,552,024</u>

10 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2006	18,831
Profit and loss account	(831)
	<u>18,000</u>
Balance at 31 December 2006	<u>18,000</u>

The deferred tax liability is made up as follows:

	2006 £	2005 £
Accelerated capital allowances	<u>18,000</u>	<u>18,831</u>

11 Pension costs

Defined contribution

The company contributes to employees personal pension plans. The unpaid contributions outstanding at the year end are £13,536 (2005 £7,322) and have been included in accruals accordingly.

	2006 £	2005 £
Contributions payable by the company for the year	<u>144,044</u>	<u>133,809</u>

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

12 Share capital	2006	2005
	£	£
Authorised		
20,000 Ordinary shares of £1 each	20,000	20,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
5,000 Ordinary shares of £1 each	5,000	5,000
	<u> </u>	<u> </u>
13 Statement of movements on profit and loss account		Profit and loss account
		£
Balance at 1 January 2006		341,638
Profit for the year		442,064
Dividends paid		(341,641)
		<u> </u>
Balance at 31 December 2006		442,061
		<u> </u>
14 Reconciliation of movements in shareholders' funds	2006	2005
	£	£
Profit for the financial year	442,064	341,640
Dividends	(341,641)	(298,352)
	<u> </u>	<u> </u>
Net addition to shareholders' funds	100,423	43,288
Opening shareholders' funds	346,638	303,350
	<u> </u>	<u> </u>
Closing shareholders' funds	447,061	346,638
	<u> </u>	<u> </u>
15 Financial commitments		
At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007		
	Land and buildings	
	2006	2005
	£	£
Operating leases which expire		
In over five years	424,925	392,161
	<u> </u>	<u> </u>

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

16 Directors' emoluments

The company did not pay the directors any emoluments during the year (2005 £nil)

17 Employees

Number of employees

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

	2006 Number	2005 Number
	17	16
	<u> </u>	<u> </u>
Employment costs		
	£	£
Wages and salaries	4,557,909	3,532,702
Social security costs	523,557	385,590
Other pension costs	144,044	133,809
	<u>5,225,510</u>	<u>4,052,101</u>

18 Control

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 HarbourVest Partners, LLC, in the USA. These group accounts may be obtained from 44th Floor, 1 Financial Center, Boston, Massachusetts, USA.

19 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.