

**Sussex Place Investment
Management Limited**

Annual Report and
Financial Statements
Period ended 31 July 1999



BDO
BDO Stoy Hayward

Annual Report and Financial Statements period ended 31 July 1999

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Directors

M Stoddart
J Bates
M Williams
M Cameron

Secretary and registered office

R Vipond, Sussex Place, Regent's Park, London NW1 4SA

Company number

3610855

Auditors

BDO Stoy Hayward, 8 Baker Street, London W1M 1DA

Bankers

National Westminster Bank Plc, 69 Baker Street, London W1M 2AT

Report of the directors for the period ended 31 July 1999

The directors present their report and audited financial statements of the company and group for the company's first accounting period ended 31 July 1999.

The company was incorporated as Boundbonus Limited on 6 August 1998 and adopted the present name on 16 September 1998. It commenced business on 9 December 1998.

Principal activity and business review

The group provides investment management services to private equity funds, investing wholly in the United Kingdom.

The funds are constituted as limited partnerships with investors having the status of limited partners. The general partners of these limited partnerships are limited companies and subsidiaries of the company. Under the partnership agreements of the funds, the general partners have appointed Sussex Place Investment Management Limited as investment manager with control over investment decisions.

Results and dividends

Results and dividends are as follows:

	£
Retained profit at beginning of the period	-
Retained profit for the period	1,759
Retained profit at end of period	<u>1,759</u>

The directors do not recommend payment of a dividend.

The directors intend to apply profits not required for working capital to charitable purposes.

The directors expect that turnover for the year ending 31 July 2000 will increase to approximately £200,000.

Directors and their interests

The following directors served during the year:

M Stoddart	appointed 16 September 1998
J Bates (managing)	appointed 1 September 1998
M Williams (executive)	appointed 1 September 1998
M Cameron	appointed 1 September 1998

Instant Companies Limited resigned 1 September 1998

Each of the directors has a beneficial interest in 1,250 ordinary shares.

Year 2000

The directors have reviewed the impact of Year 2000 on systems central to the group's ongoing activities. Although no organisation can guarantee that no Year 2000 problems will arise, the directors believe that the Year 2000 issue is unlikely to have any material adverse impact on the group's business. The cost of this review was not significant.

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 the apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to 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 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.

Auditors

PricewaterhouseCoopers, who were appointed as first auditors of the company by the directors, subsequently resigned. The directors then appointed BDO Stoy Hayward who have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



John Bates
Director

10 December 1999

Report of the auditors

To the Shareholders of Sussex Place Investment Management Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

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 affairs of the company and the group at 31 July 1999 and of their profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward

Chartered Accountants and Registered Auditors
London

10 December 1999

Consolidated profit and loss account for the period ended 31 July 1999

	Notes	£
Turnover	1(d),2	50,877
Administrative expenses		(48,678)
Operating profit and profit on ordinary activities before tax	3,4	<u>2,199</u>
Tax on profit on ordinary activities	6	(440)
Profit on ordinary activities after tax	12	<u>1,759</u>
Retained profit at beginning of the period		-
Retained profit at end of the period	12	<u><u>1,759</u></u>

All turnover is derived from operations commenced during the period. No operations were acquired or discontinued during the period.

There are no recognised gains and losses other than the profit on ordinary activities after tax disclosed above.

The notes on pages 10 to 16 form part of these financial statements.

Company profit and loss account for the period ended 31 July 1999

	Notes	£
Turnover	1(d),2	50,877
Administrative expenses		(48,678)
Operating profit and profit on ordinary activities before tax	3,4	<u>2,199</u>
Tax on profit on ordinary activities	6	(440)
Profit on ordinary activities after tax	12	<u>1,759</u>
Retained profit at beginning of the period		-
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All turnover is derived from operations commenced during the period. No operations were acquired or discontinued during the period.

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The notes on pages 10 to 16 form part of these financial statements.

Sussex Place Investment Management Limited

Consolidated balance sheet at 31 July 1999

	Notes	£
Current assets		
Debtors	8	32,160
Cash at bank		34,901
		<u>67,061</u>
Creditors: Amounts falling due within one year	9	<u>(59,858)</u>
Net current assets		<u>7,203</u>
Provisions	10	(440)
Net assets		<u><u>6,763</u></u>
Capital and reserves		
Called-up share capital	11	5,000
Reserves	12	1,759
		<u>6,759</u>
Minority interests		<u>4</u>
Total equity shareholders' funds		<u><u>6,763</u></u>

Signed on behalf of the Board on 10 December 1999



J. Bates

Director

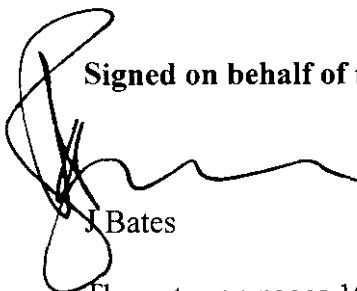
The accompanying notes are an integral part of this balance sheet.

The notes on pages 10 to 16 form part of these financial statements.

Company balance sheet at 31 July 1999

	Notes	£
Fixed assets		
Fixed assets investments	7	<u>6</u>
Current assets		
Debtors	8	32,156
Cash at bank		<u>33,537</u>
		65,693
Creditors: Amounts falling due within one year	9	<u>(58,940)</u>
Net current assets		<u>6,753</u>
Net assets		<u><u>6,759</u></u>
Capital and reserves		
Called-up share capital	11	5,000
Reserves	12	<u>1,759</u>
Total equity shareholders' funds		<u><u>6,759</u></u>

Signed on behalf of the Board on 10 December 1999

 J. Bates Director

The notes on pages 10 to 16 form part of these financial statements.

Consolidated cash flow statement for the period ended 31 July 1999

	Notes	£	£
Net cash inflow from operating activities	15		29,897
Financing			
Issue of share capital	16	<u>5,000</u>	
Net cash inflow from financing			5,000
Minority interests			4
Increase in cash and cash equivalents	17		<u>34,901</u>

The notes on pages 10 to 16 form part of these financial statements.

Notes to financial statements for the period to 31 July 1999

1 Accounting policies

The following principal accounting policies have been applied.

a) Basis of accounting

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

b) Basis of consolidation

The consolidated financial statements incorporate the results of the company and all its subsidiary undertakings at 31 July 1999 using the acquisition method of accounting.

c) Tax

Corporation tax payable is provided on taxable profits at the current rate.

Partnership income, included in turnover, may carry associated tax credits. The benefits arising out of such credits are paid to the partnerships and the related cost included in the tax charge for the year.

Deferred tax is provided on timing differences, which are expected to reverse, at a rate likely to be in force at the time of reversal. Deferred tax is not provided on timing differences where it can be reasonably foreseen that such deferred taxation will not be payable in future.

d) Turnover

Turnover comprises the value (excluding value added tax) of services provided in the normal course of business and the revenues from participation in the assets of limited partnerships in the form of non-recourse loans, which will be satisfied by allocation against the companies' share of future income of the partnerships. This income is recognised in the profit and loss account in the period to which its guaranteed receipt relates.

e) Leases

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

f) Valuation of investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Notes to financial statements for the period to 31 July 1999

2 Turnover

All turnover arises from the conduct of investment management services and related corporate finance services in the United Kingdom.

3 Profit on ordinary activities before tax

Group and Company

Profit on ordinary activities before tax is stated after charging:

	£
Rentals payable under operating leases	
Property	2,478
Auditors' remuneration (including VAT) – audit services	5,875
Auditors' remuneration (including VAT) – non-audit services	5,875
Staff costs (see note 4)	8,794
	<u>8,794</u>

4 Staff costs

Group and Company

Particulars of employee costs (including executive directors) are shown below:

	£
Employee costs during the year amounted to:	
Wages and salaries	7,916
Social security costs	878
	<u>8,794</u>

The average monthly number of persons (excluding directors) employed by the company and group during the period was as follows:-

Investment advice and analysis	1
Administration	-
	<u>1</u>

Notes to financial statements for the period to 31 July 1999

5 Director's remuneration

Group and Company

No director received or is due any remuneration in respect of the period.

However, the services of J Bates (investment advice) and administration staff were provided by London Business School which made no charge for these services. F Bailey & Sons Ltd, a company of which M Williams is a director, made a charge of £13,333 for the services of M Williams (investment advice).

Sussex Place (Founder Partner) Limited is a limited partner in Combined London Colleges University Challenge LP and Sussex Place Partners LP which entitles it to a share in any income and gains of the partnerships over the preferred return defined in the relevant Partnership Deed. Its share in Combined London Colleges University Challenge LP, and a proportion of its share in Sussex Place Partners LP, have been assigned to J Bates and M Williams.

6 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	Group	Company
	£	£
Payment to subsidiary company for group relief	-	440
Transfer to deferred tax provision	440	-
	<u>440</u>	<u>440</u>

7 Fixed asset investments

Company

**Subsidiary
undertakings**
£

Cost and net book value

Additions

6

At 31 July 1999

6

Notes to financial statements for the period to 31 July 1999

7 Fixed asset investments (continued)

The following were subsidiary undertakings at the end of the period and have all been included in the consolidated financial statements.

Name	Proportion of ordinary share capital held	Nature of business
Sussex Place (General Partner) Limited	100%	General partner of venture capital fund
Combined London Colleges (General Partner) Limited	100%*	General partner of venture capital fund
Sussex Place (Founder Partner) Limited	100%	Dormant

8 Debtors

	Group £	Company £
Trade debtors	27,000	27,000
Other debtors	4	-
Amounts owed by investment funds	5,156	5,156
	<u>32,160</u>	<u>32,156</u>

9 Creditors: Amounts falling due within one year

	Group £	Company £
Amounts owed to group undertakings	-	3,213
Creditors for taxation and social security	3,074	3,074
Other creditors	26,774	26,774
Amounts due to investment funds	4,131	-
Accruals and deferred income	25,879	25,879
	<u>59,858</u>	<u>58,940</u>

* This does not take into account four A ordinary shares in the company held by other parties since these shares only confer the right to appoint a director and do not confer voting rights or the right to a share in the income or assets of the company.

Notes to financial statements for the period to 31 July 1999

10 Provision for deferred taxation

Group	£
Timing differences provided	
Transfer to profit and loss account	440
Balance at 31 July 1999	<u>440</u>
Unprovided	<u>-</u>

The company has no liability for deferred taxation.

11 Called-up share capital

Group and company	£
<i>Authorised</i>	
100,000 ordinary shares of £1 each	<u>100,000</u>
<i>Allotted and fully paid up</i>	
5,000 ordinary shares of £1 each	<u>5,000</u>

All share capital was issued in the period for consideration equal to its nominal value.

12 Reserves

	Group		Company	
	Profit and loss account	Total	Profit and loss account	Total
	£	£	£	£
Balance at beginning of period	-	-	-	-
Profit for the period	1,759	1,759	1,759	1,759
Balance at end of period	<u>1,759</u>	<u>1,759</u>	<u>1,759</u>	<u>1,759</u>

Notes to financial statements for the period to 31 July 1999

13 Guarantees and other financial commitments

Group and Company

Lease commitments

The minimum annual rentals under operating leases are as follows:

	£
Operating leases which expire	
- within 2-5 years	15,170

14 Revenues from the partnerships and contingent liabilities

The subsidiaries of the company are general partners in limited partnerships operating as venture capital investment funds. They are entitled to a guaranteed income from the partnership, but do not otherwise participate in partnership assets. If, upon the winding up of the partnership, the liabilities of the partnership exceed the limited partners' outstanding capital and loans, the subsidiaries are liable for the shortfall of assets. The directors are of the opinion that no liability is likely to arise in this respect.

15 Reconciliation of operating profit to net cash inflow from operating activities

	£
Operating profit	2,199
Increase in debtors	(32,160)
Increase in creditors	59,858
	<u>29,897</u>

16 Analysis of changes in financing

	Share capital
	£
Balance at 6 August 1998	-
Issue of share capital	5,000
Balance at 31 July 1999	<u>5,000</u>

Notes to financial statements for the period to 31 July 1999

17 Reconciliation of net cash flow to movement in net funds

	£
Increase in cash in the period	34,901
Net funds brought forward	-
Net funds carried forward	<u>34,901</u>

18 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard No 8, 'Related Party Transactions', not to disclose transactions with other group companies.

Balances with group companies at 31 July 1999 were:

Amounts owned to group undertakings:

	£
Sussex Place (General Partner) Limited	1,269
Combined London Colleges (General Partner) Limited	1,942
Sussex Place (Founder Partner) Limited	2
	<u>3,213</u>

The company's subsidiaries are the general partners of venture capital funds, Sussex Place Partners LP and Combined London Colleges University Challenge LP. Income included in the consolidated profit and loss account for the period relating to participation in these funds, which is in the form of a non-recourse loan which will be satisfied by allocation against the companies' share of future income of the partnerships, was as follows:

	£
Sussex Place Partners LP	18,914
Combined London Colleges LP	<u>3,333</u>

Amounts owed to the funds at 31 July 1999 were as follows:

	£
Sussex Place Partners LP	2,000
Combined London Colleges LP	<u>2,131</u>