

**REGISTRAR OF
COMPANIES**

3610855

**Sussex Place Ventures Limited
(formerly Sussex Place Investment
Management Limited)**

Report and Financial Statements

Year Ended

31 July 2002



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BDO

BDO Stoy Hayward
Chartered Accountants

REGISTER OF
COMPANIES

SUSSEX PLACE VENTURES LIMITED

Annual report and financial statements for the year ended 31 July 2002

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Secretary and registered office

M J Hallala, Sussex Place, Regents Park, London, NW1 4SA.

Company number

3610855

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

Bankers

Barclays Bank plc, 50 Pall Mall, London, SW1A 1QB.

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SUSSEX PLACE VENTURES LIMITED

Directors

M C Stoddart, formerly Chairman of Electra Investment Trust plc and Joint Chief Executive of Singer and Friedlander. Chairman of Bamboo Investments plc and Elderstreet Millenium Trust plc and a director of a number of public and private companies including Pillar Properties plc. He is also a member of the Development Board and Chairman of the Foundation for Entrepreneurial Management at London Business School ('LBS') and a senior Advisor to Fleming Family & Partners.

A J Bates, Managing Director and part-time Teaching Fellow at London Business School ('LBS'). He is the Executive Director of the Foundation for Entrepreneurial Management. Formerly the founder of Datapaq Limited and a faculty member at Harvard Business School. He is a founder Director of Cambridge Management Group.

M C Williams, Chief Investment Director and part-time Teaching Fellow at LBS. Formerly Managing Director of Bailey Newspaper Group and an investment manager at 3i plc.

P D Atherton, formerly founder and MD of Queensgate. He is also Vice President of euspen (European Society for Precision Engineering and Nanotechnology), visiting professor in Nanotechnology at Cranfield University, a director of Sulis Innovation (Bristol, Bath and Southampton University Challenge Seed Fund), and a Governor of the London Business School.

I M Laing, Chairman of MEPC Milton Park Limited which he founded in 1984. He was also a founding shareholder and a non-executive director of a series of high-tech start-up businesses including Oxford Semiconductor Limited, Oxagen Limited and Doctors.net.uk Limited. He is a Governor of London Business School.

K J Willey, Chief Operating Officer and part-time Teaching Fellow at LBS. Formerly a Director of Siddall & Co and the founding Chief Executive Officer of The Centre for Scientific Enterprise.

SUSSEX PLACE VENTURES LIMITED

Report of the directors for the year ended 31 July 2002

The directors present their report together with the audited financial statements for the year ended 31 July 2002. The company changed its name from Sussex Place Investment Management Limited on 23 May 2002.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the profit for the year.

The directors do not recommend payment of a dividend.

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

Principal activities

The group provides investment management services to venture capital funds, investing mainly 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 Sussex Place Ventures Limited. Under the partnership agreements of the funds, the general partners have appointed Sussex Place Ventures Limited as investment manager with control over investment decisions.

Directors

The directors of the company during the year were:

| | |
|--------------------------|--|
| M C Stoddart (Chairman) | (resigned 29 January 2002 and re-appointed 10 July 2002) |
| A J Bates (Executive) | |
| M C Williams (Executive) | |
| M I Cameron | (resigned 29 January 2002) |
| P D Atherton | |
| I M Laing | |
| E C S Macpherson | (resigned 28 May 2002) |
| K J Willey (Executive) | |
| P F Traynor | (appointed 9 April 2002, resigned 27 May 2002) |

Each of the first four-named directors has a beneficial interest in 1,250 ordinary shares. Arrangements are underway to place these shares in a trust in which the London Business School will be a potential beneficiary.

SUSSEX PLACE VENTURES LIMITED

Report of the directors for the year ended 31 July 2002 (*Continued*)

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 departure 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.

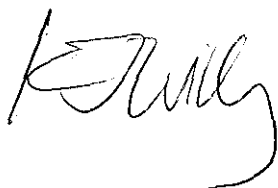
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward 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

K J Willey



Director

Date

8 November 2002

SUSSEX PLACE VENTURES LIMITED

Report of the independent auditors

To the shareholders of Sussex Place Ventures Limited

We have audited the financial statements of Sussex Place Ventures Limited for the year ended 31 July 2002 on pages 6 to 20 which have been prepared under the accounting policies set out on page 11.

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 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 Directors' Report is not consistent with the financial statements, if the group 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 group 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

SUSSEX PLACE VENTURES LIMITED

Report of the independent auditors (*Continued*)

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 2002 and of the profits of the company and the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO 

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

Date 3/11/02

SUSSEX PLACE VENTURES LIMITED**Consolidated profit and loss account for the year ended 31 July 2002**

| | Note | 2002 £ | 2001 £ |
|--|------|----------------|----------------|
| Turnover | 2 | 1,070,581 | 989,388 |
| Administrative expenses | | (991,467) | (855,677) |
| Operating profit | | 79,114 | 133,711 |
| Interest receivable | | 5,512 | 3,944 |
| Profit on ordinary activities before taxation | 3 | 84,626 | 137,655 |
| Tax on profit on ordinary activities | 6 | (33,641) | (32,020) |
| Profit on ordinary activities after taxation | 13 | 50,985 | 105,635 |
| Retained profit at beginning of year | | 121,474 | 15,839 |
| Retained profit at end of year | 13 | 172,459 | 121,474 |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 11 to 20 form part of these financial statements.

SUSSEX PLACE VENTURES LIMITED**Company profit and loss account for the year ended 31 July 2002**

| | Note | 2002 £ | 2001 £ |
|--|-------------|-------------------|-------------------|
| Turnover | 2 | 1,070,581 | 989,388 |
| Administrative expenses | | (991,467) | (855,674) |
| Operating profit | | 79,114 | 133,714 |
| Interest receivable | | 5,512 | 3,941 |
| Profit on ordinary activities before taxation | 3 | 84,626 | 137,655 |
| Tax on profit on ordinary activities | 6 | (33,647) | (32,020) |
| Profit on ordinary activities after taxation | 13 | 50,979 | 105,635 |
| Retained profit at beginning of the year | | 121,474 | 15,839 |
| Retained profit at end of year | 13 | 172,453 | 121,474 |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 11 to 20 form part of these financial statements.

SUSSEX PLACE VENTURES LIMITED

Consolidated balance sheet at 31 July 2002

| | Note | 2002 £ | 2001 £ |
|---|------|-----------|-----------|
| Fixed assets | | | |
| Tangible assets | 8 | 7,772 | 20,744 |
| Current assets | | | |
| Debtors | 9 | 44,987 | 51,372 |
| Cash at bank | | 389,013 | 298,664 |
| | | 434,000 | 350,036 |
| Creditors: amounts falling due within one year | 10 | 193,508 | 216,376 |
| Net current assets | | 240,492 | 133,660 |
| Total assets less current liabilities | | 248,264 | 154,404 |
| Provisions for liabilities and charges | 11 | (70,801) | (27,926) |
| Net assets | | 177,463 | 126,478 |
| Capital and reserves | | | |
| Called up share capital | 12 | 5,000 | 5,000 |
| Profit and loss account | 13 | 172,459 | 121,474 |
| Shareholders' funds - equity | | 177,459 | 126,474 |
| Minority interests | | 4 | 4 |
| | | 177,463 | 126,478 |

The financial statements were approved by the Board on 8 November 2002

A J Bates
Director

The notes on pages 11 to 20 form part of these financial statements.

SUSSEX PLACE VENTURES LIMITED

Company balance sheet at 31 July 2002

| | Note | 2002 £ | 2001 £ |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Investments | 7 | 7 | 8 |
| Tangible assets | 8 | 7,772 | 20,744 |
| | | <u>7,779</u> | <u>20,752</u> |
| Current assets | | | |
| Debtors | 9 | 45,055 | 51,475 |
| Cash at bank | | 388,836 | 298,456 |
| | | <u>433,891</u> | <u>349,931</u> |
| Creditors: amounts falling due within one year | 10 | 264,217 | 240,513 |
| | | <u>169,674</u> | <u>109,418</u> |
| Net current assets | | | |
| Provision for liabilities and charges | 11 | - | (3,696) |
| | | <u>177,453</u> | <u>126,474</u> |
| Net assets | | | |
| | | <u>177,453</u> | <u>126,474</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 5,000 | 5,000 |
| Profit and loss account | 13 | 172,453 | 121,474 |
| | | <u>177,453</u> | <u>126,474</u> |
| Shareholders' funds - equity | 14 | <u>177,453</u> | <u>126,474</u> |

The financial statements were approved by the Board on 8 November 2002

A J Bates
Director

The notes on pages 11 to 20 form part of these financial statements.

SUSSEX PLACE VENTURES LIMITED

Consolidated cash flow statement for the year ended 31 July 2002

| | Note | 2002 £ | 2002 £ | 2001 £ | 2001 £ |
|--|------|----------------|-----------|--------------|-----------|
| Net cash inflow from operating activities | 17 | | 87,172 | | 303,325 |
| Returns on investment and servicing of finance | | | | | |
| Interest received | | 5,512 | | 3,944 | |
| | | <u>5,512</u> | | <u>3,944</u> | |
| Net cash inflow from returns on investments and services of finance | | | 5,512 | | 3,944 |
| Capital expenditure and financial investment | | | | | |
| Purchase of tangible fixed assets | | (2,335) | | (22,734) | |
| Proceeds from disposal of tangible fixed assets | | - | | 4,051 | |
| | | <u>(2,335)</u> | | <u>4,051</u> | |
| Net cash outflow from capital expenditure and financial investment | | | (2,335) | | (18,683) |
| Increase in cash | 18 | | 90,349 | | 288,586 |

The notes on pages 11 to 20 form part of these financial statements.

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all its subsidiary undertakings at 31 July 2002 using the acquisition method of accounting.

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 year to which its guaranteed receipt relates.

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 partnership and the related cost included in the tax charge for the year.

Deferred taxation

Following the introduction of FRS 19, deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Leases

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

Valuation of investments

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

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Office equipment – 33⅓%

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (*Continued*)

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 taxation

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Group and company | | |
| This has been arrived at after charging: | | |
| Depreciation | 15,307 | 13,038 |
| Loss on disposal | - | 3,909 |
| Rentals payable under operating leases - property | 53,790 | 57,500 |
| Auditors' remuneration - audit services | 16,095 | 13,379 |
| - non-audit services | 9,850 | 3,203 |
| | <u>153,042</u> | <u>137,029</u> |

4 Staff costs

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Group and company | | |
| Particulars of employee costs (including executive directors) are shown below: | | |
| Employee costs during the year amounted to: | | |
| Wages and salaries | 591,467 | 503,449 |
| Social security costs | 65,694 | 50,217 |
| | <u>657,161</u> | <u>553,666</u> |

The average number of persons (including executive directors) employed by the company and group during the year was as follows:

| | Number | Number |
|--------------------------------|----------|----------|
| Investment advice and analysis | 6 | 6 |
| Administration | 2 | 1 |
| | <u>8</u> | <u>7</u> |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (*Continued*)

5 Directors' remuneration

Group and company

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Remuneration for the services of directors | 317,050 | 307,969 |
| Emoluments of highest paid director: | | |
| Emoluments | 160,000 | 140,000 |

F Bailey & Sons Limited, a company of which M Williams is a director, made a charge of £37,050 (2001 - £72,969) for the services of M Williams.

Sussex Place (Founder Partner) Limited is a limited partner in Combined London Colleges University Challenge LP, Sussex Place Partners LP and Sussex Place Partners II 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 and Sussex Place Partners II LP, have been assigned to J Bates and M Williams. A proportion of the share in Sussex Place Partners II LP has also been assigned to K Willey.

6 Tax on profit on ordinary activities

| Group | 2002 £ | 2001 £ |
|--|-----------|-----------|
| a) Analysis of charge in period | | |
| UK corporation tax | - | 9,234 |
| Overprovision in respect of prior years | (9,234) | - |
| Transfer to deferred tax provision | 42,875 | 22,786 |
| | 33,641 | 32,020 |
| Company | | |
| UK corporation tax | - | 8,323 |
| Overprovision in respect of prior years | (8,323) | - |
| Payment to subsidiaries for group relief | 41,970 | 21,307 |
| Transfer to deferred tax provision | - | 2,390 |
| | 33,647 | 32,020 |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

6 Tax on profit on ordinary activities (Continued)

b) Factors affecting tax charge for period

The tax charge for the period is higher than the standard rate of corporation tax in the UK of 30% (2001 – 30%). The differences are explained below:

| | Group 2002 £ | Group 2001 £ |
|--|--------------------|--------------------|
| Profit on ordinary activities before taxation | 84,626 | 137,655 |
| Expected tax charge at a standard rate of UK corporation tax of 30% (2001 – 30%) | 25,388 | 41,297 |
| Effects of: | | |
| Excess management expenses | (25,388) | (32,063) |
| Transfer to deferred taxation account | 42,875 | 22,786 |
| Overprovision in prior years | (9,234) | - |
| Tax charge | 33,641 | 32,020 |

7 Fixed asset investments

| Company | Subsidiary undertakings £ |
|--------------------------------|---------------------------------|
| <i>Cost and net book value</i> | |
| At 1 August 2001 | 8 |
| Disposal | (1) |
| At 31 July 2002 | 7 |

The following were subsidiary undertakings at the end of the year 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 |
| Sussex Place II (General Partner) Limited | 100% | General partner of venture capital fund |

In addition to the above investments in subsidiaries the company holds warrants to purchase 125,000 ordinary £1 shares in Bamboo Investments Limited at a subscription price of £1 per share. These were acquired at no cost to the company. They can be exercised at any time up to 8 August 2005.

M Stoddart is Chairman of Bamboo Investments Limited and I Laing and M Williams are directors.

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (*Continued*)

8 Tangible assets

| | Office equipment £ |
|-----------------------|--------------------------|
| <i>Cost</i> | |
| At 1 August 2001 | 40,313 |
| Additions in the year | 2,335 |
| Disposals | - |
| | <hr/> |
| At 31 July 2002 | 42,648 |
| | <hr/> |
| <i>Depreciation</i> | |
| At 1 August 2001 | 19,569 |
| Provided in the year | 15,307 |
| Disposals | - |
| | <hr/> |
| At 31 July 2002 | 34,876 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 July 2002 | 7,772 |
| | <hr/> |
| At 31 July 2001 | 20,744 |
| | <hr/> |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

9 Debtors

| Group | 2002 £ | 2001 £ |
|------------------------------------|---------------|---------------|
| Trade debtors | 36,558 | 47,586 |
| Other debtors | 8,429 | 2,153 |
| Amounts owed by investment funds | - | 1,633 |
| | <u>44,987</u> | <u>51,372</u> |
| Company | | |
| Trade debtors | 36,558 | 47,586 |
| Other debtors | 8,429 | 2,235 |
| Amounts owed by investment funds | - | 1,633 |
| Amounts owed by group undertakings | 48 | 21 |
| | <u>45,055</u> | <u>51,475</u> |

All amounts fall due for payment within one year.

10 Creditors: amounts falling due within one year

| Group | 2002 £ | 2001 £ |
|--|----------------|----------------|
| Trade creditors | 12,665 | 8,662 |
| Creditors for taxation and social security | 28,867 | 25,819 |
| Corporation tax | - | 9,234 |
| Accruals and deferred income | 149,011 | 172,661 |
| Amount owed to investment funds | 2,965 | - |
| | <u>193,508</u> | <u>216,376</u> |
| Company | | |
| Trade creditors | 12,665 | 8,662 |
| Amounts owing to group undertakings | 70,709 | 25,048 |
| Amounts owed to investment funds | 2,965 | - |
| Creditors for taxation and social security | 28,867 | 25,819 |
| Corporation tax | - | 8,323 |
| Accruals and deferred income | 149,011 | 172,661 |
| | <u>264,217</u> | <u>240,513</u> |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

11 Provision for liabilities and charges

| Group | 2002 £ | 2001 £ |
|-------------------------------------|-------------------|-------------------|
| Deferred tax | | |
| Provided | | |
| Transfer to profit and loss account | 42,875 | 22,786 |
| Balance brought forward | 27,926 | 5,140 |
| | <u> </u> | <u> </u> |
| Balance carried forward | 70,801 | 27,926 |
| | <u> </u> | <u> </u> |
| Unprovided | - | - |
| | <u> </u> | <u> </u> |
| Company | | |
| Provided | | |
| Transfer to profit and loss account | (3,696) | 2,390 |
| Balance brought forward | 3,696 | 1,306 |
| | <u> </u> | <u> </u> |
| Balance carried forward | - | 3,696 |
| | <u> </u> | <u> </u> |
| Unprovided | - | - |
| | <u> </u> | <u> </u> |

Deferred taxation is provided at 30% (2001 - 20%) analysed over the following timing differences:

| Group | 2002 £ | 2001 £ |
|--------------------------------|-------------------|-------------------|
| Unrealised profits | 70,801 | 24,230 |
| Accelerated capital allowances | - | 3,696 |
| | <u> </u> | <u> </u> |
| | 70,801 | 27,926 |
| | <u> </u> | <u> </u> |
| Company | | |
| Accelerated capital allowances | - | 3,696 |
| | <u> </u> | <u> </u> |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

12 Share capital

| Group and company | 2002 £ | 2001 £ |
|------------------------------------|-----------|-----------|
| <i>Authorised</i> | | |
| 100,000 ordinary shares of £1 each | 100,000 | 100,000 |
| <i>Allotted and fully paid up</i> | | |
| 5,000 ordinary shares of £1 each | 5,000 | 5,000 |

13 Profit and loss account

| | Group £ | Company £ |
|------------------------------|------------|--------------|
| Balance at beginning of year | 121,474 | 121,474 |
| Profit for the year | 50,985 | 50,979 |
| Balance at end of year | 172,459 | 172,453 |

14 Reconciliation of movements in shareholders' funds

| | Group 2002 £ | Group 2001 £ | Company 2002 £ | Company 2001 £ |
|-----------------------------|--------------------|--------------------|----------------------|----------------------|
| Profit for the year | 50,985 | 105,635 | 50,979 | 105,635 |
| Opening shareholders' funds | 126,474 | 20,839 | 126,474 | 20,839 |
| Closing shareholders' funds | 177,459 | 126,474 | 177,453 | 126,474 |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

15 Commitments under operating leases

As at 31 July 2002, the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

| | 2002 £ | 2001 £ |
|--------------------------------|-----------|-----------|
| Operating leases which expire: | | |
| Within one year | 60,500 | - |
| In one to two years | - | 53,790 |

16 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 partnerships, but do not otherwise participate in partnership assets. If, upon the winding up of the partnerships, 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.

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

| | 2002 £ | 2001 £ |
|----------------------------------|---------------|----------------|
| Operating profit | 79,114 | 133,711 |
| Depreciation | 15,307 | 13,038 |
| Decrease in debtors | 6,385 | 68,692 |
| (Decrease)/increase in creditors | (13,634) | 88,027 |
| Profit on disposal | - | (143) |
| | <u>87,172</u> | <u>303,325</u> |

18 Reconciliation of net cash flow to movement in net funds

| | 2002 £ | 2001 £ |
|------------------------------|----------------|----------------|
| Increase in cash in the year | 90,349 | 288,586 |
| Net funds brought forward | 298,664 | 10,078 |
| | <u>389,013</u> | <u>298,664</u> |

SUSSEX PLACE VENTURES LIMITED

Notes forming part of the financial statements for the year ended 31 July 2002 (Continued)

19 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 2002 were:

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Amounts owed to group undertakings: | | |
| Sussex Place (General Partner) Limited | - | 818 |
| Combined London Colleges (General Partner) Limited | - | - |
| Sussex Place II (General Partner) Limited | 70,709 | 24,230 |

Of the £48 owed by group undertakings £22 (2001 - £21) is due from Combined London Colleges (General Partner) Limited and £26 (2001 - £nil) is due from Sussex Place (General Partner) Limited.

The company's subsidiaries are the general partners of venture capital funds, Sussex Place Partners LP, Sussex Place Partners II LP, Sussex Place Partners II (SPIM) LP, Sussex Place Partners II (FEM) LP and Combined London Colleges University Challenge LP. Income included in the consolidated profit and loss account for the year 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:

| | 2002 £ | 2001 £ |
|------------------------------------|-----------|-----------|
| Sussex Place Partners II LP | 479,165 | 424,178 |
| Sussex Place Partners II (SPIM) LP | 28,095 | 15,377 |
| Sussex Place Partners II (FEM) LP | 47,342 | 25,910 |
| Sussex Place Partners LP | 53,314 | 52,144 |
| Combined London Colleges LP | 105,214 | 103,637 |

Amounts owed by the funds at 31 July 2002 were as follows:

| | | |
|-----------------------------|---|-------|
| Sussex Place Partners LP | - | 196 |
| Combined London Colleges LP | - | 1,437 |
| | - | 1,633 |

Amounts owed to the funds at 31 July 2002 were as follows:

| | | |
|-----------------------------|-------|---|
| Combined London Colleges LP | 2,965 | - |
|-----------------------------|-------|---|