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Sussex Place Ventures Limited

Report and Financial Statements

Year Ended

31 July 2004



BDO Stoy Hayward
Chartered Accountants

Sussex Place Ventures Limited

Annual report and financial statements for the year ended 31 July 2004

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Secretary and registered office

K J Willey, 18-20 Huntsworth Mews, London, NW1 6DD.

Company number

3610855

Auditors

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

Bankers

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

Sussex Place Ventures Limited

Directors

D Thorp, Chairman. Chairman of ISIS Equity Partners. Formerly an executive at 3i plc and Chairman of Unipalm Group. He was chairman of the British Venture Capital Association (BVCA) during 2000/2001. David is a graduate of the London Business School.

A J Bates, Managing Director. Adjunct Professor 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, Adjunct Associate Professor 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 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 is also a founding shareholder of a series of high-tech start-up businesses including Oxford Asymmetry Limited, Oxford Semiconductor Limited, Oxagen Limited and Doctors.net.uk Limited and remains a non-executive director of two of these companies. He is a Governor of London Business School.

K J Willey, Chief Operating Officer. Adjunct Associate Professor 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 2004

The directors present their report together with the audited financial statements for the year ended 31 July 2004.

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 (2003 - £Nil).

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

Principal activities, trading review and future developments

The group provides investment management services to venture capital 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 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	(resigned 27 April 2004)
D Thorp	(appointed 8 June 2004)
A J Bates	
M C Williams	
P D Atherton	
I M Laing	
K J Willey	

Messrs Stoddart, Bates and Williams have 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.

Charitable donation

During the year the company made a charitable donation of £27,488 to the Foundation for Entrepreneurial Management at London Business School.

Sussex Place Ventures Limited

Report of the directors for the year ended 31 July 2004 (*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.

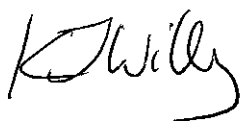
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Board

K J Willey



Director

Date 18 October 2004

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 2004 on pages 6 to 19 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

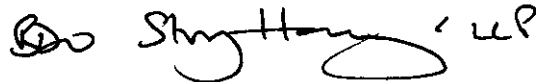
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2004 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 STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date 18/10/04

Sussex Place Ventures Limited**Consolidated profit and loss account for the year ended 31 July 2004**

	Note	2004 £	2003 £
Turnover	2	500,390	730,808
Administrative expenses		(458,699)	(723,862)
Operating profit		41,691	6,946
Interest receivable		5,210	3,334
Profit on ordinary activities before taxation	3	46,901	10,280
Tax on profit on ordinary activities	6	-	70,794
Profit on ordinary activities after taxation	13	46,901	81,074
Retained profit at beginning of year		253,533	172,459
Retained profit at end of year	13	300,434	253,533

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 19 form part of these financial statements.

Sussex Place Ventures Limited

Company profit and loss account for the year ended 31 July 2004

	Note	2004 £	2003 £
Turnover	2	500,390	730,808
Administrative expenses		(458,699)	(723,862)
Operating profit		41,691	6,946
Interest receivable		5,210	3,333
Profit on ordinary activities before taxation	3	46,901	10,279
Tax on profit on ordinary activities	6	-	70,800
Profit on ordinary activities after taxation	13	46,901	81,079
Retained profit at beginning of the year		253,532	172,453
Retained profit at end of year	13	300,433	253,532

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 19 form part of these financial statements.

Sussex Place Ventures Limited

Consolidated balance sheet at 31 July 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	643	2,720
Current assets			
Debtors	9	35,404	69,491
Cash at bank		394,598	288,907
		<u>430,002</u>	<u>358,398</u>
Creditors: amounts falling due within one year	10	125,207	102,581
		<u>304,795</u>	<u>255,817</u>
Net current assets			
		<u>305,438</u>	<u>258,537</u>
Total assets less current liabilities			
Provisions for liabilities and charges	11	-	-
		<u>305,438</u>	<u>258,537</u>
Net assets			
		<u>305,438</u>	<u>258,537</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account	13	300,434	253,533
		<u>305,434</u>	<u>258,533</u>
Shareholders' funds - equity	14	305,434	258,533
Minority interests		4	4
		<u>305,438</u>	<u>258,537</u>

The financial statements were approved by the Board on 18 October 2004

A J Bates
Director

The notes on pages 11 to 19 form part of these financial statements.

Sussex Place Ventures Limited

Company balance sheet at 31 July 2004

	Note	2004 £	2003 £
Fixed assets			
Investments	7	7	7
Tangible assets	8	643	2,720
		<u>650</u>	<u>2,727</u>
Current assets			
Debtors	9	35,501	113,052
Cash at bank		394,452	245,334
		<u>429,953</u>	<u>358,386</u>
Creditors: amounts falling due within one year	10	125,170	102,581
		<u>304,783</u>	<u>255,805</u>
Net current assets			
		<u>305,433</u>	<u>258,532</u>
Total assets less current liabilities			
Provisions for liabilities and charges	11	-	-
		<u>305,433</u>	<u>258,532</u>
Net assets			
		<u>305,433</u>	<u>258,532</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account	13	300,433	253,532
		<u>305,433</u>	<u>258,532</u>
Shareholders' funds - equity	14	<u>305,433</u>	<u>258,532</u>

The financial statements were approved by the Board on 18 October 2004

A J Bates
Director

The notes on pages 11 to 19 form part of these financial statements.

Sussex Place Ventures Limited

Consolidated cash flow statement for the year ended 31 July 2004

	Note	2004 £	2004 £	2003 £	2003 £
Net cash inflow/(outflow) from operating activities	16		99,984		(103,161)
Returns on investment and servicing of finance					
Interest received		5,622		3,334	
Net cash inflow from returns on investment and servicing of finance			5,622		3,334
Capital expenditure and financial investment					
Purchase of tangible fixed assets		-		(366)	
Proceeds from disposal of tangible fixed assets		85		87	
Net cash inflow/(outflow) from capital expenditure and financial investment			85		(279)
Increase /(decrease) in cash	17		105,691		(100,106)

The notes on pages 11 to 19 form part of these financial statements.

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004

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 2004 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

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 2004 (*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

	2004 £	2003 £
Group and company		
This has been arrived at after charging/(crediting):		
Depreciation	2,077	6,580
Profit on disposal of fixed assets	(85)	(1,249)
Auditors' remuneration- audit services	10,500	12,500
- non-audit services	7,000	11,845

4 Staff costs

	2004 £	2003 £
Group and company		
Particulars of employee costs (including executive directors) are shown below:		
Employee costs during the year amounted to:		
Wages and salaries	236,389	389,956
Social security costs	28,390	41,064
	264,779	431,020

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	2	3
Administration	1	1
	3	4

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004 (Continued)

5 Directors' remuneration

Group and company

	2004 £	2003 £
Remuneration for the services of directors	221,639	280,000
Emoluments of highest paid director:		
Emoluments	127,691	160,000

In addition to the above, F Bailey & Sons Limited, a company of which M Williams is a director, made a charge of £15,600 (2003 - £30,550) 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

	2004 £	2003 £
Group		
a) Analysis of credit in year		
Under provision in respect of prior years	-	7
Transfer from deferred tax provision	-	(70,801)
	-	(70,794)
Company		
Payment from subsidiaries for group relief	-	(70,800)

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004 (Continued)

6 Tax on profit on ordinary activities (Continued)

b) Factors affecting tax (credit)/charge for period

The tax (credit)/charge for the period differs from the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	Group 2004 £	Group 2003 £
Profit on ordinary activities before taxation	46,901	10,280
Expected tax charge at a standard rate of UK corporation tax of 30% (2003 - 30%)	14,070	3,084
Effects of:		
Group relief	(14,070)	(3,084)
Transfer from deferred taxation account	-	(70,801)
Overprovision in prior years	-	7
Tax credit	-	(70,794)

7 Fixed asset investments

Company

Cost and net book value

At 1 August 2003 and 31 July 2004

Subsidiary
undertakings
£

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
Sussex Place II (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

In addition to the above investments in subsidiaries the company holds warrants to purchase 125,000 ordinary £1 shares in Bamboo Investments Plc 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 Plc and I Laing is a director.

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004 (*Continued*)

8 Tangible assets

	Office equipment £
Group and company	
<i>Cost</i>	
At 1 August 2003	42,038
Disposals	(2,114)
	<hr/>
At 31 July 2004	39,924
	<hr/>
<i>Depreciation</i>	
At 1 August 2003	39,318
Provided in the year	2,077
Disposals	(2,114)
	<hr/>
At 31 July 2004	39,281
	<hr/>
<i>Net book value</i>	
At 31 July 2004	643
	<hr/>
At 31 July 2003	2,720
	<hr/>

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004 (*Continued*)

9 Debtors

Group	2004 £	2003 £
Trade debtors	12,938	57,187
Other debtors	22,466	12,304
	<hr/>	<hr/>
	35,404	69,491
	<hr/>	<hr/>
Company		
Trade debtors	12,938	57,187
Other debtors	22,554	12,304
Amounts owed by group undertakings	9	43,561
	<hr/>	<hr/>
	35,501	113,052
	<hr/>	<hr/>

All amounts fall due for payment within one year.

10 Creditors: amounts falling due within one year

Group	2004 £	2003 £
Trade creditors	661	13,608
Creditors for taxation and social security	14,266	20,048
Accruals and deferred income	110,280	68,925
	<hr/>	<hr/>
	125,207	102,581
	<hr/>	<hr/>
Company		
Trade creditors	661	13,608
Creditors for taxation and social security	14,229	20,048
Accruals and deferred income	110,280	68,925
	<hr/>	<hr/>
	125,170	102,581
	<hr/>	<hr/>

Sussex Place Ventures Limited

Notes forming part of the financial statements for the year ended 31 July 2004 (*Continued*)

11 Provision for liabilities and charges

	2004	2003
Group	£	£
Deferred tax on unrealised profits		
Provided		
Transfer (to)/from profit and loss account	-	(70,801)
Balance brought forward	-	70,801
	<u> </u>	<u> </u>
Balance carried forward	-	-
	<u> </u>	<u> </u>
Unprovided	-	-
	<u> </u>	<u> </u>

12 Share capital

	2004	2003
Group and company	£	£
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
<i>Allotted and fully paid up</i>		
5,000 ordinary shares of £1 each	5,000	5,000
	<u> </u>	<u> </u>

- **Sussex Place Ventures Limited**

Notes forming part of the financial statements for the year ended 31 July 2004 (*Continued*)

13 Profit and loss account

	Group £	Company £
Balance at beginning of year	253,533	253,532
Profit for the year	46,901	46,901
	<hr/>	<hr/>
Balance at end of year	300,434	300,433
	<hr/>	<hr/>

14 Reconciliation of movements in shareholders' funds

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Profit for the year	46,901	81,074	46,901	81,079
Opening shareholders' funds	258,533	177,459	258,532	177,453
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	305,434	258,533	305,433	258,532
	<hr/>	<hr/>	<hr/>	<hr/>

15 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.

• **Sussex Place Ventures Limited**

Notes forming part of the financial statements for the year ended 31 July 2004 (*Continued*)

16 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004 £	2003 £
Operating profit	41,691	6,946
Depreciation	2,077	6,580
Decrease/(increase) in debtors	34,084	(24,504)
Increase/(decrease) in creditors	22,217	(90,934)
Profit on disposal of fixed assets	(85)	(1,249)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	99,984	(103,161)
	<hr/>	<hr/>

17 Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Increase/(decrease) in cash in the year	105,691	(100,106)
Net funds brought forward	288,907	389,013
	<hr/>	<hr/>
Net funds carried forward	394,598	288,907
	<hr/>	<hr/>

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.

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:

	2004 £	2003 £
Sussex Place Partners II LP	153,817	296,875
Sussex Place Partners II (SPIM) LP	8,080	17,406
Sussex Place Partners II (FEM) LP	13,615	29,332
Sussex Place Partners LP	55,404	53,744
Combined London Colleges University Challenge LP	109,480	106,399
	<hr/>	<hr/>