



## **CapVest Limited**

Annual report and accounts  
for the year ended 31 December 2001

Registered number: 3779692



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## **Directors' report**

For the year ended 31 December 2001

The directors present their report on the affairs of the CapVest Limited ("the Company"), together with the accounts and auditors' report, for the year ended 31 December 2001.

### **Directors' responsibilities**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

### **Principal Activity and Business Review**

The principal activity of the Company is the provision of advisory services. The directors consider the results for the year satisfactory.

Details of the results for the year are set out on page 4. The directors do not recommend the payment of a dividend for the year (2000: £Nil).

### **Directors and their interests**

The directors who served during the year were as follows:

Seamus FitzPatrick  
Edward Matthews  
Larry Mellinger  
Win Neuger  
Scott Paton  
Randl Shure

## Directors' report (continued)

### Directors and their interests (continued)

The directors who held office at 31 December 2001 had the following interests in the shares of the Company which require to be disclosed under Schedule 7 of the Companies Act:

<i>Name of director</i>	<i>Description of shares</i>	<i>Held throughout 2001 No.</i>
Randi Shure	\$10 A Ordinary shares	10,200
Seamus FitzPatrick	\$10 A Ordinary shares	4,900
Scott Paton	\$10 A Ordinary shares	4,900
Randi Shure	£1 B Ordinary Shares	1
Seamus FitzPatrick	£1 B Ordinary Shares	1
Scott Paton	£1 B Ordinary Shares	1

The directors indirectly hold the above interests as beneficiaries of trusts.

### Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

This report was approved by the Board on 25 April 2002.



Seamus FitzPatrick

Director

CapVest Limited  
100 Pall Mall  
London  
SW1Y 5NQ

**To the Shareholders of CapVest Limited**

We have audited the financial statements of CapVest Limited for the year ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, Cash flow statement, Statement of total recognized gains and losses and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

**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 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 transactions with the company 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.

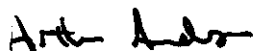
**Basis of opinion**

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 at 31 December 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

25 April 2002

3 CapVest Limited

## Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 as restated £
<b>Turnover</b>	1	3,692,969	3,310,224
Operating expenses		<u>(3,944,644)</u>	<u>(3,725,330)</u>
<b>Operating loss</b>	2	(251,675)	(415,106)
Interest receivable and similar income	3	<u>18,664</u>	<u>8,160</u>
		(233,011)	(406,946)
Interest payable and similar charges	4	<u>(67,819)</u>	<u>(67,824)</u>
<b>Loss on ordinary activities before taxation</b>		(300,830)	(474,770)
Tax on loss on ordinary activities	7	<u>67,738</u>	<u>-</u>
<b>Loss for the year</b>	13	<u>(233,092)</u>	<u>(474,770)</u>

All of the above results derive from continuing activities and there were no acquisitions in the year.

The accompanying notes form an integral part of this profit and loss account.

## Statement of total recognised gains and losses

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Loss for the financial year as previously reported		(233,092)	(380,136)
Total recognised gains and losses relating to the year		(233,092)	(380,136)
Prior year adjustments	19	(94,634)	
Total losses recognised since last annual report and financial statements		(327,726)	

The accompanying notes form an integral part of this statement of total recognised gains and losses.

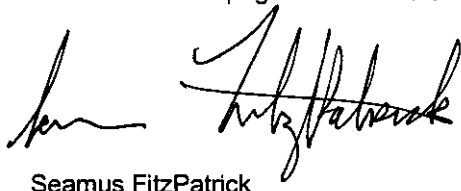
# Balance sheet

As at 31 December 2001

	Notes	2001 £	2000 as restated £
<b>Fixed assets</b>			
Tangible assets	8	<u>966,054</u>	<u>944,015</u>
<b>Current assets</b>			
Debtors	9	1,209,218	1,026,341
Cash at bank and in hand		<u>644,508</u>	<u>519,624</u>
		1,853,726	1,545,965
<b>Creditors: amounts falling due within one year</b>	10	<u>(405,328)</u>	<u>(353,471)</u>
<b>Net current assets</b>		<u>1,448,398</u>	<u>1,192,494</u>
<b>Total assets less current liabilities</b>		2,414,452	2,136,509
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(1,241,687)</u>	<u>(908,465)</u>
<b>Net assets</b>		<u>1,172,765</u>	<u>1,228,044</u>
<b>Capital and reserves</b>			
Called-up share capital	12	2,079,881	1,902,068
Profit and loss account	13	<u>(907,116)</u>	<u>(674,024)</u>
<b>Shareholders' funds</b>	14	<u>1,172,765</u>	<u>1,228,044</u>
Equity shareholders' funds		(661,226)	(428,134)
Non-equity shareholders' funds		<u>1,833,991</u>	<u>1,656,178</u>
		<u>1,172,765</u>	<u>1,228,044</u>

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

The accounts on pages 4 to 16 were approved by the Board on 25 April 2002.



Seamus FitzPatrick

Director



## Cash flow statement

For the year ended 31 December 2001

	Notes	2001 £	2000 £
<b>Net cash outflow from operating activities</b>	15	(179,698)	(1,126,393)
Return on investments and servicing of finance	16	17,914	7,828
Capital expenditure and financial investment	16	(155,975)	(952,575)
<b>Cash outflow before financing</b>		<u>(317,759)</u>	<u>(2,071,140)</u>
Financing	16	<u>442,643</u>	<u>2,179,269</u>
<b>Increase in cash in the period</b>	17	<u>124,884</u>	<u>108,129</u>

The accompanying notes form an integral part of this cash flow statement.

## Notes to the accounts

For the year ended 31 December 2001

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of preparation

The accounts have been prepared on a going concern basis. The Company is dependent upon management fee revenues and transaction revenues to ensure it meets its cost base and complies with regulatory capital requirements. To the extent that its revenues are insufficient to allow it to do so, the Company has a preference share facility and a working capital loan agreement from AIG Global Investment Group Inc, to provide financial support. On this basis the directors have adopted the going concern basis in preparing the financial statements.

#### Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	3 years
Leasehold improvements	over life of lease

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

#### Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

#### Turnover

Turnover represents amounts receivable for investment advisory services provided in the normal course of business, net of VAT, plus any transaction fees earned.

## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if appropriate at the average rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

#### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged to the profit and loss account net of VAT where appropriate on a straight line basis over the lease term, even if payments are not made on such basis.

### 2 Operating loss

	2001 £	2000 £
Is stated after charging:		
Depreciation and amounts written off tangible fixed assets		
- owned	52,929	25,543
- held under finance leases	3,867	1,799
- leasehold improvements	74,455	10,950
Auditors' remuneration for audit services	25,000	15,000
Auditors' remuneration for non-audit services	72,270	122,472

### 3 Interest receivable and similar income

Bank interest received	18,664	8,160
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### 4 Interest payable and similar charges

Loan interest payable to connected companies	56,199	49,752
Interest charge on finance lease	1,086	332
Exchange loss on foreign currency borrowings less deposits	10,534	17,740
	67,819	67,824

## Notes to the accounts (continued)

### 5 Staff costs

	Number	Number
The average monthly number of employees was:	18	12
	<hr/>	<hr/>
Aggregate remuneration comprised:	£	£
Wages and salaries	2,384,392	1,481,126
Social security costs	281,050	174,250
	<hr/>	<hr/>
	2,665,442	1,655,376
	<hr/>	<hr/>

### 6 Directors' remuneration and transactions

#### Remuneration

The remuneration of the directors included in the above comprised emoluments of £854,646 (2000 - £833,428) (including £nil of pension contributions) (2000 - £nil). The amounts for remuneration include £371,366 (2000 - £345,001) in respect of the highest paid director.

### 7 Tax on loss on ordinary activities

	2001 £	2000 £
a. Current tax:		
UK corporation tax on results of the year	-	-
Deferred tax:		
Origination and reversal of timing differences (note b)	67,738	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	67,738	-
	<hr/>	<hr/>
b. Provision for deferred tax	2001 £	2000 £
Accelerated capital allowances	(26,143)	-
Tax losses carried forward	93,881	-
	<hr/>	<hr/>
Provision for deferred tax	67,738	-
	<hr/>	<hr/>
Provision at the start of the year	-	-
Deferred tax charge in the profit and loss account for the period (note a)	67,738	-
	<hr/>	<hr/>
Provision for deferred tax	67,738	-
	<hr/>	<hr/>

## Notes to the accounts (continued)

### 8 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fittings £	Total £
<b>Cost</b>					
At 1 January 2001	790,792	67,992	36,162	90,872	985,818
Additions	118,564	25,576	-	11,835	155,975
Disposals	-	(1,091)	-	-	(1,091)
Adjustments	-	-	3,082	-	3,082
At 31 December 2001	<u>909,356</u>	<u>92,477</u>	<u>39,244</u>	<u>102,707</u>	<u>1,143,784</u>
<b>Depreciation</b>					
At 1 January 2001	10,950	19,884	4,813	6,156	41,803
Charge for the year	74,455	27,856	14,059	19,881	136,251
Disposals	-	(324)	-	-	(324)
At 31 December 2001	<u>85,405</u>	<u>47,416</u>	<u>18,872</u>	<u>26,037</u>	<u>177,730</u>
<b>Net book value</b>					
At 31 December 2001	<u>823,951</u>	<u>45,061</u>	<u>20,372</u>	<u>76,670</u>	<u>966,054</u>
At 31 December 2000	<u>779,842</u>	<u>48,108</u>	<u>31,349</u>	<u>84,716</u>	<u>944,015</u>

	Cost		Net book value	
	2001 £	2000 £	2001 £	2000 £
Office equipment	<u>8,479</u>	<u>5,397</u>	<u>2,426</u>	<u>3,148</u>

### 9 Debtors

	2001 £	2000 as restated £
Trade debtors	957,609	853,934
Other debtors	24,736	146,413
Prepayments and accrued income	159,135	25,994
Deferred tax	<u>67,738</u>	<u>-</u>
	<u>1,209,218</u>	<u>1,026,341</u>

# Notes to the accounts (continued)

## 10 Creditors: Amounts falling due within one year

	2001 £	2000 as restated £
Obligation under finance lease	2,909	1,160
Trade creditors	133,274	24,379
Taxation and social security	76,442	73,647
Other creditors	53,792	6,163
Accruals and deferred income	138,911	248,122
	<u>405,328</u>	<u>353,471</u>

## 11 Creditors: Amounts falling due after more than one year

Loans from connected company	1,130,235	853,169
Accruals and deferred income	111,452	55,296
	<u>1,241,687</u>	<u>908,465</u>

Loan interest is calculated on the principal amount outstanding at the LIBOR Base rate plus one percent.

## 12 Called-up share capital

### Authorised

40,000 A ordinary shares of \$10 each	245,884	245,884
1,000 B ordinary shares of £1 each	1,000	1,000
3,000,000 non-cumulative redeemable preference shares of \$1 each	1,987,414	1,987,414
	<u>2,234,298</u>	<u>2,234,298</u>

### Allotted, called-up and fully-paid

40,000 A ordinary shares of \$10 each	245,884	245,884
6 B ordinary shares of £1 each	6	6
2,750,000/2,500,000 non-cumulative redeemable preference shares of \$1 each	1,833,991	1,656,178
	<u>2,079,881</u>	<u>1,902,068</u>

The dividend rate is calculated at one percent above LIBOR, discounted by a factor of one minus the main corporation tax rate in force at the end of the dividend period (expressed as a fraction). Holders of these shares may attend meetings but do not hold an entitlement to vote at these meetings.

## Notes to the accounts (continued)

### 13 Reserves

	Profit and loss account as restated £
At 31 December 2000 as previously stated	(579,390)
Prior year adjustments (see note 19)	(94,634)
Restated at 31 December 2000	(674,024)
Loss for the year	(233,092)
<b>At 31 December 2001</b>	<b>(907,116)</b>

During the year the Company allotted 250,000 redeemable preference shares of \$1 each, for cash consideration of \$250,000 (£177,813).

### 14 Reconciliation of movements in shareholders' funds

	2001 £	2000 as restated £
Loss for the financial year	(233,092)	(474,770)
Share capital subscribed	177,813	1,656,178
Net addition to shareholders' funds	(55,279)	1,181,408
Opening shareholders' funds	1,228,044	46,636
<b>Closing shareholders' funds</b>	<b>1,172,765</b>	<b>1,228,044</b>

### 15 Reconciliation of operating profit to operating cash flows

	2001 £	2000 as restated £
Operating loss	(251,675)	(415,106)
Depreciation charges	136,242	38,292
Loss on disposal of fixed assets	767	-
Increase in debtors	(115,139)	(936,148)
Increase in creditors	50,107	186,569
<b>Net cash outflow from operating activities</b>	<b>(179,698)</b>	<b>(1,126,393)</b>

## Notes to the accounts (continued)

### 16 Analysis of cash flows

	2001 £	2000 £
<b>Returns on investments and servicing of finance</b>		
Interest receivable	18,664	8,160
Interest element of finance lease rentals	(750)	(332)
<b>Net cash inflow/(outflow)</b>	<u>17,914</u>	<u>7,828</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<u>(155,975)</u>	<u>(952,575)</u>
<b>Financing</b>		
Issue of preference share capital	177,813	1,656,178
New unsecured loan	266,489	526,961
Capital element of finance lease rental payments	(1,659)	(3,870)
<b>Net cash inflow</b>	<u>442,643</u>	<u>2,179,269</u>

### 17 Analysis and reconciliation of net debt

	31 December 2000 £	Cash flow £	Other non cash changes £	Exchange movement £	31 December 2001 £
Cash at bank and in hand	<u>519,624</u>	<u>124,884</u>	<u>-</u>	<u>-</u>	<u>644,508</u>
Debt – Due after 1 year	(908,465)	(266,489)	(56,199)	(10,534)	(1,241,687)
Finance lease	(1,160)	2,419	(4,658)	-	(2,909)
	<u>(909,625)</u>	<u>(264,020)</u>	<u>(60,367)</u>	<u>(10,534)</u>	<u>(1,244,596)</u>
<b>Net debt</b>	<u>(390,001)</u>	<u>(139,136)</u>	<u>(60,367)</u>	<u>(10,534)</u>	<u>(600,088)</u>



## Notes to the accounts (continued)

### 17 Analysis and reconciliation of net debt (continued)

	2001 £	2000 £
Increase in cash in the year	124,884	108,129
Cash inflow from increase in debt and lease financing	(264,080)	(523,091)
Change in net debt resulting from cash flows	(139,196)	(414,962)
Translation differences	(10,534)	(17,740)
Accrued interest	(56,199)	(49,752)
Hire purchase adjustments	(4,158)	-
Movement in net debt in year	(210,087)	(482,454)
Net debt at 31 December 2000	(390,001)	92,453
Net debt at 31 December 2001	(600,088)	(390,001)

### 18 Related party transactions

During the year, the Company borrowed a total of £266,489 from AIG Global Investment Group Inc, a shareholder. The balance of the loan, including interest, as at 31 December 2001 was £1,241,687 and the loan bears interest at LIBOR plus one percent.

### 19 Prior year adjustment

The Company made a prior year adjustment in respect of errors and omissions in the financial statements of the prior year. The effects of these errors and omissions are summarised below:

	2000 £
Over recognition of revenue	62,285
Under accrual of expenses	32,349

### Profit and loss account

Decrease in turnover	(62,285)
Increase in operating expenses	32,349
Decrease in profit for the year	94,634

### Balance sheet

Decrease in trade debtor	62,285
Increase in accruals and deferred income	32,349
Decrease in net assets	94,634

The comparative figures in the primary statements and notes have been restated to reflect the adjustment.

## Notes to the accounts (continued)

### **20 Subsequent events**

On 7 January 2002, CapVest Limited issued 250,000 \$1 preference shares for cash consideration of \$250,000 (£175,772). This issuance was under its preference share facility with its ultimate controlling party, AIG Global Investment Group Inc. The remaining balance under this facility is £nil.