

CAPVEST LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche
London**



CAPVEST LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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CAPVEST LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

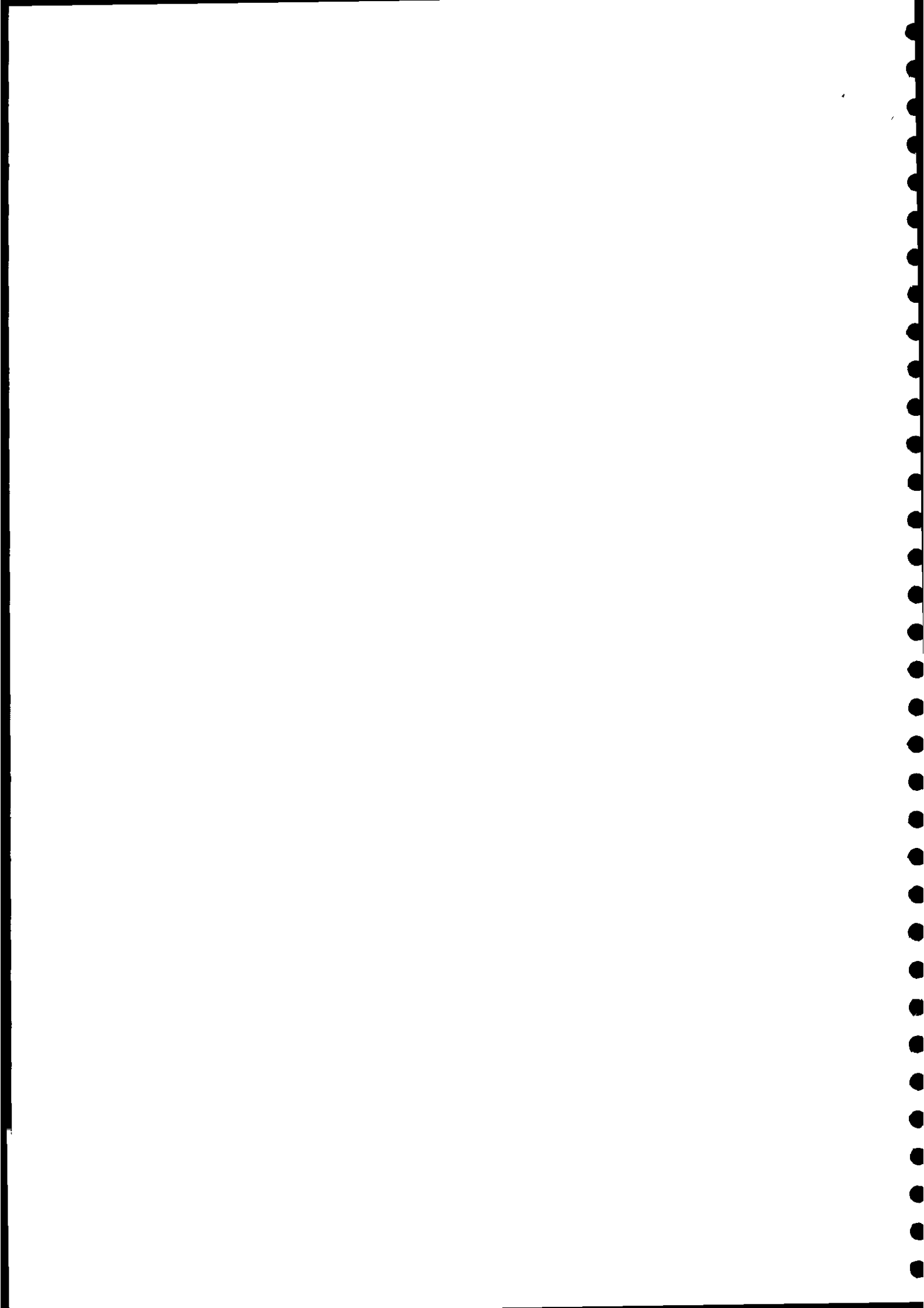
Seamus FitzPatrick

REGISTERED OFFICE

CapVest Limited
100 Pall Mall
London
SW1Y 5NQ

AUDITORS

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of advisory services. The directors consider the result for the year satisfactory, and are confident about prospects for the year ahead.

Details of the results and dividends for the year are set out on page 5.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

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

The directors who held office at 31 December 2002 had the following interests in the shares of the company which are required to be disclosed under Schedule 7 of the Companies Act:

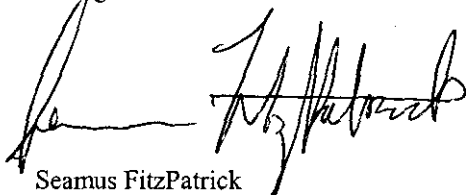
Name of director	Description of shares	2002	2001
		Number	Number
Randl Shure	\$10 A Ordinary shares	10,200	10,200
Seamus FitzPatrick	\$10 A Ordinary shares	4,900	4,900
Scott Paton (resigned)	\$10 A Ordinary shares	4,900	4,900
Randl Shure	£1 B Ordinary shares	1	1
Seamus FitzPatrick	£1 B Ordinary shares	1	1
Scott Paton (resigned)	£1 B Ordinary shares	1	1

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

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Seamus FitzPatrick

Director

17 April 2003

STATEMENT OF 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 as at the end of the financial year 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;
- 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAPVEST
LIMITED**

We have audited the financial statements of CapVest Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

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 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 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, 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 as at 31 December 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

London

17 April 2003

CAPVEST LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

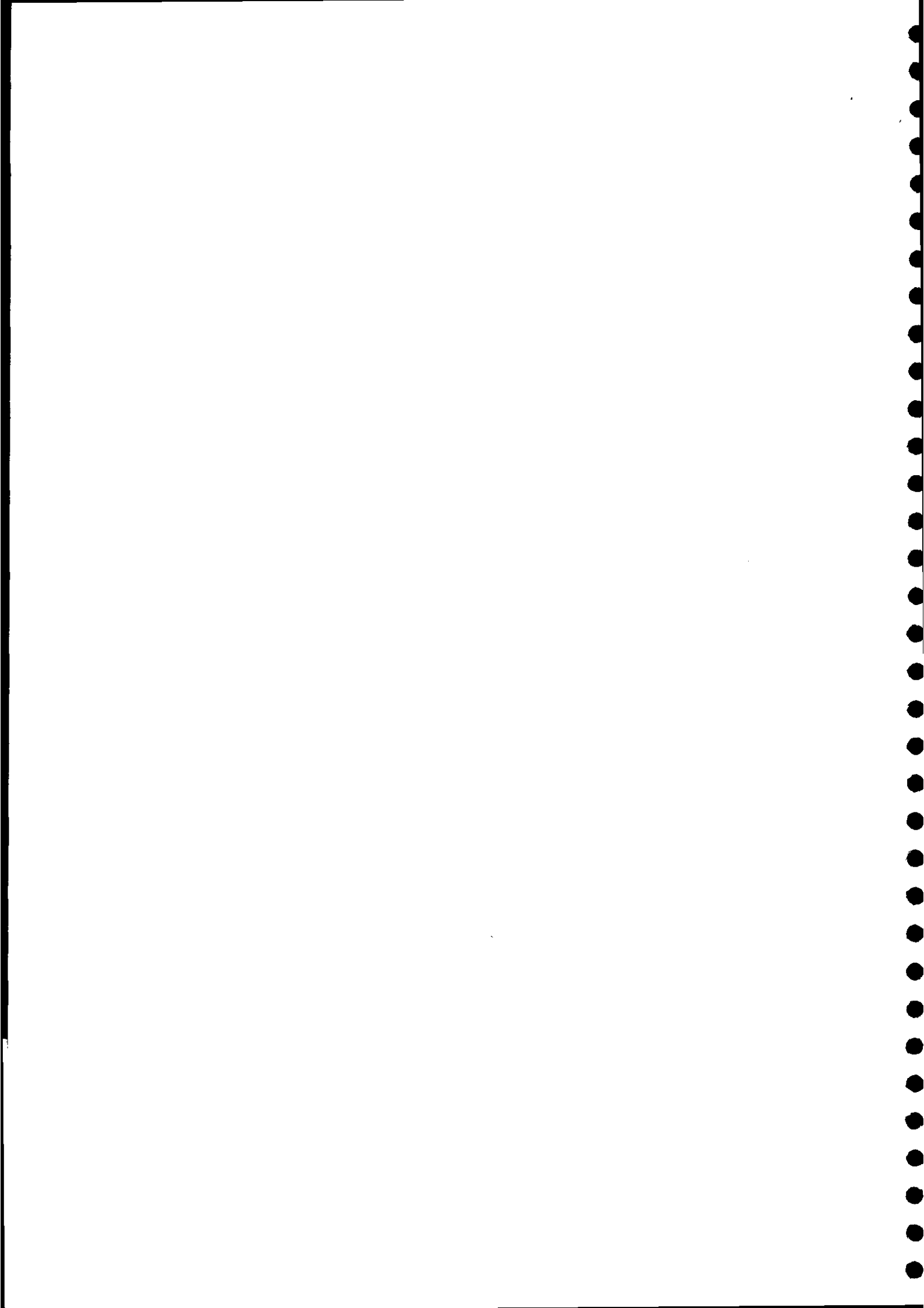
	Note	2002 £	2001 £
TURNOVER	1	6,974,556	3,692,969
Operating expenses		(5,138,185)	(3,944,644)
OPERATING PROFIT/(LOSS)	2	1,836,371	(251,675)
Interest receivable and similar income	3	57,732	18,664
Currency gains / (losses)		97,676	(10,534)
Interest payable and similar charges	4	(214,600)	(57,285)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,777,179	(300,830)
Tax (charge / credit on profit/(loss) on ordinary activities	7	(504,860)	67,738
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,272,319	(233,092)
Dividends Payable	8	(34,134)	-
RETAINED PROFIT / (LOSS) FOR THE YEAR	15	1,238,185	(233,092)

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses for the year other than the result as shown above.

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



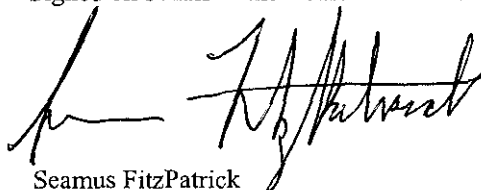
CAPVEST LIMITED

BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	9	838,996	966,054
CURRENT ASSETS			
Investments	10	261,317	-
Debtors	11	978,655	1,209,218
Cash at bank and in hand		2,471,618	644,508
		3,711,590	1,853,726
CREDITORS: amounts falling due within one year	12	(1,573,829)	(405,328)
NET CURRENT ASSETS		2,137,761	1,448,398
TOTAL ASSETS LESS CURRENT LIABILITIES		2,976,757	2,414,452
CREDITORS: amounts falling due after more than one year	13	(390,035)	(1,241,687)
NET ASSETS		2,586,722	1,172,765
CAPITAL AND RESERVES			
Called up share capital	14	2,255,653	2,079,881
Profit and loss account	15	331,069	(907,116)
SHAREHOLDERS' FUNDS	16	2,586,722	1,172,765
Equity shareholders' funds		576,959	(661,226)
Non-equity shareholders' funds		2,009,763	1,833,991
		2,586,722	1,172,765

These financial statements were approved by the Board of Directors on 17 April 2003

Signed on behalf of the Board of Directors



Seamus FitzPatrick

Director

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

CAPVEST LIMITED

CASHFLOW STATEMENT Year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow/(outflow) from operating activities	17	2,619,920	(179,698)
Return on investments and servicing of finance	18	(309,827)	17,914
Capital expenditure and financial investment	18	(10,713)	(155,975)
Cash inflow/(outflow) before financing		2,299,380	(317,759)
Financing	18	(472,270)	442,643
Increase in cash in the year	19	1,827,110	124,884

The accompanying notes are an integral part of this cashflow statement.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The accounts have been prepared on a going concern basis.

Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with accounting standards accepted 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 asset 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	3 years
Furniture and fittings	5 years
Leasehold improvements	over life of lease

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

Taxation

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

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Turnover

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

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

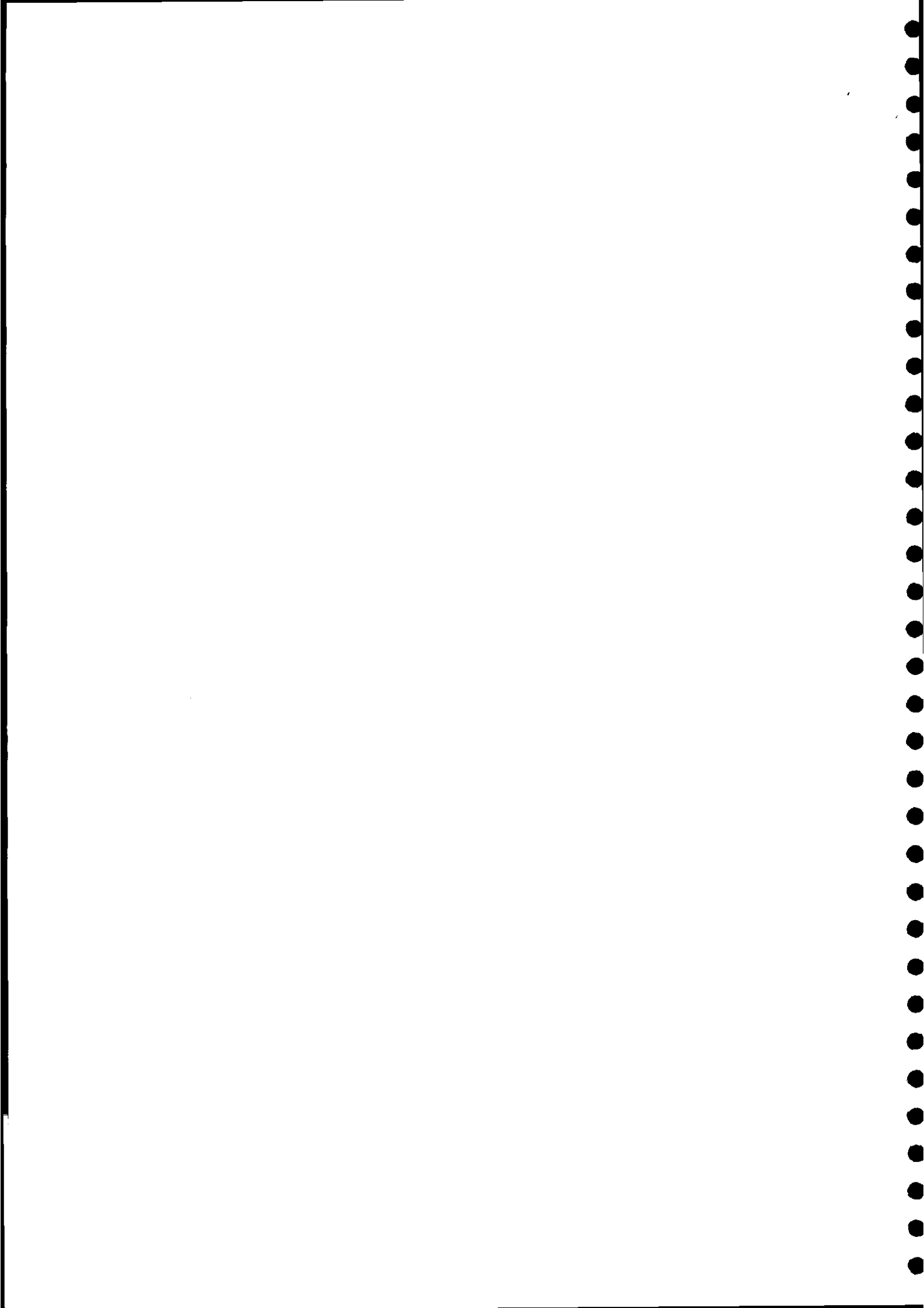
Leases

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.

Investments

Current asset investments are held at the lower of cost and net realisable value.



NOTES TO THE ACCOUNTS
Year ended 31 December 2002

2. OPERATING PROFIT

Operating profit is stated after charging:

	2002 £	2001 £
Depreciation and amounts written off tangible fixed assets		
- owned	58,242	52,929
- held under finance leases	2,426	3,867
- leasehold improvements	77,103	74,455
Auditors' remuneration for audit services	17,000	25,000
Auditors' remuneration for non-audit services	22,990	72,270
	<u>22,990</u>	<u>72,270</u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Other interest receivable	11,945	-
Bank interest received	45,787	18,664
	<u>57,732</u>	<u>18,664</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Loan interest payable to connected companies	213,850	56,199
Interest charge on finance leases	750	1,086
	<u>214,600</u>	<u>57,285</u>

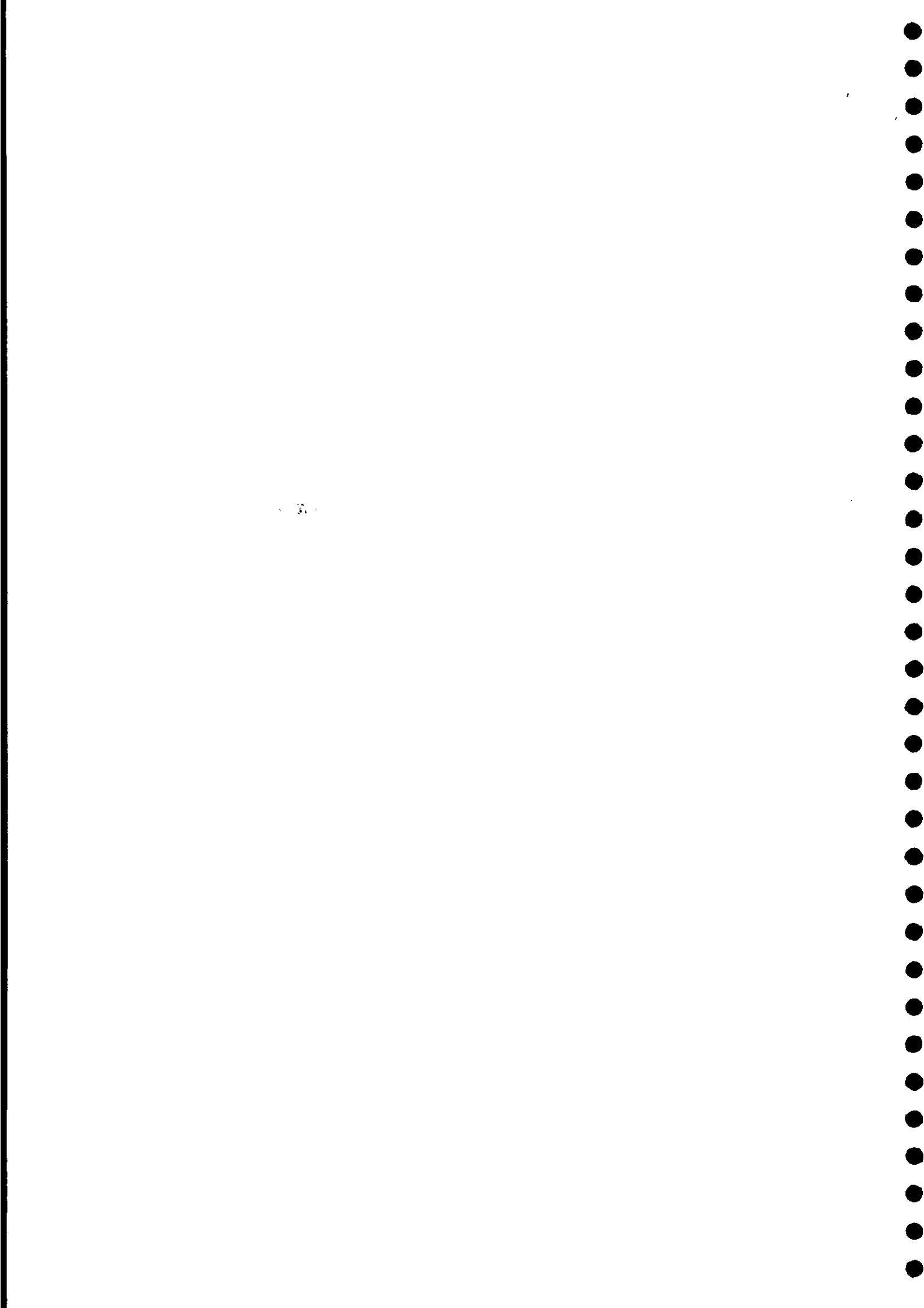
5. STAFF COSTS

The average number of employees during the year was:

2002 Number	2001 Number
<u>17</u>	<u>18</u>

Aggregate remuneration comprised:

	2002 £	2001 £
Wages and salaries	3,332,070	2,384,392
Social security costs	391,344	281,050
	<u>3,723,414</u>	<u>2,665,442</u>



NOTES TO THE ACCOUNTS

Year ended 31 December 2002

6. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors included in the above comprised emoluments of £928,410 (2001 - £854,646) (including £nil of pension contributions). The amounts for remuneration include £357,097 (2001 - £371,366) in respect of the highest paid director.

7. ANALYSIS OF TAX CHARGE ON ORDINARY ACTIVITIES

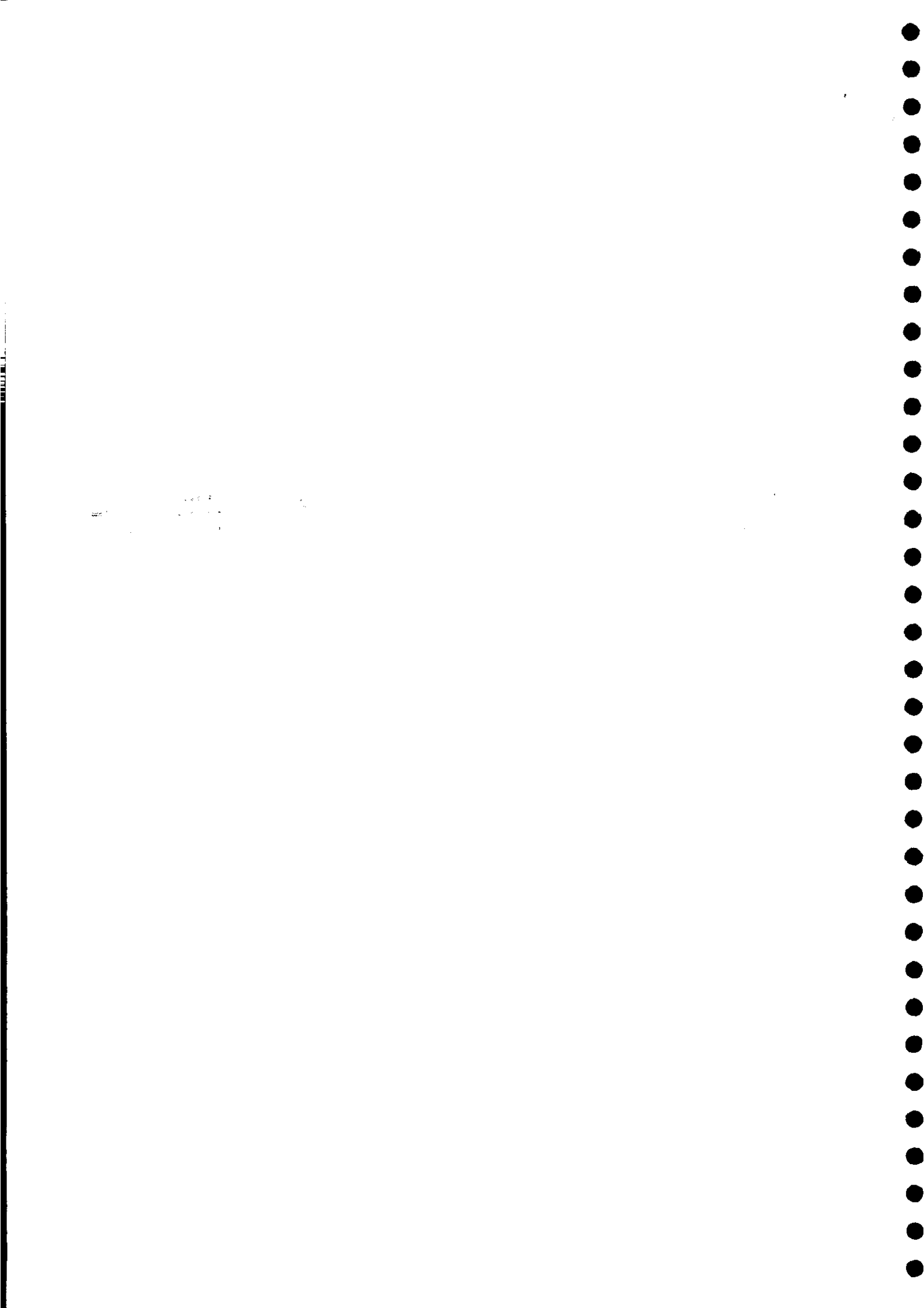
	2002	2001
	£	£
UK corporation tax	393,193	-
Deferred Taxation	186,426	(67,738)
Adjustment in respect of prior years	(74,759)	-
	<u>504,860</u>	<u>(67,738)</u>

FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD

	2002
	£
Profit on ordinary activities before tax	<u>1,777,179</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(533,155)
Effects of:	
Expenses not deductible for tax purposes	(46,465)
Capital allowances in excess of depreciation	(1,721)
Utilisation of tax losses	154,952
Movement in short term timing differences	33,196
Current tax charge for period	<u>(393,193)</u>

8. DIVIDENDS AND OTHER APPROPRIATIONS

	2002	2001
	£	£
Non-equity dividends on preference shares:		
Interim paid	-	-
Final Paid	34,134	-
	<u>34,134</u>	<u>-</u>



NOTES TO THE ACCOUNTS Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer Equipment £	Office Equipment £	Furniture And Fittings £	Total £
Cost					
At 1 January 2002	909,356	92,477	39,244	102,707	1,143,784
Additions	-	10,438	-	275	10,713
At 31 December 2002	909,356	102,915	39,244	102,982	1,154,497
Depreciation					
At 1 January 2002	85,405	47,416	18,872	26,037	177,730
Additions	77,103	27,411	12,683	20,574	137,771
At 31 December 2002	162,508	74,827	31,555	46,611	315,501
Net book value					
At 31 December 2002	746,848	28,088	7,689	56,371	838,996
At 31 December 2001	823,951	45,061	20,372	76,670	966,054

Assets held on finance lease:

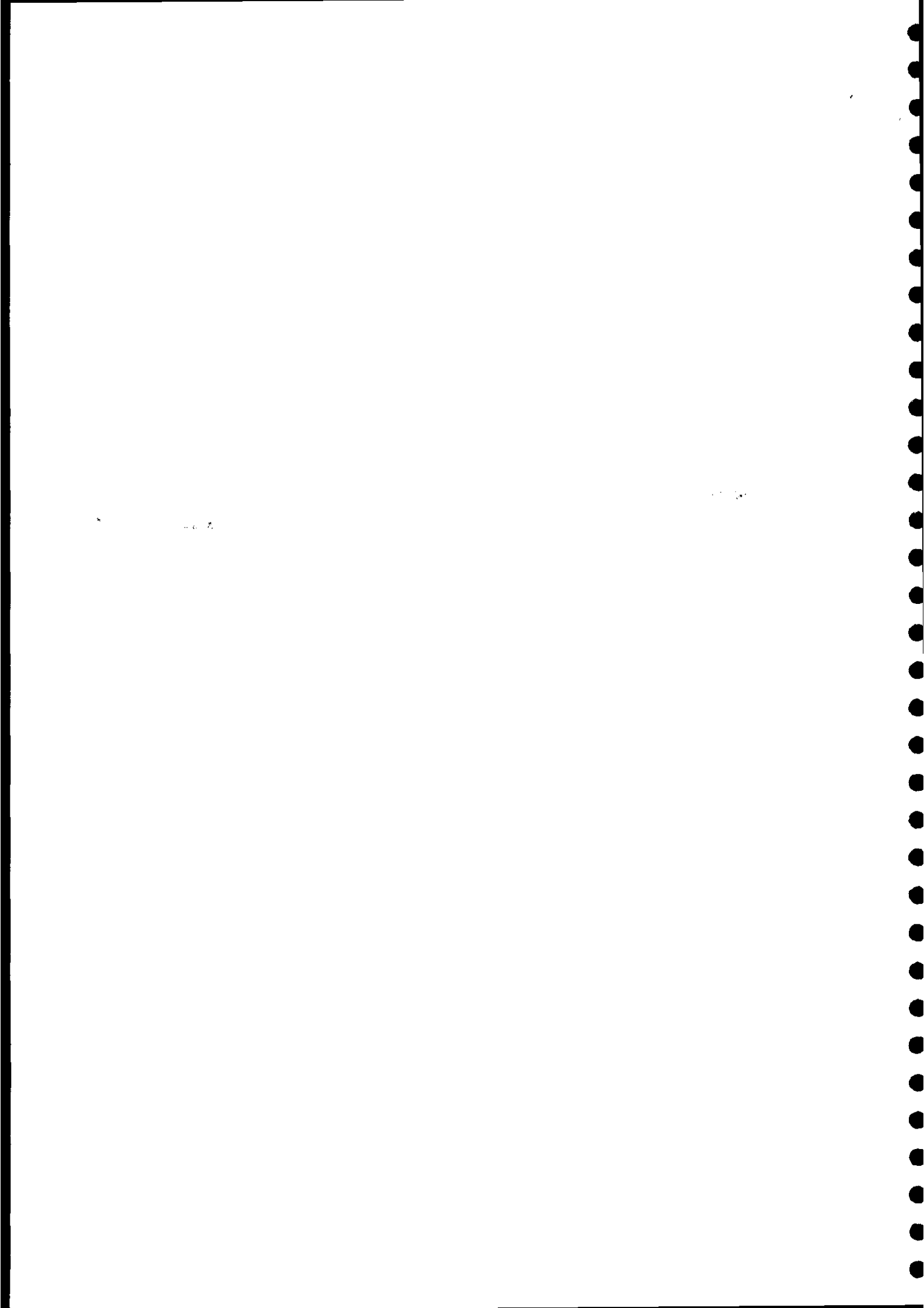
	Cost		Net book value	
	2002	2001	2002	2001
	£	£	£	£
Office equipment	-	8,479	-	2,426

10. INVESTMENTS

	2002 £
Valuation:	
Listed investments – market value	261,317

11. DEBTORS

	2002 £	2001 £
Trade debtors	438,216	957,609
Other debtors	359,180	24,736
Interest receivable	11,945	-
Prepayments, accrued income and deferred expenses	169,314	159,135
Deferred tax	-	67,738
	978,655	1,209,218



NOTES TO THE ACCOUNTS

Year ended 31 December 2002

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Obligation under finance lease	-	2,909
Trade creditors	120,214	133,274
Corporation tax	393,193	-
Taxation and social security	496,241	76,442
Other creditors	13,489	53,792
Accruals and deferred income	506,763	138,911
Deferred tax	43,929	-
	<u>1,573,829</u>	<u>405,328</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Loan from connected company	390,035	1,130,235
Accruals and deferred income	-	111,452
	<u>390,035</u>	<u>1,241,687</u>

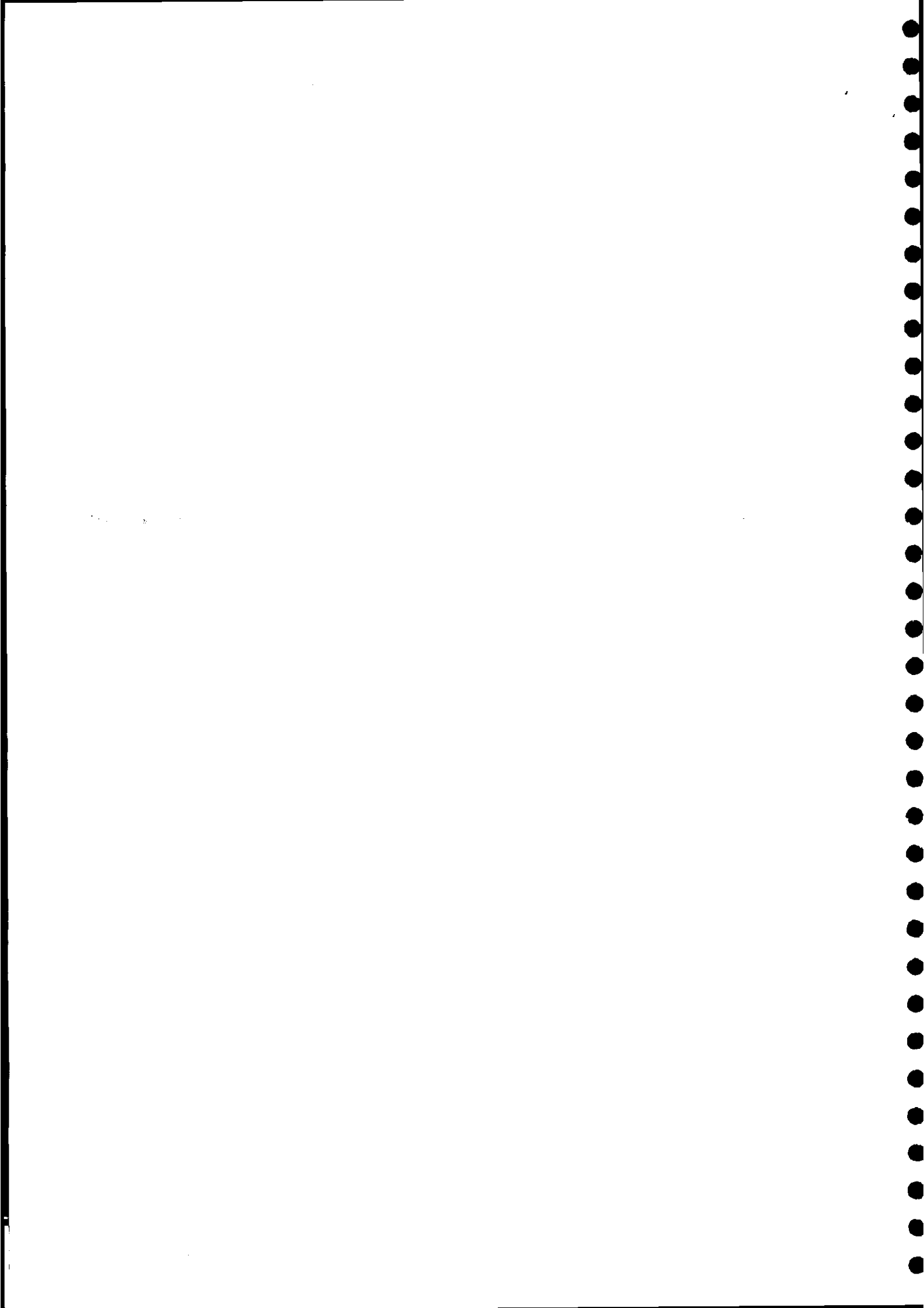
Loan interest is calculated on the principal amount outstanding at the LIBOR Base rate plus one percent.

14. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
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	2,009,763	1,987,414
	<u>2,256,647</u>	<u>2,234,298</u>
Allotted, called up, and not yet paid		
40,000 A ordinary shares of \$10 each	245,884	245,884
6 B ordinary shares of £1 each	6	6
3,000,000/2,750,000 non-cumulative redeemable preference shares of \$1 each	2,009,763	1,833,991
	<u>2,255,653</u>	<u>2,079,881</u>

The dividend rate on the preference shares is calculated at 1% 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. The preference shares are only redeemable, at par, at the company's option. Holders of the preference shares have the right on a winding-up to be repaid at par in priority to any other classes of shares.

All shares issued in the current and prior years have been at par value for cash.



CAPVEST LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. RESERVES

	Profit and loss account £
At 31 December 2001	(907,116)
Profit for the year	1,238,185
At 31 December 2002	<u>331,069</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

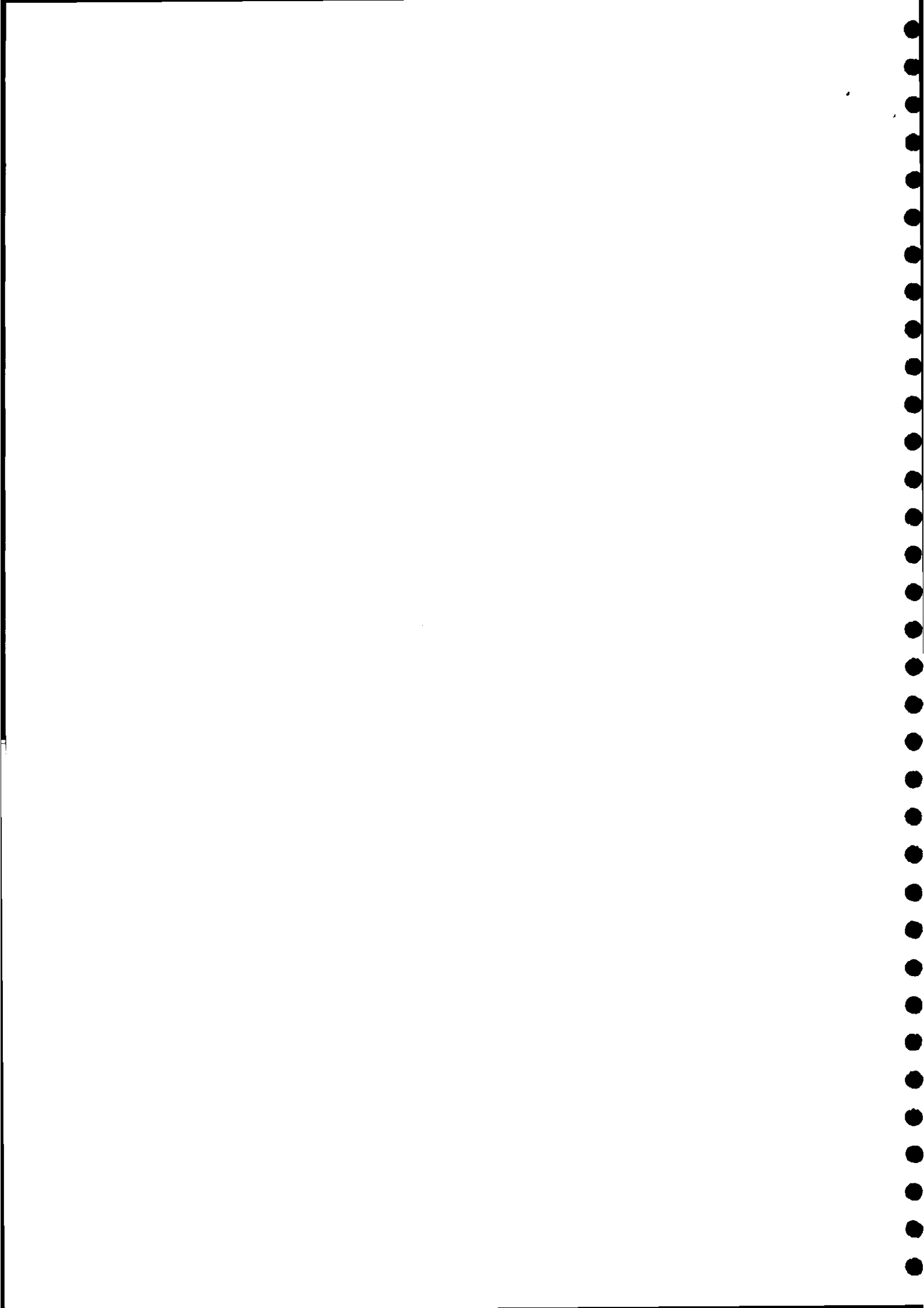
	2002 £	2001 £
Profit/(loss) for the financial year	1,238,185	(233,092)
Share capital subscribed	175,772	177,813
Net addition to shareholders' funds	1,413,957	(55,279)
Opening shareholders' funds	1,172,765	1,228,044
Closing shareholders' funds	<u>2,586,722</u>	<u>1,172,765</u>

17. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2002 £	2001 £
Operating profit/(loss)	1,836,371	(251,675)
Depreciation charges	137,771	136,242
Loss on disposal	-	767
Current asset investment	(261,317)	-
Decrease in debtors	174,770	(115,139)
Increase in creditors	732,325	50,107
Net cash inflow/(outflow) from operating activities	<u>2,619,920</u>	<u>(179,698)</u>

18. ANALYSIS OF CASH FLOWS

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest receivable	45,787	18,664
Interest element of finance lease rentals	(750)	(750)
Interest payable on unsecured loan	(319,972)	-
Preference dividends paid	(34,892)	-
Net cash (outflow)/inflow	<u>(309,827)</u>	<u>17,914</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(10,713)</u>	<u>(155,975)</u>



NOTES TO THE ACCOUNTS

Year ended 31 December 2002

Financing

Issue of ordinary share capital	-	-
Issue of preference share capital	175,772	177,813
New unsecured loan	-	266,489
Capital element of finance lease rental payments	(2,909)	(1,659)
Principle repaid on unsecured loan	(645,133)	-
Net cash (outflow)/inflow	(472,270)	442,643

19. ANALYSIS AND RECONCILIATION OF NET DEBT

	31 December 2001 £	Cashflow £	Other non cash charges £	Exchange movement £	31 December 2002 £
Cash at bank and in hand	644,508	1,827,110	-	-	2,471,618
Debt – due after 1 year	(1,241,687)	965,108	(213,850)	98,433	(391,996)
Finance lease	(2,909)	3,659	(750)	-	-
	(1,244,596)	968,767	(214,600)	98,433	(391,996)
Net (debt)/cash	(600,088)	2,795,877	(214,600)	98,433	2,079,622

	2002 £	2001 £
Increase in cash in the year	1,827,110	124,884
Cash inflow/(outflow) from increase in debt and lease financing	968,767	(264,080)
Change in net debt resulting from cash flows	2,795,877	(139,196)
Translation differences	98,433	(10,534)
Accrued interest	(213,850)	(56,199)
Hire purchase adjustments	(750)	(4,158)
Movement in net cash / (debt) in year	2,679,710	(210,087)
Net debt at 31 December 2001	(600,088)	(390,001)
Net cash/(debt) at 31 December 2002	2,079,622	(600,088)

20. RELATED PARTY TRANSACTIONS

During the year CapVest Ltd had a long-term subordinated loan with AIG Global Investment Group Inc., a shareholder in CapVest Ltd. The maximum principal balance on this loan during the year was £1,165,325. A principal repayment of £645,133 and accrued interest of £319,975 and dividends of £34,892 were made to AIG during December 2002, the balance remaining on this loan as at 31 December 2002 was £390,035. The loan bears interest at LIBOR plus 1%.

