NPI Ventures Limited

Directors' report and financial statements

31 March 2006

Registered number 4388436

Contents

Directors' report

for the year ended 31 March 2006

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activities and review of the business

NPI Ventures was formed in order to invest in a diverse portfolio of investments including established businesses and early-stage research and technology derived spin-out companies which it has continued to do in the year under review.

The Company continues to hold a 51% interest comprising loan notes and warrants in MSA Acquisitions Limited, which is the holding Company for the RoadChef motorway service area operator.

Results and dividend

The loss for the year ended 31 March 2006 was £5,074,000 (2005: loss of £4,074,000). The directors consider the results to be satisfactory given the nature of the investments made which are not expected to generate a return in the short term. The directors do not recommend the payment of a dividend (2005: nil).

Future development of the business

NPI Ventures is committed to identifying and investing in any potentially profitable start up companies as identified by Imperial College, Biofusion, and other institutions as well as enhancing the companies purchased by supporting management in the development and implementation of their strategies.

Post balance sheet events

On 20 April 2006 the Company purchased 1.5 million shares in Biofusion Plc for a purchase price of £2,000,000 to hold as an investment. NPIV subsequently committed to purchase 1,172,413 shares at a cost of £1,700,000.

The market value of a listed investment held by the Company has fallen from £5,162,854 at the year end to £3,926,123 by the date on which these financial statements were approved.

Financial risk management

The nature of the Company's operations exposes it to a limited number of financial risks, primarily in relation to credit risk, liquidity risk and, interest rate cash flow risk.

The Company business plan does not lend itself to matching borrowing terms to investment terms, as it involves making short term borrowings from the parent company to fund investments with a three to five year investment horizon.

The principal risks facing the business are described below:

Credit Risk

The Company has implemented policies that require appropriate understanding of the expected returns on capital invested. The amount of exposure to any individual counterparty is subject to a limit which is reassessed should additional funding be requested. The Company borrows solely from its parent company, and does not utilise external debt funding.

Directors' report

for the year ended 31 March 2006 (continued)

Liquidity Risk

The Company is exposed to liquidity risk as all its borrowings are short term and therefore are not matched to the term of the investments, as the investments are expected to be held for 3 to 5 years. The Company mitigates this risk as it does not utilise third party finance, but borrows solely from its parent company.

Interest rate cash flow risk

The Company is exposed to interest rate cash flow risk as it has interest bearing liabilities, which are entirely at a variable rate, but it has no interest bearing assets. The Company does not use derivative financial instruments to manage interest rate costs, although the directors will revisit the appropriateness of this policy should the Company's operations change significantly in size or nature.

Directors and directors' interests

The directors who held office during the year were as follows:

Brian Berry
Quentin Zentner
Simon Oakland

According to the Register of Directors' Interests maintained under Section 325 of the Companies Act 1985, none of the directors had, at the end of the financial year, any interest pursuant to Section 324 of the Companies Act 1985 in the Company.

In addition, according to the Register maintained under Section 325 of the Companies Act 1985, none of the directors or any member of their respective immediate family (as defined in paragraph 2(B) (3) of Schedule VII of the Companies Act 1985) was granted or exercised during the financial year any right to subscribe for shares in or debentures of the Company.

Company Secretary

The Secretary who held office during the year was:

John Beck

Political and charitable donations

The Company made no political contributions or donations to UK charities during the year.

Directors' report

for the year ended 31 March 2006 (continued)

Statement of disclosure of information to auditors

The directors confirm that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Principal place of business

The Company is managed and controlled in the UK. The office of the Company and the location of the board meetings throughout the year was 100 Pall Mall, London SW1Y 5NN.

Auditors

The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for the dispensation from the annual appointment of auditors. The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

By order of the board

JHBeck

John Beck
Secretary to NPI Ventures Limited
100 Pall Mall
London
SW1Y 5NN
14 December 2006

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 and of the profit or loss of the Company for that year. 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 departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

B Berry
Chief Executive Officer

14 December 2006

Independent auditors' report to the members of NPI Ventures Limited

We have audited the financial statements of NPI Ventures Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 December 2006

NPI Ventures Limited
Profit and loss account

for the year ended 31 March 2006

	Note	2006 £000	2005 £000
Investment income	*1,2*	**(875)**	(10,151)
Administrative expenses		**(11)**	(61)
Operating loss		**(886)**	(10,212)
Interest payable and similar charges	*6*	**(4,188)**	(653)
Exceptional item – waiver of loan	*7*	**-**	6,791
Loss on ordinary activities before taxation	*8*	**(5,074)**	(4,074)
Taxation on loss on ordinary activities	*9*	**-**	-
Retained loss for the financial year	*15*	**(5,074)**	(4,074)

The investment income and loss on ordinary activities before taxation, are derived from ordinary continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

The Company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 10 to 16 form part of these financial statements.
Auditors' report – page 7

NPI Ventures Limited
Balance sheet
at 31 March 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Investments	*10*		**4,952**		2,866
Current assets					
Debtors	*11*	**38,309**		38,314	
Investments	*12*	**31,692**		31,692	
Cash at bank and in hand		**3**		3	
		70,004		70,009	
Creditors: amounts falling due within one year	*13*	**(82,263)**		(75,108)	
Net current liabilities			**(12,259)**		(5,099)
Net liabilities			**(7,307)**		(2,233)
Capital and reserves – Equity					
Called up share capital	*14*		**410**		410
Capital contribution reserve	*15*		**2,340**		2,340
Profit and loss account	*15*		**(10,057)**		(4,983)
Total shareholder's deficit	*16*		**(7,307)**		(2,233)

The financial statements on pages 8 to 16 were approved by the board of directors on 14 December 2006 and signed on its behalf by:

B Berry
Chief Executive Officer

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

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Notes to the financial statements

for the year ended 31 March 2006

1 Accounting policies

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, and with applicable Accounting Standards issued by the Accounting Standards Board. As the Company is an investment Company, and holds its investments as a portfolio with a view to realising value through their ultimate marketable value, compliance with Financial Reporting Standard 9, Associates, Joint Ventures and Other Arrangements, requires a departure from the requirements of the Companies Act 1985 relating to the accounting for certain investments as described in the accounting policy below.

The following paragraphs describe the main policies.

Investment Income

Investment income represents net profits and losses from disposal of investments less provisions made during the year for the diminution of value of investments held.

Investment income has been disclosed instead of turnover as this reflects more meaningfully the nature and the results of the Company's activities.

Deferred Tax

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 by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely that not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investments

All investments that are acquired with the intention of holding them for the long term or to maturity are treated as fixed asset investments, and are valued at cost less provision for permanent diminution in value. Investments in early stage research and technology derived spin-off companies are included in this classification. Fixed asset investments are treated as a portfolio; provisions for permanent diminution are provided on a portfolio basis reflecting the speculative nature of the initial investments.

All other investments are treated as current asset investments and are valued at the lower of cost or net realisable value.

The intention of holding each asset is regularly reviewed and if appropriate, the investment classification altered accordingly.

In certain cases, the Company may hold more than 20% of the issued share capital, or the rights to more than 20% of the issued share capital, or be able to exercise significant influence over the operating and financial activities of the investee Company. These investments are accounted for in the same way as the other investments in the Company's investment portfolio as permitted by the exemption for venture capital companies in Financial Reporting Standard 9. This is a departure from the requirements of the Companies Act 1985 which requires such investments to be treated as associate companies and equity accounted as, in the opinion of the directors, it is necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards. The effect of the departure cannot be reasonably identified and quantified, as the information necessary to apply equity accounting is not readily available to the Company.

Cashflow statement

The Company is a wholly owned subsidiary of Nikko Principal Investments Limited and is included in the consolidated financial statements of NPIL Hold Co Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

Notes to the financial statements
for the year ended 31 March 2006

2 Investment income

	2006 £000	2005 £000
Provisions for diminution in value of investments	**(875)**	(10,151)

3 Segmental reporting

All significant business transactions concluded by the Company are conducted with companies that are resident in the UK and the directors are of the opinion that the Company's activities constitute a single business.

4 Directors' emoluments

The directors received no emoluments in respect of their services to the Company during the year (2005: nil).

5 Employee information

There were no staff employed by the Company during the year (2005: nil).

6 Interest payable and similar charges

	2006 £000	2005 £000
Interest payable to other group undertakings	**4,188**	653

7 Exceptional item

On 10 February 2005, the Company was sold by its parent Company, Nikko Securities Global Holdings Limited ("NSGH"), to Nikko Principal Investments Limited ("NPIL"), another group company. Prior to the sale, NSGH agreed to irrevocably release the Company from repaying £6,790,763 of its loan obligation, which has been credited to the profit and loss account in the prior financial year. NPIL made a loan to the Company to enable it to settle its remaining loan and interest obligations to NSGH.

Notes to the financial statements
for the year ended 31 March 2006

8 Loss on ordinary activities before taxation

	2006	2005
The loss before taxation is stated after charging:	**£000**	£000
Auditors' remuneration	**6**	12

9 Tax on loss on ordinary activities

Analysis of charge during the year:

	2006	2005
	£000	£000
United Kingdom		
Corporation tax at 30%	-	-
Deferred Tax	-	-
Tax on loss on ordinary activities	-	-

	2005	2004
	£000	£000
Loss on ordinary activities before tax	**(5,074)**	(4,074)
Loss on ordinary activities multiplied by the standard tax rate of corporation tax in the UK of 30%	**(1,522)**	(1,222)
Effects of :		
Expenses not deductible for tax purposes	**262**	56
Transfer pricing adjustment relating to interest payable on NPIL loan	**1,260**	3,203
Non taxable income	-	(2,037)
Current tax charge for the year	-	-

Notes to the financial statements

for the year ended 31 March 2006

10 Fixed asset investments

	2006	2005
	£'000	£'000
Cost		
At 1 April	**3,860**	2,485
Additions	**2,961**	1,375
At 31 March	**6,821**	3,860
Provision for diminution		
At 1 April	**994**	844
Charge for the year	**875**	150
At 31 March	**1,869**	994
Net book value	**4,952**	2,866

Fixed asset investments comprise listed and unlisted investments. The listed investments, with a cost of £1,010,131 (2005: £1,010,131) are listed on the Alternative Investment Market and had a market value of £5,162,854 at 31 March 2006 (2005: £1,903,826). The unlisted investments, with a cost of £5,810,691 (2005: £2,849,991) are valued by the directors at £4,622,207 (2005: £2,231,563) at 31 March 2006.

11 Debtors: amounts falling due within one year

	2006	2005
	£000	£000
Amount owed by group undertakings	**38,308**	38,308
Other debtors	**1**	6
	38,309	38,314

The amount owed by group undertakings includes the value of the deferred interest on the MSA Acquisitions Limited loan notes. See Note 12 for further details.

Notes to the financial statements
for the year ended 31 March 2006

12 Current asset investments

	2006	2005
	£'000	£'000
Cost:		
At 1 April and 31 March	**41,692**	41,692
Provision:		
At 1 April	**10,000**	-
Charge for the year	**-**	10,000
At 31 March	**10,000**	10,000
Net book value	**31,692**	31,692

The Company holds an investment comprising loan notes, deferred interest on those notes and warrants which represent a 51% interest in MSA Acquisitions Limited. The loan notes and warrants are included in the table above. The deferred interest acquired is included in Debtors: amounts falling due within one year.

All the investments held at 31 March 2006 are unlisted with a directors' valuation of £31,691,673 (2005: £31,691,673).

MSA Acquisitions Limited is registered in England and is the holding Company for the RoadChef group of companies, which operate motorway service areas in the UK. The Company has no interest in the issued ordinary shares of MSA Acquisitions Limited. Although the Company holds warrants which, when exercised, would entitle the Company to 100% of the issued Ordinary B shares and give it an overall 51% interest, a minority shareholder has certain rights reserved to it which means that the Company does not have control.

13 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Amount due to group undertakings	**82,257**	75,089
Other creditors	**6**	19
	82,263	75,108

Amounts due to group undertakings are unsecured and repayable on demand and bear interest at 0.75% above LIBOR.

Notes to the financial statements
for the year ended 31 March 2006

14 Called up share capital

	2006 £000	2005 £000
Authorised		
100,000,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
410,002 ordinary shares of £1 each	**410**	410

15 Reserves

	Capital Contribution Reserve £000	Profit and loss account £000
At 1 April 2005	**2,340**	**(4,983)**
Retained loss for the financial year	**-**	**(5,074)**
At 31 March 2006	**2,340**	**(10,057)**

16 Reconciliation of movements in shareholder's funds / (deficit)

	2006 £000	2005 £000
At 1 April	**(2,233)**	1,841
Loss for the financial year	**(5,074)**	(4,074)
Shareholder's deficit at 31 March	**(7,307)**	(2,233)

17 Capital and other commitments

The Company had no commitments at 31 March 2006 (2005: nil).

Notes to the financial statements

for the year ended 31 March 2006

18 Contingent liabilities

The Company had no contingent liabilities at 31 March 2006 (2005: nil).

19 Related party transactions

As 100% of the Company's voting rights are controlled within the group headed by Nikko Cordial Corporation, the Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

20 Post balance sheet events

On 20 April 2006 the Company purchased 1.5 million shares in Biofusion Plc for a purchase price of £2,000,000 to hold as an investment. NPIV subsequently committed to purchase 1,172,413 shares at a cost of £1,700,000.

The market value of a listed investment held by the Company has fallen from £5,162,854 at the year end to £3,926,123 by the date on which these financial statements were approved.

21 Parent and controlling undertaking

Name	Country of Registration or incorporation	Address from where group accounts are obtainable
Immediate Parent Company		
Nikko Principal Investments Limited	United Kingdom	100 Pall Mall, London, SW1Y 5NN
Intermediate Holding Company		
NPIL Hold Co Limited	United Kingdom	100 Pall Mall, London, SW1Y 5NN
Ultimate Parent Company		
Nikko Cordial Corporation	Japan	6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103-8825 Japan

The parent undertaking of the smallest and largest group that presents consolidated financial statements including the results of the Company is NPIL Hold Co Limited, a company registered in England & Wales. Nikko Cordial Corporation, a company incorporated in Japan, has beneficial ownership of the entire issued share capital of NPIL Hold Co Limited.