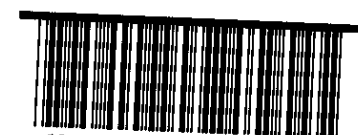


Albany Venture Managers (Holdings) Limited

Group financial statements

For the year ended 30 September 2003

Grant Thornton 



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COMPANIES HOUSE 23/01/04

Company No. SC207268

Company information

Company Registration Number	SC207268
Registered Office	16 Charlotte Square Edinburgh EH2 4DF
Directors	Mr R J Abbott Mr I R Christie Mr J G Morrison Mr G M Murray Mr J P H S Scott
Secretary	DM Company Services Limited
Bankers	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF
Auditors	Grant Thornton Chartered Accountants Registered Auditors 1-4 Atholl Crescent EDINBURGH EH3 8LQ

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Report of the directors

The directors present their report and the financial statements of the group for the year ended 30 September 2003.

Principal activities and business review

The group operates principally as a venture capitalist fund management group.

There was a profit for the year after taxation amounting to £65,710 (2002: £35,210).

Results and dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £ 1 each	
	At 30 September 2003	At 1 October 2002
Mr R J Abbott	123	110
Mr I R Christie	29	25
Mr J G Morrison	73	65
Mr G M Murray	-	-
Mr J P H S Scott	-	-
	<hr/>	<hr/>

Mr A M Watt retired as a director on 10 March 2003.

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 group at the end of the year and of the group's profit or loss for the year then ended. 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

During the year the company made the following contributions:

	2003	2002
	£	£
Charitable	680	50

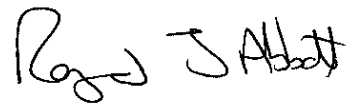
Purchase of own shares

During the year the company purchased 1 issued A ordinary share of £1 at a total cost of £1 as part of the programme of restructuring capital to shareholders. In addition the company also redeemed 170,000 cumulative redeemable £1 preference shares out of capital.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Mr R J Abbott

Director

19 January 2004

Report of the independent auditors to the members of Albany Venture Managers (Holdings) Limited

We have audited the financial statements of Albany Venture Managers (Holdings) Limited for the year ended 30 September 2003 which comprise the principal accounting policies, group profit and loss account, group balance sheet and company balance sheet, group cash flow statement and notes 1 to 24. 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 opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and 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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 September 2003 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS



19 January 2004

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Equipment	- 3 years
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Pension costs

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

Investments are included at cost.

Group profit and loss account

	Note	2003 £	2002 £
Turnover	1	702,261	546,943
Cost of sales		385,930	344,399
Gross profit		316,331	202,544
Other operating charges	2	231,835	170,063
Operating profit	3	84,496	32,481
Interest receivable	6	10,537	6,212
Profit on ordinary activities before taxation		95,033	38,693
Tax on profit on ordinary activities	7	29,323	3,483
Profit on ordinary activities after taxation	8	65,710	35,210
Dividends (including non-equity)	9	(18,133)	18,133
Retained profit for the financial year		83,843	17,077

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.
The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

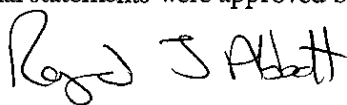
The accompanying accounting policies and notes form part of these financial statements.

Group balance sheet

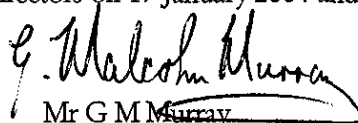
	Note	2003 £	2002 £
Fixed assets			
Tangible assets	10	4,802	4,088
Investments	11	547	120
		<u>5,349</u>	<u>4,208</u>
Current assets			
Debtors	12	33,955	15,757
Cash at bank		244,956	344,227
		<u>278,911</u>	<u>359,984</u>
Creditors: amounts falling due within one year	13	250,930	244,839
Net current assets		<u>27,981</u>	<u>115,145</u>
Total assets less current liabilities		<u>33,330</u>	<u>119,353</u>
Provisions for liabilities and charges			
Deferred taxation	15	912	777
		<u>32,418</u>	<u>118,576</u>
Capital and reserves			
Called-up share capital	19	225	170,226
Other reserves	20	3,480	-
Profit and loss account	20	28,713	(51,650)
		<u>32,418</u>	<u>118,576</u>
Shareholders' funds:	21		
Equity		32,418	(51,424)
Non-equity		-	170,000
		<u>32,418</u>	<u>118,576</u>

These financial statements were approved by the directors on 19 January 2004 and are signed on their behalf by:

Mr R J Abbott



Mr G M Murray



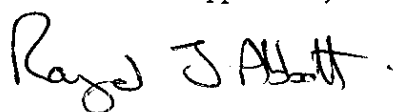
The accompanying accounting policies and notes form part of these financial statements.

Company Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	10	4,802	4,088
Investments	11	10,429	10,002
		<u>15,231</u>	<u>14,090</u>
Current assets			
Debtors	12	46,278	146,925
Cash at bank		53,339	87,963
		<u>99,617</u>	<u>234,888</u>
Creditors: amounts falling due within one year	13	110,231	134,851
Net current (liabilities)/ assets		<u>(10,614)</u>	<u>100,037</u>
Total assets less current liabilities		<u>4,617</u>	<u>114,127</u>
Provisions for liabilities and charges			
Deferred taxation	15	912	777
		<u>3,705</u>	<u>113,350</u>
Capital and reserves			
Called-up share capital	19	225	170,226
Other reserves	20	3,480	-
Profit and loss account	20	-	(56,876)
		<u>3,705</u>	<u>113,350</u>
Shareholders' funds			
Equity		3,705	(56,650)
Non-equity		-	170,000
		<u>3,705</u>	<u>113,350</u>

These financial statements were approved by the directors on 19 January 2004 and are signed on their behalf by:

Mr R J Abbott



Mr G M Murray



The accompanying accounting policies and notes form part of these financial statements.

Group cash flow statement

	Note	2003 £	2002 £
Net cash inflow from operating activities	22	66,794	197,466
Returns on investments and servicing of finance			
Interest received		10,537	6,212
Net cash inflow/(outflow) from returns on investments and servicing of finance		10,537	6,212
Taxation		(2,644)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,530)	(1,912)
Acquisition of Investments		(427)	(11)
Net cash outflow for capital expenditure and financial investment		(3,957)	(1,923)
Acquisitions and disposals			
Acquisition of shares in group undertakings		-	(1)
Net cash outflow from acquisitions and disposals		-	(1)
Cash inflow before financing		70,730	201,754
Financing			
Purchase of own equity shares		(1)	-
Purchase of own non-equity shares		(170,000)	-
Net cash outflow from financing		(170,001)	-
(Decrease)/increase in cash	23	(99,271)	201,754

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.
An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	<u>702,261</u>	<u>546,943</u>

2 Other operating income and charges

	2003	2002
	£	£
Administrative expenses	<u>231,835</u>	<u>170,063</u>

3 Operating profit

Operating profit is stated after charging:

	2003	2002
	£	£
Depreciation of owned fixed assets	2,816	2,433
Auditors' remuneration:		
Audit fees	6,000	6,000
Accountancy fees	<u>8,800</u>	<u>3,600</u>

4 Particulars of employees directors and employees

The average number of persons employed by the group during the financial year, including the directors, amounted to 5 (2002 - 5).

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	328,412	293,118
Social security costs	33,955	29,888
Other pension costs	<u>43,721</u>	<u>40,893</u>
	<u>406,088</u>	<u>363,899</u>

5 Directors

Remuneration in respect of directors was as follows:

	2003	2002
	£	£
Emoluments receivable	267,770	257,467
Value of company pension contributions to money purchase schemes	43,721	38,620
Compensation for loss of directorship	18,520	-
	<u>330,011</u>	<u>296,087</u>

Emoluments of highest paid director:

	2003	2002
	£	£
Total emoluments (excluding pension contributions):	122,000	114,166
Value of company pension contributions to money purchase schemes	18,000	17,125
	<u>140,000</u>	<u>131,291</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

Directors fees of £20,158 (2002: £19,500) were paid to Bellver Partners and John Scott in respect of the services of G M Murray and JPHS Scott.

6 Interest receivable

	2003	2002
	£	£
Bank interest receivable	<u>10,537</u>	<u>6,212</u>

7 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	29,250	2,706
(Over)/under provision in prior year	(62)	-
Total current tax	29,188	2,706
Deferred tax:		
Increase in deferred tax provision (note 14)		
Capital allowances	135	-
Other	-	777
Total deferred tax (note 14)	135	777
Tax on profit on ordinary activities	29,323	3,483

(b) Factors affecting current tax charge

	2003 £	2002 £
Profit on ordinary activities before taxation	95,033	38,693
Profit on ordinary activities by rate of tax	28,510	7,545
Expenses not deductible for tax purposes	8,789	4,414
Depreciation for period in excess of capital allowances	(214)	101
Loss relief	-	(9,285)
Different tax rates within group	-	(69)
Marginal Relief	(7,835)	-
Adjustments in respect of prior year	(62)	-
Total current tax (note 7(a))	29,188	2,706

8 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £60,356 (2002 - £16,423).

9 Dividends

	2003 £	2002 £
Non-equity dividends:		
Dividend paid on preference shares	(18,133)	18,133

Before the capital restructuring, dividends on the preference shares were cumulative and payment of arrears of the preference dividends would have been due to be paid before payments of dividends on ordinary shares. Since no dividends had been paid, cumulative arrears and accruals of preference dividends at 1 October 2002 amounted to £18,133. As part of the restructuring all arrears and accruals of dividends of preference dividends were cancelled.

10 Tangible fixed assets

Group	Equipment £
Cost	
At 1 October 2002	8,893
Additions	3,530
At 30 September 2003	<u>12,423</u>
Depreciation	
At 1 October 2002	4,805
Charge for the year	2,816
At 30 September 2003	<u>7,621</u>
Net book value	
At 30 September 2003	<u>4,802</u>
At 30 September 2002	<u>4,088</u>
Company	Equipment £
Cost	
At 1 October 2002	8,893
Additions	3,530
At 30 September 2003	<u>12,423</u>
Depreciation	
At 1 October 2002	4,805
Charge for the year	2,816
At 30 September 2003	<u>7,621</u>
Net book value	
At 30 September 2003	<u>4,802</u>
At 30 September 2002	<u>4,088</u>

11 Investments

Group	Participating interests
	£
Cost	
At 1 October 2002	120
Additions	427
At 30 September 2003	<u>547</u>
Net book value	
At 30 September 2003	<u>547</u>
At 30 September 2002	<u>120</u>

	Country of registration and incorporation	Class of share capital held	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the parent company:				
Albany Venture Managers Limited	Scotland	Ordinary shares	100%	Venture capital fund management
Albany Ventures GP 1 Limited	Scotland	Ordinary shares	100%	Investment company
Albany Venture Managers GP Limited	Scotland	Ordinary shares	100%	Investment company

Company	Group companies	Other investments	Total
	£	£	£
Cost			
At 1 October 2002	10,002	-	10,002
Additions	-	427	427
At 30 September 2003	<u>10,002</u>	<u>427</u>	<u>10,429</u>
Net book value			
At 30 September 2003	<u>10,002</u>	<u>427</u>	<u>10,429</u>
At 30 September 2002	<u>10,002</u>	-	<u>10,002</u>

12 Debtors

	The group		The company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	23,052	-	-	-
Amounts owed by group undertakings	-	-	30,203	136,956
Amounts owed by undertakings in which the company has a participating interest	1,460	100	1,460	-
VAT recoverable	1,372	2,553	6,644	4,990
Other debtors	2,721	1,680	2,621	1,680
Prepayments and accrued income	5,350	11,424	5,350	3,299
	<u>33,955</u>	<u>15,757</u>	<u>46,278</u>	<u>146,925</u>

13 Creditors: amounts falling due within one year

	The group		The company	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	6,521	20,478	6,521	20,478
Amounts owed to group undertakings	-	-	1	13,334
Amounts owed to related undertakings	1,328	-	-	-
Corporation taxation	29,251	2,706	19,211	2,634
Other taxation	9,199	11,104	9,199	11,104
Proposed dividends	-	18,133	-	18,133
Directors' loan accounts	24,444	33,749	24,444	33,749
Other creditors	26,353	2,102	5,521	2,102
Accruals and deferred income	153,834	156,567	45,334	33,317
	<u>250,930</u>	<u>244,839</u>	<u>110,231</u>	<u>134,851</u>

14 Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the year was £43,721 (2002 - £40,893).

15 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The group		The company	
	2003	2002	2003	2002
	£	£	£	£
Provision brought forward	777	-	777	-
Increase in provision	135	777	135	777
Provision carried forward	<u>912</u>	<u>777</u>	<u>912</u>	<u>777</u>

15 Deferred taxation (continued)

	The group		The company	
	2003	2002	2003	2002
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	135	-	135	-
Other timing differences	777	777	777	777
	<u>912</u>	<u>777</u>	<u>912</u>	<u>777</u>

16 Capital commitments

The company has a commitment to invest into Albany Ventures Co-Invest Limited Partnership up to a maximum of £21,165 at 30 September 2003, (2002- nil).

17 Contingent liabilities

The directors' were not aware of any contingent liabilities at 30 September 2003 or 30 September 2002.

18 Related party transactions

Amounts due to directors in respect of loans are as follows:

	2003	2002
	£	£
R J Abbott	13,444	16,500
I R Christie	3,056	3,750
J G Morrison	7,944	9,750
A M Watt	-	3,750

19 Share capital

Authorised share capital:

	2003	2002
	£	£
1,000 Ordinary shares of £1 each	1,000	1,000
1 A Ordinary shares of £1 each	-	1
170,000 Preference shares of £1 each	-	170,000
	<u>1,000</u>	<u>171,001</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	225	225	225	225
A Ordinary shares of £1 each	-	-	1	1
Preference shares of £1 each	-	-	170,000	170,000
	<u>225</u>	<u>225</u>	<u>170,226</u>	<u>170,226</u>

During the year the company repurchased 1 A ordinary share of £1 at a total cost of £1. In addition the company redeemed 170,000 cumulative redeemable preference shares of £1.

20 Reserves

Group	Capital redemption reserve £	Profit and loss account £
At 1 October 2002	-	(51,650)
Retained profit for the year	-	83,843
Other movements		
- transfer to/from capital redemption reserve	3,480	(3,480)
At 30 September 2003	<u>3,480</u>	<u>28,713</u>
Company	Capital redemption reserve £	Profit and loss account £
At 1 October 2002	-	(56,876)
Retained profit for the year	-	60,356
Other movements		
- transfer to/from capital redemption reserve	3,480	(3,480)
At 30 September 2003	<u>3,480</u>	<u>-</u>

21 Reconciliation of movements in shareholders' funds

Equity shareholders' funds

	2003 £	2002 £
Profit for the financial year	65,710	35,210
Dividends	18,133	(18,133)
	<u>83,843</u>	<u>17,077</u>
Purchase of own equity shares	(1)	-
Net addition to funds	83,842	17,077
Opening shareholders' equity deficit	(51,424)	(68,501)
Closing shareholders' equity funds/(deficit)	<u>32,418</u>	<u>(51,424)</u>

Non-equity shareholders' funds

Opening shareholders' non-equity funds	170,000	170,000
Purchase of own non-equity shares	(170,000)	-
Closing shareholders' non-equity funds	<u>-</u>	<u>170,000</u>
Total shareholders' funds	<u>32,418</u>	<u>118,576</u>

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

	2003	2002
	£	£
Operating profit	84,496	32,481
Depreciation	2,816	2,433
(Increase)/decrease in debtors	(18,198)	32,756
(Decrease)/increase in creditors	(2,320)	129,796
Net cash inflow from operating activities	<u>66,794</u>	<u>197,466</u>

23 Reconciliation of net cash flow to movement in net funds

	2003	2002
	£	£
(Decrease)/Increase in cash in the period	(99,271)	201,754
Movement in net funds in the period	<u>(99,271)</u>	<u>201,754</u>
Net funds at 1 October 2002	344,227	142,473
Net funds at 30 September 2003	<u>244,956</u>	<u>344,227</u>

24 Analysis of changes in net funds

	At 1 Oct 2002	Cash flows	At 30 Sep 2003
	£	£	£
Net cash:			
Cash in hand and at bank	344,227	(99,271)	244,956
Net funds	<u>344,227</u>	<u>(99,271)</u>	<u>244,956</u>