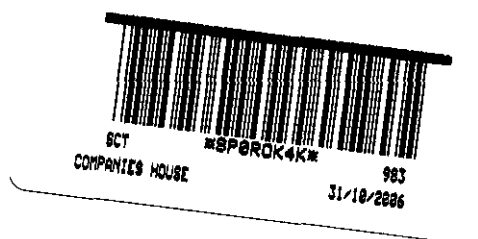


**Company Registration No. SC207268**

**ALBANY VENTURE MANAGERS  
(HOLDINGS) LIMITED**

**Report and Financial Statements**

**30 September 2006**



# **ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED**

## **Report and financial statements 2006**

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# **ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

Mr R J Abbott  
Mr J G Morrison  
Mr G M Murray  
Mr J P H S Scott  
Mr A D Steel

#### **Secretary**

DM Company Services Limited

#### **Registered Office**

16 Charlotte Square  
Edinburgh  
EH2 4DF

#### **Bankers**

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

#### **Solicitors**

Dickson Minto WS  
16 Charlotte Square  
Edinburgh  
EH2 4DF

#### **Independent Auditors**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 30 September 2006

### Activities

The group's principal activity is that of venture capital fund management.

### Results and dividends

The profit for the year after taxation amounting to £132,921 (2005 £90,800) is presented on page 5. The directors are satisfied with the result for the year and are confident with regards to the future prospects of the group. The directors have not recommended a dividend.

### 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	
	30 September 2006	1 October 2005
Mr R J Abbott	12,300	12,300
Mr J G Morrison	7,300	7,300
Mr G M Murray		
Mr J P H S Scott		
Mr A D Steel		
	<u>3,675</u>	<u>3,675</u>

### Donations

During the year the company made charitable donations of £400 (2005 £2,655)

### Small company provisions

This report has been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies and as such no Enhanced Business Review is required.

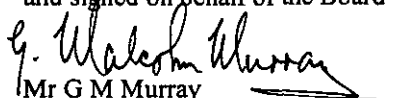
### Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Deloitte & Touche LLP 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

  
Mr G M Murray

Director  
30 October 2006

# **ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP')

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with UK GAAP 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 and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and 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 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 2006 which comprise the consolidated profit and loss account, the consolidated balance sheet, the balance sheet, the consolidated cash flow statement and the related notes 1 to 22. 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**

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 United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

## **Basis of 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 judgements 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 applicable to Smaller Entities, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies, and
- the information given in the directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Edinburgh  
30 October 2006

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Consolidated profit and loss account Year ended 30 September 2006

	Note	2006 £	2005 £
Turnover	2	629,535	673,802
Cost of sales		(244,539)	(321,803)
<b>Gross profit</b>		<b>384,996</b>	<b>351,999</b>
Administrative expenses		(212,063)	(233,844)
<b>Operating profit</b>	3	<b>172,933</b>	<b>118,155</b>
Interest receivable	5	18,054	14,681
<b>Profit on ordinary activities before taxation</b>		<b>190,987</b>	<b>132,836</b>
Tax on profit on ordinary activities	6	(58,066)	(42,036)
<b>Profit on ordinary activities after taxation</b>	7	<b>132,921</b>	<b>90,800</b>
<b>Retained profit for the financial year</b>	18	<b>132,921</b>	<b>90,800</b>

All of the activities of the group are classified as continuing

The group has no recognised gains or losses other than the results for the current and preceding year as set out above  
Accordingly no separate statement of total recognised gains and losses is presented

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Consolidated balance sheet 30 September 2006

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	9	3,010	4,275
Investments	10	115	115
		<u>3,125</u>	<u>4,390</u>
<b>Current assets</b>			
Debtors	11	79,404	44,006
Cash at bank		465,954	471,063
		<u>545,358</u>	<u>515,069</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(293,857)</u>	<u>(397,306)</u>
<b>Net current assets</b>		<u>251,501</u>	<u>117,763</u>
<b>Total assets less current liabilities</b>		254,626	122,153
<b>Provisions for liabilities and charges</b>			
Deferred taxation	14	(251)	(699)
		<u>254,375</u>	<u>121,454</u>
<b>Capital and reserves</b>			
Called up share capital	17	245	245
Other reserves	18	3,480	3,480
Profit and loss account	18	250,650	117,729
<b>Equity shareholders' funds</b>	19	<u>254,375</u>	<u>121,454</u>

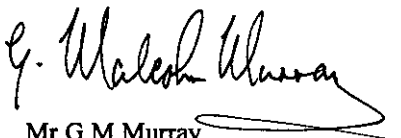
These financial statements were approved by the Board of Directors on 30 October 2006

Signed on behalf of the Board of Directors



Mr J G Morrison

Director



Mr G M Murray

Director



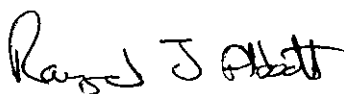
# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Balance sheet 30 September 2006

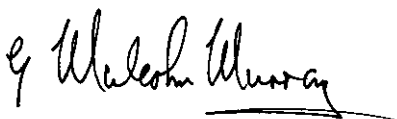
	Note	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	9	3,010	4,275
Investments	10	10,002	10,002
		<u>13,012</u>	<u>14,277</u>
<b>Current assets</b>			
Debtors	11	125,809	172,009
Cash at bank		144,825	57,295
		<u>270,634</u>	<u>229,304</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(118,524)</u>	<u>(198,737)</u>
<b>Net current assets</b>		<u>152,110</u>	<u>30,567</u>
<b>Total assets less current liabilities</b>		<u>165,122</u>	<u>44,844</u>
<b>Provisions for liabilities and charges</b>			
Deferred tax	14	(251)	(699)
		<u>164,871</u>	<u>44,145</u>
<b>Capital and reserves</b>			
Called up share capital	17	245	245
Other reserves	18	3,480	3,480
Profit and loss account	18	161,146	40,420
<b>Equity shareholders' funds</b>		<u>164,871</u>	<u>44,145</u>

These financial statements were approved by the Board of Directors on 30<sup>th</sup> October 2006

Signed on behalf of the Board of Directors



R J Abbott  
Director



Mr G M Murray  
Director

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Consolidated cash flow statement Year ended 30 September 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	20	17,878	214,871
Returns on investments and servicing of finance			
Interest received		18,054	14,681
Net cash inflow from returns on investments and servicing of finance		18,054	14,681
Taxation		(39,611)	(20,785)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,430)	(1,779)
Net cash outflow for capital expenditure and financial investment		(1,430)	(1,779)
(Decrease) / increase in cash	21	(5,109)	206,988

# **ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED**

## **Notes to the financial statements** **Year ended 30 September 2006**

### **1. ACCOUNTING POLICIES**

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

#### **Basis of preparation**

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

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. As a consolidated group 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.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Equipment	3 years
-----------	---------

#### **Investments**

Investments are shown at cost less provision for impairment.

#### **Turnover**

Turnover represents amounts receivable for services provided in the normal course of business net of VAT.

#### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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 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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements Year ended 30 September 2006

### 2. TURNOVER

The turnover and profit before tax are attributable to the principal activity of the group all of which arises in the United Kingdom

### 3. OPERATING PROFIT

	2006 £	2005 £
<b>Operating profit is stated after charging</b>		
Depreciation of fixed assets	2,694	2,561
Provision for impairment of fixed asset investment		
Auditors' remuneration		
Audit fees	9,000	8,300
Other fees	3,000	2,750
	<u>          </u>	<u>          </u>

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the financial year, including the directors, amounted to 5 (2005 5)

The aggregated payroll costs of the above were

	2006 £	2005 £
Wages	176,682	262,244
Social security costs	20,113	31,339
Other pension costs	43,239	43,385
	<u>240,034</u>	<u>336,968</u>

Remuneration in respect of directors was as follows

Emoluments receivable	170,141	249,537
Directors fees in respect of non executive directors	20,000	20,000
Value of company pension contributions to money purchase schemes	34,950	41,991
	<u>225,091</u>	<u>311,528</u>

	2006 £	2005 £
Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	88,341	126,000
Value of company pension contributions to money purchase schemes	18,000	18,000
	<u>106,341</u>	<u>144,000</u>

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

	No.	No.
Money purchase schemes	3	3

During 2004 Albany Venture Managers (Holdings) Limited approved an EMI Share Option Scheme for the benefit of the company's directors. No options have been issued during the year

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements Year ended 30 September 2006

### 5. INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest receivable	<u>18,054</u>	<u>14,681</u>

### 6. TAX ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year	59,468	44,124
(Over)/under provision in prior year	<u>(954)</u>	<u>(1,474)</u>
Total current tax	58,514	42,650
Deferred tax		
(Decrease)/increase in deferred tax provision (note 14)	<u>(448)</u>	<u>(614)</u>
Total deferred tax (note 14)	<u>(448)</u>	<u>(614)</u>
Tax on profit on ordinary activities	<u>58,066</u>	<u>42,036</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>190,987</u>	<u>132,836</u>
Profit on ordinary activities by rate of tax	57,296	39,851
Expenses not deductible for tax purposes	2,624	3,659
Capital allowances for the period in excess of depreciation	448	614
Other timing differences	(900)	
Adjustments in respect of prior year	<u>(954)</u>	<u>(1,474)</u>
Total current tax (note 6(a))	<u>58,514</u>	<u>42,650</u>

# **ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED**

## **Notes to the financial statements**

**Year ended 30 September 2006**

**7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The profit dealt with in the accounts of the parent company was £120,726 (2005 £52,904)

**8. DIVIDENDS**

No dividends are payable in respect of the current and preceding financial year

**9. TANGIBLE FIXED ASSETS**

**The Group and the Company**

	<b>Equipment £</b>
<b>Cost</b>	
At 1 October 2005	14,662
Additions	1,430
	<hr/>
At 30 September 2006	16,092
	<hr/>
<b>Depreciation</b>	
At 1 October 2005	10,388
Charge for the year	2,694
	<hr/>
At 30 September 2006	13,082
	<hr/>
<b>Net book value</b>	
At 30 September 2006	3,010
	<hr/>
At 30 September 2005	4,275
	<hr/>

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements Year ended 30 September 2006

### 10. INVESTMENTS

	Capital contributions £
<b>The Group</b>	
<b>Cost and net book value</b>	
At 1 October 2005 and 30 September 2006	115
The investments represent capital contributions in limited partnerships held by Albany Ventures GP 1 Limited and Albany Venture Managers GP Limited in their capacity as general partner	
<b>The Company</b>	Subsidiary undertakings £
<b>Cost and net book value</b>	
At 1 October 2005 and 30 September 2006	10,002

	Country of registration and incorporation	Class of share capital held	Proportion of voting rights and shares held	Nature of Business
<b>Subsidiary undertakings</b>				
All held by parent company				
Albany Venture Managers Limited	Scotland	Ordinary shares	100%	Venture capital fund management
Albany Ventures GP 1 Limited	Scotland	Ordinary shares	100%	General Partner
Albany Venture Managers GP Limited	Scotland	Ordinary shares	100%	General Partner

### 11. DEBTORS

	The group		The company	
	2006 £	2005 £	2006 £	2005 £
Trade debtors	61,266	23,273		
Amounts owed by group undertakings			107,771	151,428
Amounts owed by undertakings in which the company has a participating interest	910	1,510	910	1,510
VAT recoverable	1,888	86	1,888	86
Other debtors	100	100		
Corporation tax		52		
Prepayments and accrued income	15,240	18,985	15,240	18,985
	<u>79,404</u>	<u>44,006</u>	<u>125,809</u>	<u>172,009</u>

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements Year ended 30 September 2006

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	12,198	30,556	12,198	30,556
Other taxation and social security	18,158	12,801	5,024	4,965
Corporation tax	58,436	39,586	53,362	20,868
Accruals and deferred income	205,065	314,363	47,940	142,348
	<u>293,857</u>	<u>397,306</u>	<u>118,524</u>	<u>198,737</u>

### 13. 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 £43,239 (2005: £43,385). There were no contributions prepaid or accrued at the year end (2005: £nil).

### 14. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Provision brought forward	699	1,313	699	1,313
Decrease in provision	(448)	(614)	(448)	(614)
Provision carried forward	<u>251</u>	<u>699</u>	<u>251</u>	<u>699</u>
Excess of taxation allowances over depreciation on fixed assets	<u>251</u>	<u>699</u>	<u>251</u>	<u>699</u>

### 15. CONTINGENT LIABILITIES

The directors were not aware of any contingent liabilities that require to be disclosed.



# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements Year ended 30 September 2006

### 16. RELATED PARTY TRANSACTIONS

Mr R J Abbott and Mr J G Morrison, directors of the company are limited partners in The Albany 2001 Pledge Fund Special Limited Partnership and BLS Holdings Special Limited Partnership Albany Ventures GP1 Limited, a subsidiary, is the general partner to both The Albany 2001 Pledge Fund Special Limited Partnership and BLS Holdings Special Limited Partnership

The directors of the company are also, directly or indirectly, all limited partners in Albany Ventures Fund III SP Limited Partnership Albany Venture Managers GP Limited, a subsidiary, is the general partner to Albany Ventures Fund III SP Limited Partnership

The directors of the company are also, directly or indirectly, all limited partners in Albany Ventures Co Invest Limited Partnership Albany Venture Managers GP Limited, a subsidiary, is the general partner to Albany Ventures Fund III SP LP.

### 17. SHARE CAPITAL

	2006 £	2005 £
<b>Authorised:</b>		
100,000 ordinary shares of £0.01 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
24,500 ordinary shares of £0.01 each	245	245

### 18. RESERVES

	Capital redemption reserve	Profit and loss account
<b>The group</b>		
At 1 October 2005	3,480	117,729
Profit for the year		132,921
At 30 September 2006	3,480	250,650
<b>The company</b>		
At 1 October 2005	3,480	40,420
Profit for the year		120,726
At 30 September 2006	3,480	161,146

# ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

## Notes to the financial statements

Year ended 30 September 2006

### 19. RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	132,921	90,800
Net addition to funds	132,921	90,800
Opening shareholders' equity funds	121,454	30,654
Closing shareholders' equity funds	254,375	121,454

### 20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	172,933	118,155
Depreciation	2,694	2,561
Loss on disposal of fixed asset		728
Increase in debtors	(35,450)	(15,511)
(Decrease) / Increase in creditors	(122,299)	108,938
Net cash inflow from operating activities	17,878	214,871

### 21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
(Decrease) / Increase in cash in the year	(5,109)	206,988
Movement in net funds in the year	(5,109)	206,988
Net funds at 1 October	471,063	264,075
Net funds at 30 September	465,954	471,063

### 22. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 October 2005 £	Cash flows £	At 30 September 2006 £
Cash in hand and at bank	471,063	(5,109)	465,954
Net funds	471,063	(5,109)	465,954