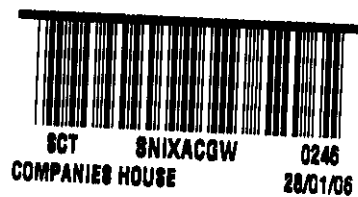


**ALBANY VENTURE MANAGERS
(HOLDINGS) LIMITED**

Report and Financial Statements

30 September 2005



ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Report and financial statements 2005

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Group profit and loss account	5
Group balance sheet	6
Balance sheet	7
Group cash flow statement	8
Notes to the financial statements	9

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Report and financial statements 2005

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 2005.

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 £90,800 (2004: loss of £1,784) 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 2005	30 September 2004
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	3,675	3,675

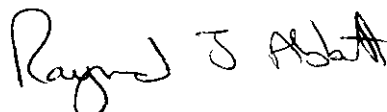
Donations

During the year the company made charitable donations of £2,655 (2004: £1,650).

Auditors

Grant Thornton UK LLP resigned as auditors of the company on 14 February 2005. The directors appointed Deloitte & Touche LLP as auditors on 19 September 2005. 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



R J Abbott
Director

January 20, 2006

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the group 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; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 2005 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.

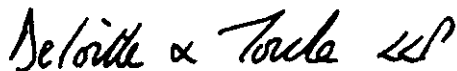
Basis of opinion

We conducted our audit in accordance with 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 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 of the state of affairs of the company and the group as at 30 September 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Edinburgh

27 January 2006

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Consolidated profit and loss account Year ended 30 September 2005

	Note	2005 £	Restated 2004 £
Turnover: continuing operations	2	673,802	633,790
Cost of sales		<u>(321,803)</u>	<u>(397,609)</u>
Gross profit		351,999	236,181
Administrative expenses		<u>(233,844)</u>	<u>(227,628)</u>
Operating profit	3	<u>118,155</u>	<u>8,553</u>
Net interest receivable	5	<u>14,681</u>	<u>10,562</u>
Profit on ordinary activities before taxation		132,836	19,115
Tax on profit on ordinary activities	6	<u>(42,036)</u>	<u>(20,899)</u>
Profit/(loss) on ordinary activities after taxation	7	<u>90,800</u>	<u>(1,784)</u>
Retained profit/(loss) for the financial year	18	<u><u>90,800</u></u>	<u><u>(1,784)</u></u>

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.

The comparatives have been restated to reclassify an impairment provision of £5 from "loss on disposal of investments" previously presented after operating profit/(loss) to Administrative expenses within the financial statements of Albany Venture Managers Limited.


ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Consolidated balance sheet 30 September 2005

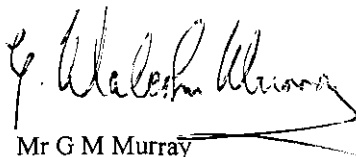
	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	4,275	5,785
Investments	10	115	115
		<u>4,390</u>	<u>5,900</u>
Current assets			
Debtors	11	44,006	28,443
Cash at bank		471,063	264,075
		<u>515,069</u>	<u>292,518</u>
Creditors: amounts falling due within one year	12	<u>(397,306)</u>	<u>(266,451)</u>
Net current assets		<u>117,763</u>	<u>26,067</u>
Total assets less current liabilities		122,153	31,967
Provisions for liabilities and charges			
Deferred taxation	14	(699)	(1,313)
		<u>121,454</u>	<u>30,654</u>
Capital and reserves			
Called up share capital	17	245	245
Other reserves	18	3,480	3,480
Profit and loss account	18	117,729	26,929
Equity shareholders' funds	19	<u>121,454</u>	<u>30,654</u>

These financial statements were approved by the Board of Directors on January 20, 2006.

Signed on behalf of the Board of Directors



R J Abbott
Director



Mr G M Murray
Director

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Balance sheet 30 September 2005

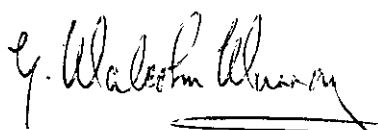
	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	4,275	5,785
Investments	10	10,002	10,002
		<u>14,277</u>	<u>15,787</u>
Current assets			
Debtors	11	172,009	91,083
Cash at bank		57,295	31,620
		<u>229,304</u>	<u>122,703</u>
Creditors: amounts falling due within one year	12	<u>(198,737)</u>	<u>(140,281)</u>
Net current assets/(liabilities)		<u>30,567</u>	<u>(17,578)</u>
Total assets less current liabilities		<u>44,844</u>	<u>(1,791)</u>
Provisions for liabilities and charges			
Deferred tax	14	(699)	(1,313)
		<u>44,145</u>	<u>(3,104)</u>
Capital and reserves			
Called up share capital	17	245	245
Other reserves	18	3,480	3,480
Profit and loss account	18	40,420	(6,829)
Equity shareholders' funds/(deficit)		<u>44,145</u>	<u>(3,104)</u>

These financial statements were approved by the Board of Directors on January 20, 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 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities	20	214,871	86,003
Returns on investments and servicing of finance			
Interest received		14,681	10,562
Net cash inflow from returns on investments and servicing of finance		14,681	10,562
Taxation		(20,785)	(50,084)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,779)	(3,365)
Acquisition of investments		-	(2,219)
Disposal of investments		-	2,646
Net cash outflow for capital expenditure and financial investment		(1,779)	(2,938)
Cash inflow before financing		206,988	43,543
Financing			
Issue of ordinary share capital		-	20
Repayment of directors' loans		-	(24,444)
Net cash outflow from financing		-	(24,424)
Increase in cash	21	206,988	19,119

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

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

Defined contribution scheme

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 2005

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

	2005 £	2004 £
Operating profit is stated after charging		
Depreciation of fixed assets	2,561	2,382
Provision for impairment of fixed asset investment	-	5
Auditors' remuneration:		
Audit fees	8,300	8,000
Other fees	2,750	1,900
	<u>2,750</u>	<u>1,900</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 (2004: 5).

The aggregated payroll costs of the above were:

	2005 £	2004 £
Wages	262,244	339,796
Social security costs	31,339	38,953
Other pension costs	43,385	36,557
	<u>336,968</u>	<u>415,306</u>

Remuneration in respect of directors was as follows:

Emoluments receivable	249,537	320,203
Directors fees in respect of non executive directors	20,000	17,500
Value of company pension contributions to money purchase schemes	41,991	34,409
	<u>311,528</u>	<u>372,112</u>

	2005 £	2004 £
Emoluments of highest paid director:		
Total emoluments (excluding pension contributions)	126,000	156,000
Value of company pension contributions to money purchase schemes	18,000	18,000
	<u>144,000</u>	<u>174,000</u>

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

	No.	No.
Money purchase schemes	<u>3</u>	<u>3</u>

During the prior year 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 2005

5. INTEREST RECEIVABLE

	2005 £	2004 £
Bank interest receivable	<u>14,681</u>	<u>10,562</u>

6. TAX ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year:

	2005 £	2004 £
Current tax:		
In respect of the year		
UK Corporation tax based on the results for the year	44,124	12,664
(Over)/under provision in prior year	<u>(1,474)</u>	<u>7,834</u>
Total current tax	42,650	20,498
Deferred tax		
(Decrease)/increase in deferred tax provision (note 14)	(614)	-
Capital allowances	-	1,178
Other	-	(777)
Total deferred tax (note 14)	<u>(614)</u>	<u>401</u>
Tax on profit on ordinary activities	<u>42,036</u>	<u>20,899</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% (2004: 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>132,836</u>	<u>19,115</u>
Profit on ordinary activities by rate of tax	39,851	5,735
Expenses not deductible for tax purposes	3,659	6,799
Capital allowances for the period in excess of depreciation	614	130
Marginal Relief	-	-
Adjustments in respect of prior year	<u>(1,474)</u>	<u>7,834</u>
Total current tax (note 6(a))	<u>42,650</u>	<u>20,498</u>

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

7. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £52,904 (2004: loss £(6,829)).

8. DIVIDENDS

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

9. TANGIBLE FIXED ASSETS

The Group and the Company

Equipment £

Cost

At 1 October 2004

15,788

Additions

1,779

Disposals

(2,904)

At 30 September 2005

14,663

Depreciation

At 1 October 2004

10,003

Charge for the year

2,561

Disposals

(2,176)

At 30 September 2005

10,388

Net book value

At 30 September 2005

4,275

At 30 September 2004

5,785

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

10. INVESTMENTS

	Capital contributions £
The Group	
Cost	
At 1 October 2004 and 30 September 2005	120
Provision	
At 1 October 2004 and 30 September 2005	5
Net book value	
At 1 October 2004 and 30 September 2005	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.	
The Company	Subsidiary undertakings £
Cost and net book value	
At 1 October 2004 and 30 September 2005	10,002

	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 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

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

11. DEBTORS

	The group		The company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	23,273	11,257	-	-
Amounts owed by group undertakings	-	-	151,428	73,997
Amounts owed by undertakings in which the company has a participating interest	1,510	1,510	1,510	1,510
VAT recoverable	86	-	86	-
Other debtors	100	1,780	-	1,680
Corporation tax	52	2,700	-	2,700
Prepayments and accrued income	18,985	11,196	18,985	11,196
	<u>44,006</u>	<u>28,443</u>	<u>172,009</u>	<u>91,083</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	30,556	10,831	30,556	10,831
Other creditors	-	21,912	-	4,242
Other taxation and social security	12,801	12,596	4,965	12,596
Corporation tax	39,586	199	20,868	199
Accruals and deferred income	314,363	220,913	142,348	112,413
	<u>397,306</u>	<u>266,451</u>	<u>198,737</u>	<u>140,281</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 £43,385 (2004: £36,557). There were no contributions prepaid or accrued at the year end (2004: £nil).

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

14. DEFERRED TAXATION

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

	The group		The company	
	2005	2004	2005	2004
	£	£	£	£
Provision brought forward	1,313	912	1,313	912
(Decrease)/increase in provision	(614)	401	(614)	401
Provision carried forward	<u>699</u>	<u>1,313</u>	<u>699</u>	<u>1,313</u>
Excess of taxation allowances over depreciation on fixed assets	699	1,313	699	1,313
Other timing differences	-	-	-	-
	<u>699</u>	<u>1,313</u>	<u>699</u>	<u>1,313</u>

15. CONTINGENT LIABILITIES

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

16. RELATED PARTY TRANSACTIONS

During the prior year Albany Venture Managers (Holdings) Limited's investment in Albany Ventures Co-Invest Limited Partnership, totalling £2,646, was sold to A D Steel and R J Abbott at cost, in the ratio of 3:2.

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

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

17. SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
100,000 ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
24,500 ordinary shares of £0.01 each	<u>245</u>	<u>245</u>

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements Year ended 30 September 2005

18. RESERVES

	Capital redemption reserve	Profit and loss account
The group		
At 1 October 2004	3,480	26,929
Profit for the year	-	90,800
	<u>3,480</u>	<u>117,729</u>
At 30 September 2005	<u>3,480</u>	<u>117,729</u>
The company		
At 1 October 2004	3,480	(6,829)
Profit for the year	-	47,249
	<u>3,480</u>	<u>40,420</u>
At 30 September 2005	<u>3,480</u>	<u>40,420</u>

19. RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit/(loss) for the financial year	90,800	(1,784)
New equity share capital subscribed	-	20
	<u>90,800</u>	<u>(1,764)</u>
Net addition/(reduction) to funds	90,800	(1,764)
Opening shareholders' equity funds	30,654	32,418
	<u>121,454</u>	<u>30,654</u>
Closing shareholders' equity funds	<u>121,454</u>	<u>30,654</u>

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

	2005 £	2004 £
Operating profit	118,155	8,553
Depreciation	2,561	2,382
Provision for impairment of fixed asset investment	-	5
Loss on disposal of fixed asset	728	-
(Increase)/decrease in debtors	(15,511)	8,212
Increase in creditors	108,938	66,851
	<u>214,871</u>	<u>86,003</u>
Net cash inflow from operating activities	<u>214,871</u>	<u>86,003</u>

ALBANY VENTURE MANAGERS (HOLDINGS) LIMITED

Notes to the financial statements

Year ended 30 September 2005

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

	2005 £	2004 £
Increase in cash in the period	206,988	19,119
Movement in net funds in the period	206,988	19,119
Net funds at 1 October 2004	264,075	244,956
Net funds at 30 September 2005	471,063	264,075

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 October 2004 £	Cash flows £	At 30 September 2005 £
Net cash:			
Cash in hand and at bank	264,075	206,988	471,063
Net funds	264,075	206,988	471,063