

Albany Venture Managers (Holdings) Limited

Group financial statements

For the year ended 30 September 2004

Grant Thornton 

SC 207268



Company No. SC207268

Company information

Company Registration Number	SC207268
Registered Office	16 Charlotte Square Edinburgh EH2 4DF
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
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Solicitors	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF
Auditors	Grant Thornton UK LLP 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 2004.

Principal activities and business review

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

There was a loss for the year after taxation amounting to £1,784(2003: profit £65,710).

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 £0.01 each	Ordinary Shares of £1 each
	At 30 September 2004	At 1 October 2003 or later date of appointment
Mr R J Abbott	12,300	123
Mr J G Morrison	7,300	73
Mr G M Murray	—	—
Mr J P H S Scott	—	—
Mr A D Steel	3,700	—

Mr A D Steel was appointed as a director on 17 February 2004.

Mr I R Christie resigned as a director on 17 February 2004.

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:

	2004	2003
	£	£
Charitable	<u>1,650</u>	<u>680</u>

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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

ON BEHALF OF THE BOARD



Mr G M Murray
Director

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 2004 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 25. 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 2004 and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

14/1/05

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 group profit and loss account after or up to the date that control passes respectively. 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.

Turnover

The turnover shown in the group 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	2004 £	2003 £
Group turnover	1	633,790	702,261
Cost of sales		<u>397,609</u>	<u>385,930</u>
Gross profit		236,181	316,331
Other operating charges	2	<u>227,623</u>	<u>231,835</u>
Operating profit	3	8,558	84,496
Interest receivable	6	10,562	10,537
Loss on disposal of investments	7	(5)	–
Profit on ordinary activities before taxation		<u>19,115</u>	<u>95,033</u>
Tax on profit on ordinary activities	8	20,899	29,323
(Loss)/profit on ordinary activities after taxation	9	<u>(1,784)</u>	<u>65,710</u>
Dividends (including non-equity)	10	–	(18,133)
(Loss)/retained profit for the financial year		<u>(1,784)</u>	<u>83,843</u>

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

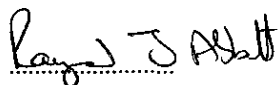
The group has no recognised gains or losses other than the results for the year as set out above.


The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	11	5,785	4,802
Investments	12	115	547
		<u>5,900</u>	<u>5,349</u>
Current assets			
Debtors	13	28,443	33,955
Cash at bank		264,075	244,956
		<u>292,518</u>	<u>278,911</u>
Creditors: amounts falling due within one year	14	<u>266,451</u>	<u>250,930</u>
Net current assets		<u>26,067</u>	<u>27,981</u>
Total assets less current liabilities		<u>31,967</u>	<u>33,330</u>
Provisions for liabilities and charges			
Deferred taxation	17	1,313	912
		<u>30,654</u>	<u>32,418</u>
Capital and reserves			
Called-up equity share capital	20	245	225
Other reserves	21	3,480	3,480
Profit and loss account	21	26,929	28,713
Shareholders' funds	22	<u>30,654</u>	<u>32,418</u>

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

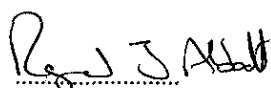

Mr R J Abbott

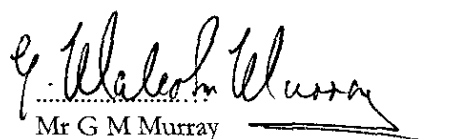

Mr G M Murray

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	11	5,785	4,802
Investments	12	10,002	10,429
		<u>15,787</u>	<u>15,231</u>
Current assets			
Debtors	13	91,083	46,278
Cash at bank		31,620	53,339
		<u>122,703</u>	<u>99,617</u>
Creditors: amounts falling due within one year	14	140,281	110,231
Net current liabilities		<u>(17,578)</u>	<u>(10,614)</u>
Total assets less current liabilities		<u>(1,791)</u>	<u>4,617</u>
Provisions for liabilities and charges			
Deferred taxation	17	1,313	912
		<u>(3,104)</u>	<u>3,705</u>
Capital and reserves			
Called-up equity share capital	20	245	225
Other reserves	21	3,480	3,480
Profit and loss account	21	(6,829)	—
(Deficiency)/shareholders' funds		<u>(3,104)</u>	<u>3,705</u>

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


Mr R J Abbott


Mr G M Murray

Group cash flow statement

	Note	2004 £	2003 £
Net cash inflow from operating activities	23	86,003	66,794
Returns on investments and servicing of finance			
Interest received		10,562	10,537
Net cash inflow from returns on investments and servicing of finance		10,562	28,670
Taxation		(50,084)	(2,644)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,365)	(3,530)
Acquisition of Investments brought forward		(2,219)	(427)
Disposal of Investments brought forward		2,646	—
Net cash outflow for capital expenditure and financial investment		(2,938)	(3,957)
Cash inflow before financing		43,543	70,730
Financing			
Issue of equity share capital		20	—
Purchase of own equity shares		—	(1)
Purchase of own non-equity shares		—	(170,000)
Repayment of director's loans		(24,444)	—
Net cash inflow/(outflow) from financing		(24,424)	(170,001)
Increase/(decrease) in cash	24	19,119	(99,271)

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:

	2004	2003
	£	£
United Kingdom	<u>633,790</u>	<u>702,261</u>

2 Other operating income and charges

	2004	2003
	£	£
Administrative expenses	<u>227,623</u>	<u>231,835</u>

3 Operating profit

Operating profit is stated after charging:

	2004	2003
	£	£
Directors' emoluments	320,203	306,448
Depreciation of owned fixed assets	2,382	2,816
Auditors' remuneration:		
Audit fees	8,000	6,000
Accountancy fees	<u>9,700</u>	<u>8,800</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 4 (2003 - 5).

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	339,796	328,412
Social security costs	38,953	33,955
Other pension costs	<u>36,557</u>	<u>43,721</u>
	<u>415,306</u>	<u>406,088</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004	2003
	£	£
Emoluments receivable	320,203	287,928
Value of company pension contributions to money purchase schemes	34,409	43,721
Compensation for loss of directorship	–	18,520
	<u>354,612</u>	<u>350,169</u>

Emoluments of highest paid director:

	2004	2003
	£	£
Total emoluments (excluding pension contributions):	156,000	122,000
Value of company pension contributions to money purchase schemes	18,000	18,000
	<u>174,000</u>	<u>140,000</u>

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

	2004	2003
	No	No
Money purchase schemes	<u>3</u>	<u>4</u>

Directors fees of £17,500 (2003: £20,158) were paid to Bellver Partners and John Scott in respect of the services of G M Murray and J P H S Scott.

During the 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.

6 Interest receivable

	2004	2003
	£	£
Bank interest receivable	<u>10,562</u>	<u>10,537</u>

7 Loss on disposal of investments

	2004	2003
	£	£
Amount written off investments	<u>5</u>	<u>–</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	12,664	29,250
Under/(over) provision in prior year	7,834	(62)
Total current tax	<u>20,498</u>	<u>29,188</u>
Deferred tax:		
Increase in deferred tax provision (note 17)		
Capital allowances	1,178	135
Other	(777)	—
Total deferred tax (note 17)	<u>401</u>	<u>135</u>
Tax on profit on ordinary activities	<u>20,899</u>	<u>29,323</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% (2003 - 30%).

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>19,115</u>	<u>95,033</u>
Profit on ordinary activities by rate of tax	5,735	28,510
Expenses not deductible for tax purposes	6,799	8,789
Capital allowances for the period in excess of depreciation	130	(214)
Marginal Relief	—	(7,835)
Adjustments in respect of prior year	—	(62)
Total current tax (note 8(a))	<u>12,664</u>	<u>29,188</u>

9 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £(6,829) (2003 - profit £42,223).

10 Dividends

	2004	2003
	£	£
Non-equity dividends:		
Dividend paid on preference shares	<u>—</u>	<u>(18,133)</u>

11 Tangible fixed assets

Group	Equipment £
Cost	
At 1 October 2003	12,423
Additions	3,365
At 30 September 2004	<u>15,788</u>
Depreciation	
At 1 October 2003	7,621
Charge for the year	2,382
At 30 September 2004	<u>10,003</u>
Net book value	
At 30 September 2004	<u>5,785</u>
At 30 September 2003	<u>4,802</u>
Company	Equipment £
Cost	
At 1 October 2003	12,423
Additions	3,365
At 30 September 2004	<u>15,788</u>
Depreciation	
At 1 October 2003	7,621
Charge for the year	2,382
At 30 September 2004	<u>10,003</u>
Net book value	
At 30 September 2004	<u>5,785</u>
At 30 September 2003	<u>4,802</u>

12 Investments

Group	Loans
	£
Cost	
At 1 October 2003	547
Additions	2,219
Disposals	(2,646)
At 30 September 2004	<u>120</u>
Amounts written off	
Written off in year	5
At 30 September 2004	<u>5</u>
Net book value	
At 30 September 2004	<u>115</u>
At 30 September 2003	<u>547</u>

Company	Group companies	Other investments	Total
	£	£	£
Cost			
At 1 October 2003	10,002	427	10,429
Additions	–	2,219	2,219
Disposals	–	(2,646)	(2,646)
At 30 September 2004	<u>10,002</u>	<u>–</u>	<u>10,002</u>
Net book value			
At 30 September 2004	<u>10,002</u>	<u>–</u>	<u>10,002</u>
At 30 September 2003	<u>10,002</u>	<u>427</u>	<u>10,429</u>

12 Investments (continued)

	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

13 Debtors

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	11,257	23,052	–	–
Amounts owed by group undertakings	–	–	73,997	30,203
Amounts owed by undertakings in which the company has a participating interest	1,510	1,460	1,510	1,460
VAT recoverable	–	1,372	–	6,644
Other debtors	4,480	2,721	4,380	2,621
Prepayments and accrued income	11,196	5,350	11,196	5,350
	<u>28,443</u>	<u>33,955</u>	<u>91,083</u>	<u>46,278</u>

14 Creditors: amounts falling due within one year

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	10,831	6,521	10,831	6,520
Amounts owed to group undertakings	–	–	–	1
Directors' loan accounts	–	24,444	–	24,444
Other creditors	34,707	66,131	17,037	33,932
Accruals and deferred income	220,913	153,834	112,413	45,334
	<u>266,451</u>	<u>250,930</u>	<u>140,281</u>	<u>110,231</u>

Directors loans were repaid in full during the year (2003: £24,444).

15 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 £36,557 (2003 - £43,721).

16 Deferred taxation

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

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Provision brought forward	912	777	912	777
Increase in provision	401	135	401	135
Provision carried forward	<u>1,313</u>	<u>912</u>	<u>1,313</u>	<u>912</u>

	The group		The company	
	2004	2003	2004	2003
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	1,313	135	1,313	135
Other timing differences	–	777	–	777
	<u>1,313</u>	<u>912</u>	<u>1,313</u>	<u>912</u>

17 Capital commitments

The company had no capital commitments at 30 September 2004.

At 30 September 2003 the company had a commitment to invest into Albany Ventures Co-Invest Limited Partnership up to a maximum of £21,165.

18 Contingent liabilities

The directors were not aware of any contingent liabilities at 30 September 2004 or 30 September 2003.

19 Related party transactions

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

	2004	2003
	£	£
R J Abbott	–	13,444
I R Christie	–	3,056
J G Morrison	–	7,944

During the year the director's loans were repaid in full.

During the 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 respectively.

20 Share capital

Authorised share capital:

	2004	2003
	£	£
100,000 Ordinary shares of £0.01 each	1,000	–
1,000 Ordinary shares of £1 each	–	1,000
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £0.01 each	24,500	245	–	–
Ordinary shares of £1 each	–	–	225	225
	<u>24,500</u>	<u>245</u>	<u>225</u>	<u>225</u>

On the 29 October 2003 the Company subdivided the 1,000 ordinary shares into 100,000 ordinary shares of £0.01 each.

During the year 2,000 ordinary shares, nominal value £0.01, were allotted. The consideration received by the entity was equal to the nominal value of the shares.

21 Reserves

Group

	Capital redemption reserve	Profit and loss account
	£	£
At 1 October 2003	3,480	28,713
Loss for the year	–	(1,784)
At 30 September 2004	<u>3,480</u>	<u>26,929</u>

Company

	Capital redemption reserve	Profit and loss account
	£	£
At 1 October 2003	3,480	–
Loss for the year	–	(6,829)
At 30 September 2004	<u>3,480</u>	<u>(6,829)</u>

22 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
(Loss)/Profit for the financial year	(1,784)	65,710
Dividends	—	18,133
	<u>(1,784)</u>	<u>83,843</u>
New equity share capital subscribed	20	—
Purchase of own equity shares	—	(1)
	<u>(1,764)</u>	<u>83,842</u>
Net (reduction)/addition to funds	<u>32,418</u>	<u>(51,424)</u>
Opening shareholders' equity funds/(deficit)	<u>30,654</u>	<u>32,418</u>
Closing shareholders' equity funds	<u>30,654</u>	<u>32,418</u>

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

	2004	2003
	£	£
Operating profit	8,558	84,496
Depreciation	2,382	2,816
Decrease/(increase) in debtors	8,212	(18,198)
Increase/(decrease) in creditors	66,851	(2,320)
	<u>86,003</u>	<u>66,794</u>
Net cash inflow from operating activities	<u>86,003</u>	<u>66,794</u>

24 Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Increase/(Decrease) in cash in the period	19,119	(99,271)
Movement in net funds in the period	<u>19,119</u>	<u>(99,271)</u>
Net funds at 1 October 2003	244,956	344,227
Net funds at 30 September 2004	<u>264,075</u>	<u>244,956</u>

25 Analysis of changes in net funds

	At 1 Oct 2003	Cash flows	At 30 Sep 2004
	£	£	£
Net cash:			
Cash in hand and at bank	244,956	19,119	264,075
Net funds	<u>244,956</u>	<u>19,119</u>	<u>264,075</u>