

SEP II GP Limited

**Directors' report and financial
statements**

Registered number 212590

30 June 2006

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Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members SEP II GP Limited	3
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

Principal activities

The company acts as General Partner for SEP II LP and SEP II B LP

Business review

Income comprises the General Partner's Share arising from SEP II LP and SEP II B LP. A net profit of £7,020 (2005 Profit £95,136) has been added to reserves

Proposed dividend

The directors do not recommend the payment of a dividend (2005 Nil)

Directors and directors' interests

The directors who held office during the year were as follows

Calum Paterson
Brian Kerr
Stuart Paterson
Richard Sparrow

The interests of the directors who held office at the end of the year and were also directors of Scottish Equity Partners Limited are shown in the consolidated annual report and accounts of that group

At the date of this report, indemnities are in force under which the Board has agreed to indemnify the Directors, to the extent permitted by law and the Company's articles of association, in respect of any losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company

Political and charitable contributions

The company made no political or charitable contributions during the year

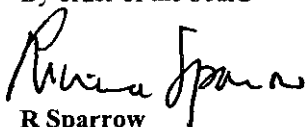
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The requirement for an Annual General Meeting was dispensed with through an elective resolution on 12 December 2000

By order of the board



R Sparrow
Director and Company Secretary

17 Blythwood Square
Glasgow
G2 4AD

11 October 2006

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

191 West George Street

Glasgow

G2 2LJ

United Kingdom

Independent auditors' report to the members of SEP II GP Limited

We have audited the financial statements of SEP II GP Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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 on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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.

Independent auditors' report to the members of SEP II GP Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit M.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

11 October 2006

Profit and loss account
for the year ended 30 June 2006

	<i>Note</i>	2006	2005
		£	£
Turnover		2,750,000	2,750,000
Operating expenses		(2,750,086)	(2,750,036)
Operating loss		(86)	(36)
Other interest receivable and similar income		1,508	
Profit/(loss) on ordinary activities before taxation		1,422	(36)
Tax on profit/(loss) on ordinary activities	4	5,598	95,172
Retained profit for the year		7,020	95,136

All items in the profit and loss account derive from continuing activities

The company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 30 June 2006

	<i>Note</i>	2006	2005
		£	£
Current assets			
Debtors	5	700,082	932,016
Cash		26,245	112,536
		<u>726,327</u>	<u>1,044,552</u>
Creditors, amounts falling due within one year	6		(319,647)
		<u>726,327</u>	<u>724,905</u>
Provisions for liabilities and charges	7	(525,875)	(531,473)
		<u>200,452</u>	<u>193,432</u>
Net assets			
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	200,451	193,431
		<u>200,452</u>	<u>193,432</u>
Shareholders' funds attributable to equity interests			
		<u>200,452</u>	<u>193,432</u>

These financial statements were approved by the board of directors on 11 October 2006 and were signed on its behalf by



Calum Paterson
Director

Reconciliation of movements in shareholders' funds
for year ended 30 June 2006

	2006 £	2005 £
Profit for the financial year	7,020	95,136
Net addition to shareholders' funds	7,020	95,136
Opening shareholders' funds	193,432	98,296
Closing shareholders' funds	200,452	193,432

Notes (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement as a cash flow statement is prepared by the parent company as part of the consolidated financial statements

Turnover

Turnover represents the amounts derived for the management and operation of venture capital funds. Sums advances as interest free recourse loans in respect of future entitlement to priority profit share as general partner of venture capital partnerships are treated as income (in accordance with Financial Reporting Standard 5 'Reporting the substance of transactions') and included in turnover

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all timing differences. Deferred tax assets are only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the timing differences and tax losses can be deducted

2 Auditors' remuneration

The remuneration of the auditors in respect of the statutory audit was £600 and was paid by the parent company

3 Remuneration of directors

None of the directors received any emoluments in respect of their services to the company in the year

The company has no employees

Notes *(continued)*

4 Taxation

	2006	2005
	£	£
Current tax on income for the year		327,377
Movement in deferred tax (see note 7)		
Current year	(5,598)	(422,549)
	<u>(5,598)</u>	<u>(95,172)</u>
Factors affecting tax charge for the period		
	£	£
Profit/(loss) on ordinary activities before tax	<u>1,422</u>	<u>(36)</u>
Corporation tax at 30% (2005 30%)	426	(11)
<i>Effects of</i>		
Chargeable gains	190,829	2,916,301
Unutilised/(utilised) losses	633,745	(1,763,913)
Amounts not subject to current tax	<u>(825,000)</u>	<u>(825,000)</u>
		<u>327,377</u>

Notes (continued)

5 Debtors

	2006	2005
	£	£
Group relief recoverable	680,137	919,516
Corporation tax recoverable	19,733	12,500
Amounts due from group company	212	
	<u>700,082</u>	<u>932,016</u>

6 Creditors, amounts falling due within one year

	2006	2005
	£	£
Corporation tax		319,647
		<u>319,647</u>

7 Provision for liabilities and charges

	2006	2005
	£	£
Deferred tax		
Opening provision	531,473	954,022
Amount provided current year	(5,598)	(422,549)
	<u>525,875</u>	<u>531,473</u>

Deferred tax is provided at 30% on advanced profit share which will be taxable in future years when profit share is realised as taxable income. This is offset by a deferred tax asset on losses arising on charges from the parent company to the extent such losses have not been utilised in the current year.

8 Called up share capital

	2006	2005
	£	£
Authorised		
Equity 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Equity 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Notes (continued)

9 Profit and loss account

	2006 £	2005 £
Profit brought forward as previously reported	193,431	98,295
Retained profit for the year	7,020	95,136
	<hr/>	<hr/>
At end of year	200,451	193,431
	<hr/>	<hr/>

10 Ultimate parent company

The company is a subsidiary of Scottish Equity Partners Limited incorporated in Scotland

A copy of the consolidated financial statements of Scottish Equity Partners Limited is available from

The Company Secretary, Scottish Equity Partners Limited, 17 Blythswood Square, Glasgow, G2 4AD