

# **Quester Venture GP Limited**

Registered number: SC 220736

Directors' report and financial statements  
31 December 2002



## ***Directors' report and financial statements***

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## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2002.

### **Principal activities**

The Company acts as general partner of Quester Venture GP Partnership, which is the general partner of Quester Venture Partnership ("QVP"), which carries on the business of venture capital investment.

Pursuant to the management agreement entered into between QVP and the Company's parent undertaking Quester Capital Management Limited, the latter company is responsible for undertaking the functions of management of QVP.

Total commitments by investors in QVP at 31 December 2002 amounted to £69.2 million (2001: £38.5 million). The Company's subsidiary undertaking, Quester Venture GP Partnership, had committed 1% of total commitments being £692,120 (2001: £385,000), 24% of which was drawn down at 31 December 2002 (2001: 15%). The finance for such commitment has been provided by the limited partners in Quester Venture GP Partnership and not by the Company.

### **Review of business and future developments**

Both the level of business and the period end financial position were satisfactory. The level of activity is likely to remain constant in the year to 31 December 2003.

### **Financial results**

In the year ended 31 December 2002, the Company received £2,039,145 (2001: £383,596) as an interest-free limited recourse loan in respect of its future entitlement (through Quester Venture GP Partnership) to priority profit share as general partner of QVP, which is treated as income in the Company's accounts in accordance with Financial Reporting Standard 5 "Reporting the substance of transactions". After the payment of the management fee in respect of QVP and other expenses, the Company had a profit for the period before tax of £83,513 (2001: £36,060).

Deferred tax is charged on the profit before tax arrived at as described above. The losses allowable for corporation tax were surrendered to other group companies for consideration of £691,261 (2001: £nil) where availed of. As a result, the Company had a profit/(loss) after taxation for the period of £163,030 (2001: (£79,019)). The directors do not propose the payment of a dividend (2001: £Nil).

### **Directors**

The directors of the Company who served in the year ended 31 December 2002 were:

SHV Acland  
APG Holmes  
JB Milne  
JA Spooner  
ICS Wilcock  
MG Williams

## DIRECTORS' REPORT *(continued)*

### Directors' interests in shares of group companies

The directors who held office at the end of the financial year had at 31 December 2002 no interests in the ordinary shares of the Company and the following interests in the partnership capital of limited partnerships that are deemed to be subsidiary undertakings of the Company under the provisions of the Companies Act 1985, as recorded in the register of directors' share interests:

Partnership		Partnership capital	Amount of capital contribution	
			2002	2001
SHV Acland	Quester Venture GP Partnership	Founder capital contribution	£277	£600
		Investor capital contribution	£5	£3
APG Holmes	Quester Venture GP Partnership	Founder capital contribution	£277	£600
		Investor capital contribution	£5	£3
JA Spooner	Quester Venture GP Partnership	Founder capital contribution	£277	£600
		Investor capital contribution	£5	£3

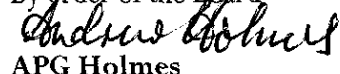
The interests of the directors in the ordinary shares of the ultimate holding company, Querist Limited, and its other subsidiary companies are disclosed in the directors' report of Querist Limited for the year ended 31 March 2003.

According to the register of directors' interests, no options to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the period.

### Post-balance sheet event: restructuring of share capital

On 31 March 2003 the Company adopted new Articles of Association pursuant to which the existing ordinary shares of £1 each became redesignated as 'A' ordinary shares of £1 each and the 'B' ordinary shares of £1 each and the fixed rate preference shares of £1 each were created as new classes of share capital. On the same date 2,480 "B" ordinary shares of £1 each were issued at par and 6,520 fixed rate preference shares of £1 each were issued at par.

By order of the Board

  
APG Holmes

Director

Registered office:  
11 Walker Street  
Edinburgh  
EH3 7NE  
17 July 2003

## STATEMENT OF 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 profit or loss of the Company 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;
- state whether applicable 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 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUESTER VENTURE GP LIMITED**

We have audited the financial statements on pages 5 to 11.

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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

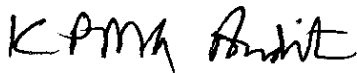
### **Basis of audit opinion**

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 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 the Company's affairs as at 31 December 2002 and of its profit for the year ended 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London EC4Y 8BB  
17 July 2003

## PROFIT AND LOSS ACCOUNT

*for the year ended 31 December 2002*

	Note	2002 £	2001 £
<b>Turnover</b>	2	2,039,145	383,596
Administrative expenses		(1,956,668)	(347,536)
Operating profit		82,477	36,060
Interest received		1,036	-
<b>Profit on ordinary activities before taxation</b>			
	3	83,513	36,060
Tax on profit on ordinary activities	5	79,517	(115,079)
<b>Profit / (loss) on ordinary activities after taxation</b>		163,030	(79,019)
Dividends paid and proposed		-	-
<b>Retained profit / (loss) for the period</b>		163,030	(79,019)

The comparative figures cover the period from the date of incorporation of the Company on 28 June 2001 to 31 December 2001.

The Company has no recognised gains and losses other than as shown above.

All items in the above statement derive from continuing operations.

The notes on pages 7 to 11 form part of these financial statements.

## BALANCE SHEET

as at 31 December 2002

	Note	2002 £	2001 £
<b>Current assets</b>			
Debtors	6	692,260	71,621
Cash at bank and in hand		243,148	31,199
		<b>935,408</b>	<b>102,820</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(123,574)</b>	<b>(66,759)</b>
<b>Net current assets</b>		<b>811,834</b>	<b>36,061</b>
<b>Provisions for liabilities and charges</b>	8	<b>(726,823)</b>	<b>(115,079)</b>
<b>Net liabilities</b>		<b>85,011</b>	<b>(79,018)</b>
<b>Capital and reserves</b>			
Called up share capital	9	1,000	1
Profit and loss account	10	84,011	(79,019)
<b>Shareholders' funds attributable to equity interests</b>	11	<b>85,011</b>	<b>(79,018)</b>

The notes on pages 7 to 11 form part of these financial statements.

These financial statements were approved by the Board of Directors on 17 July 2003 and were signed on its behalf by:



**APG Holmes**  
Director



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

#### *Basis of preparation*

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

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

#### *Limited partnerships*

The Company acts as the general partner of Quester Venture GP Partnership which is the general partner of a venture capital fund, Quester Venture Partnership. Quester Venture GP Partnership and Quester Venture Partnership are limited partnerships which, by virtue of the role of the general partner, are deemed to be subsidiary undertakings of the Company under the provisions of the Companies Act 1985.

However, as the Company is itself a subsidiary undertaking of an immediate parent undertaking established under the law of a member state of the EU, it is exempt from the requirement to prepare group accounts. The Company is included in consolidated financial statements prepared by its ultimate parent undertaking Querist Limited which are drawn up to 31 March in the same financial year.

### 2. Turnover

Turnover represents the sum advanced to the Company as an interest-free limited recourse loan in respect of its future entitlement (through Quester Venture GP Partnership) to priority profit share as general partner of Quester Venture Partnership, which is treated as income in the Company's accounts in accordance with Financial Reporting Standard 5, "Reporting the substance of transactions".

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002	2001
	£	£
Auditor's remuneration		
- audit	-	1,500
- other services	-	800

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 4. Directors' emoluments and employees

Directors' emoluments and pension contributions were paid and borne by the Company's parent undertaking and are comprised of the allocation of the total emoluments for services as directors of the Company. Retirement benefits under money purchase schemes are accruing to six directors.

The Company had no employees during the period (2001: nil).

### 5. Tax on profit on ordinary activities

	2002 £	2001 £
UK corporation tax at 30% (2001 - 30%)	-	-
Group relief receivable:		
- in respect of current year	(586,952)	-
- in respect of prior year	(104,309)	-
Adjustment of current taxation in respect of prior years	-	-
	(691,261)	-
Deferred taxation charge	611,744	115,079
	(79,517)	115,079
	2002 £	2001 £
Profit on ordinary activities before tax	83,513	36,060
Tax on profit on ordinary activities at standard UK corporation tax rate at 30% (2001-30%).	25,054	10,818
Effects of :		
Tax losses not recognised	-	104,261
Adjustments to tax charge in respect of previous periods	(104,571)	-
<b>Current tax (credit) / charge for period</b>	<b>(79,517)</b>	<b>115,079</b>

The deferred tax charge arises principally as a result of the treatment as income of the sum advanced to the Company as an interest-free limited recourse loan in respect of its future entitlement (through Quester Venture GP Partnership) to priority profit share as general partner of Quester Venture Partnership. The Company has surrendered corporation tax losses to group undertakings for consideration of £691,621 where availed of (2001: £nil).

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 6. Debtors

	2002	2001
	£	£
Amounts owed by group undertakings	692,260	-
Amounts owed by Quester Venture GP Partnership	-	71,621
	<u>692,260</u>	<u>71,621</u>

### 7. Creditors: amounts falling due within one year

	2002	2001
	£	£
Accruals	2,300	2,300
Amounts owed to Quester Capital Management Limited	121,274	64,459
	<u>123,574</u>	<u>66,759</u>

### 8. Provisions for liabilities and charges

	Deferred taxation 2002 £	Deferred taxation 2001 £
As at 1 January	115,079	-
Charge to the profit and loss account for the year	611,744	115,079
	<u>726,823</u>	<u>115,079</u>
As at 31 December	726,823	115,079

The current year deferred tax charge of £611,744 (2001: £115,079) arises principally as a result of the treatment as income of the sum advanced to the Company as an interest-free limited recourse loan in respect of its future entitlement (through Quester Venture GP Partnership) to priority profit share as general partner of Quester Venture Partnership.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 9. Called up share capital

	2002	2001
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	100
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1	1,000	1

The Company issued a further 999 ordinary shares of £1 each in to Quester Capital Management Limited on 16 December 2002. Subsequent to the year end, the share capital has been restructured - see note 16.

### 10. Profit and loss account

	2002	2001
	£	£
At 1 January	(79,019)	-
Profit / (loss) for the year	163,030	(79,019)
<b>At 31 December</b>	<b>84,011</b>	<b>(79,019)</b>

### 11. Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
At 1 January	(79,018)	-
Shares subscribed for in the year	999	1
Profit / (loss) for the year	163,030	(79,019)
<b>At 31 December</b>	<b>85,011</b>	<b>(79,018)</b>

### 12. Cashflow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own consolidated financial statements.

### 13. Related party disclosures

As 100% of the voting rights of the Company are controlled by Querist Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the Group.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 14. Ultimate parent company

The ultimate parent company is Querist Limited, which is registered in England and Wales. Querist Limited is both the largest and the smallest undertaking into which the results of the Company are consolidated. Copies of Querist Limited accounts may be obtained from the registered office at 29 Queen Anne's Gate, London SW1H 9BU.

### 15. Subsidiary undertaking

Quester Venture GP Partnership, of which the Company is the general partner, and Quester Venture Partnership, of which Quester Venture GP Partnership is the general partner, are deemed to be subsidiary undertakings of the Company under the provisions of the Companies Act 1985. The principal place of business of Quester Venture GP Partnership is 11 Walker Street, Edinburgh EH3 7NE and that of Quester Venture Partnership is 29 Queen Anne's Gate, London, SW1H 9BU. As explained in note 1, the Company is exempt from the requirement to prepare group accounts.

### 16. Post balance sheet event

On 31 March 2003 the Company adopted new Articles of Association pursuant to which the existing ordinary shares of £1 each were redesignated as "A" ordinary shares of £1 each and the "B" ordinary shares of £1 each and the fixed rate preference shares of £1 each were created as new classes of share capital. On the same date 2,480 "B" ordinary shares of £1 each were issued at par and 6,520 fixed rate preference shares of £1 each were issued at par.