

Registered number: SC 220736

Quester Venture GP Limited

Directors' report and financial statements
for the year ended 31 March 2005



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 March 2005.

Principal activities

The Company acts as general partner of Quester Venture GP Partnership. Quester Venture GP Partnership is a limited partnership, which itself 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 immediate 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 March 2005 amounted to £69.2million (2004: £69.2million). The Company's subsidiary undertaking, Quester Venture GP Partnership, had committed 1% of total commitments being £692,120 (2004: £692,120), 52.5% of which was drawn down at 31 March 2005 (2004: 42.5%). 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 March 2006.

Financial results

In the year ended 31 March 2005, turnover for the Company amounted to £1,725,789 (2004, 15 months: £2,162,978). Of this amount, £1,531,282 (2004, 15 months: £2,162,978) was received 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 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 £93,590 (2004, 15 months : £154,090) and a profit after taxation for the period of £47,695 (2004, 15 months: £127,406). A dividend of £326 was paid during the year on the fixed rate preference shares (2004: £326). The directors propose a final dividend totalling £232,200 on the Company's "A" and "B" ordinary shares (2004: £nil).

Directors

The directors of the Company who served in the year ended 31 March 2005 and since that date were:

SHV Acland	HWB Sallitt (appointed 6 June 2005)
JD Brooke (appointed 26 October 2004)	JA Spooner
CJ Gee	ICS Wilcock
APG Holmes	MG Williams
JB Milne	

Directors' report *(continued)*

Directors' interests in shares of group companies

The interests in the ordinary shares of the Company of the directors who held office at the end of the financial period are detailed below. The interest in the partnership capital of the limited partnership that is deemed to be a subsidiary undertaking of the Company under the provisions of the Companies Act 1985, as recorded in the register of directors' share interests, are also included below:

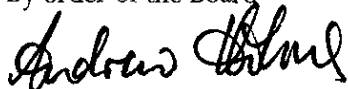
			Number of shares/amount of capital contribution	
	Partnership	Partnership capital	2005	2004
SHV Acland	Quester Venture GP Limited	“B” ordinary shares of £1 each	372	372
	Quester Venture GP Partnership	Founder capital contribution	£277	£277
		Investor capital contribution	£6	£6
CJ Gee	Quester Venture GP Partnership	Founder capital contribution	£83	£83
		Investor capital contribution	£2	£2
APG Holmes	Quester Venture GP Limited	“B” ordinary shares of £1 each	1,054	1,054
	Quester Venture GP Partnership	Founder capital contribution	£277	£277
		Investor capital contribution	£6	£6
JB Milne	Quester Venture GP Partnership	Founder capital contribution	£119	£119
		Investor capital contribution	£2	£2
JA Spooner	Quester Venture GP Limited	“B” ordinary shares of £1 each	1,054	1,054
	Quester Venture GP Partnership	Founder capital contribution	£277	£277
		Investor capital contribution	£6	£6
ICS Wilcock	Quester Venture GP Partnership	Founder capital contribution	£119	£119
		Investor capital contribution	£2	£2
MG Williams	Quester Venture GP Partnership	Founder capital contribution	£119	£119
		Investor capital contribution	£2	£2

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 ending 31 March 2005.

Auditors

On 27 June 2005, KPMG Audit Plc resigned as the Company's auditors. The Board appointed RSM Robson Rhodes LLP to act as auditors to the Company.

By order of the Board



APG Holmes

Director

15 July 2005

Registered office:
16 Charlotte Square
Edinburgh EH2 4DF

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 shareholders 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 shareholders, 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 shareholders 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 shareholders 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 have been 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 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 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 as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
15 July 2005

Profit and loss account

for the year ended 31 March 2005

	Note	2005 £	2004 (15 months) £
Turnover	2	1,725,789	2,162,978
Administrative expenses		<u>(1,646,458)</u>	<u>(2,013,632)</u>
Operating profit	3	79,331	149,346
Interest received		<u>14,259</u>	<u>4,744</u>
Profit on ordinary activities before taxation		93,590	154,090
Tax on profit on ordinary activities	5	<u>(45,895)</u>	<u>(26,684)</u>
Profit on ordinary activities after taxation		47,695	127,406
Dividends paid and proposed	6	<u>(232,526)</u>	<u>(326)</u>
Transfer (from)/to reserves		<u>(184,831)</u>	<u>127,080</u>

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 March 2005

	Note	2005 £	2005 £	2004 £	2004 £
Current assets					
Debtors	7	414,340		599,774	
Cash at bank and in hand		<u>504,425</u>		<u>406,687</u>	
		918,765		1,006,461	
Creditors: amounts falling due within one year	8	<u>(57,187)</u>		<u>(5,948)</u>	
Net current assets			861,578		1,000,513
Provisions for liabilities and charges	9		<u>(825,318)</u>		<u>(779,422)</u>
Net assets			<u>36,260</u>		<u>221,091</u>
Capital and reserves					
Called up share capital	10		10,000		10,000
Profit and loss account	11		<u>26,260</u>		<u>211,091</u>
Shareholders' funds	12		<u>36,260</u>		<u>221,091</u>

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

These financial statements were approved by the Board of Directors on 15 July 2005 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. In the balance sheet deferred tax liabilities are stated net of deferred tax assets, if any.

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 Company's entitlement (through Quester Venture GP Partnership) to priority profit share as general partner of Quester Venture Partnership. In the absence of profits within QVP, a sum equivalent to the Company's entitlement is advanced to the Company as an interest-free limited recourse loan. Such advances are treated as income in the Company's accounts in accordance with Financial Reporting Standard 5, "Reporting the substance of transactions".

3. Operating profit

Auditor's remuneration (both for audit and other services) is paid for by another group undertaking.

4. Directors' emoluments and employees

The Company had no employees during the year (2004: nil) and directors' emoluments were paid and borne by another group undertaking.

Notes to the financial statements (continued)

5. Tax on profit on ordinary activities

	2005	2004 (15 months)
	£	£
Group relief receivable	-	(95,226)
Adjustment of current taxation in respect of prior years	17,818	(19,543)
Tax charge/(credit) before deferred taxation	17,818	(114,769)
Deferred tax credit on unutilised losses	(431,308)	(507,139)
Deferred tax charge on entitlement to priority profit share	459,385	648,592
	45,895	26,684

Reconciliation of profit on ordinary activities to taxation

	2005	2004 (15 months)
	£	£
Profit on ordinary activities before tax	93,590	154,090
Tax on profit on ordinary activities at standard UK corporation tax rate at 30% (2004 – 30%).	28,077	46,227
Tax effects of:		
Unutilised losses carried forward	431,308	507,139
Revenues not subject to corporation tax	(459,385)	(648,592)
Adjustments to tax charge in respect of previous periods	17,818	(19,543)
Current tax charge/(credit) for the period	17,818	(114,769)

6. Dividends paid and proposed

	2005	2004
	£	£
Paid	326	-
Proposed	232,200	326
	232,526	326

The proposed dividend for the year to 31 March 2005 is payable 80% (£185,760) to the holders of "A" ordinary shares and 20% (£46,440) to holders of "B" ordinary shares.

Notes to the financial statements *(continued)*

7. Debtors

Debtors represent amounts due from group undertakings. Offset against amounts owed by group undertakings is a proposed dividend of £185,760 (2004: £nil) payable to Quester Capital Management Ltd, the parent company (see note 6, above).

8. Creditors: amounts falling due within one year

	2005 £	2004 £
Accruals	10,747	5,948
Dividends payable (see note 6, above)	46,440	-
	<u>57,187</u>	<u>5,948</u>

At 31 March 2005, guarantees had been given in respect of group bank overdraft facilities of £75,000 (2004: £150,000) in respect of Querist Limited and its subsidiary undertakings of which £nil (2004: £9,491) had been drawn down by the Group at the year end.

9. Provisions for liabilities and charges

	2005 £	2004 £
Deferred tax asset	(1,009,482)	(595,993)
Deferred tax liability	1,834,800	1,375,415
Net deferred tax liability	825,318	779,422

The deferred tax asset of £1,009,482 (2004: £595,993) arises from the carry forward of unutilised corporation tax losses. The deferred tax liability of £1,834,800 (2004: £1,375,415) arises from the receipt of interest free recourse loans. The crystallisation of the liability and the asset is interlinked and on this basis, the asset has been offset against the liability.

Notes to the financial statements (continued)

10. Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Fixed rate preference shares of £1 each	6,520	6,520
"A" Ordinary shares of £1 each	1,000	1,000
"B" Ordinary shares of £1 each	2,480	2,480
	10,000	10,000
<i>Allotted, called up and fully paid</i>		
Fixed rate preference shares of £1 each	6,520	6,520
"A" Ordinary shares of £1 each	1,000	1,000
"B" Ordinary shares of £1 each	2,480	2,480
	10,000	10,000

The "A" ordinary shareholders are entitled to 80% of any dividend declared and the "B" ordinary shareholders are entitled to 20% of any dividend declared. The "B" ordinary shareholders are not entitled to vote at any general meeting.

The fixed rate preference shares of £1 each have a fixed dividend entitlement of 5% per annum of the nominal value per share payable annually on 31 December in each year. The preference shareholders are not entitled to vote at any general meeting.

11. Profit and loss account

	2005 £	2004 £
At beginning of the period	211,091	84,011
Transfer (from)/to reserves	(184,831)	127,080
At end of the period	26,260	211,091

12. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
At beginning of the period	221,091	85,011
Shares subscribed for in the period	-	9,000
Transfer (from)/to reserves	(184,831)	127,080
At end of the period	36,260	221,091

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Cash flow 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.

14. 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 Quester group of companies.

15. 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 its registered office at 29 Queen Anne's Gate, London SW1H 9BU.

16. 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 16 Charlotte Square, Edinburgh EH2 4DF 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.