

**Quester Capital Management  
Limited**

Registered number 2454345

Directors' report and financial statements  
31 March 2003



## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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## DIRECTORS' REPORT

The directors present herewith the audited financial statements for the year ended 31 March 2003.

### Principal activities

The principal activities of the Company are the marketing, management and operation of venture capital funds.

### Review of business and future developments

Both the level of business and the year end financial position were satisfactory.

### Parent company and subsidiary companies

As part of a group reorganisation on 31 March 2003, the ownership of the Company changed from Quester Services Limited to Querist Limited. The Company also acquired Quester Venture Managers Limited from its former holding company, Quester Services Limited. In addition the share capital of two of the Company's subsidiaries, Quester Venture GP Limited and Quester Academic GP Limited was restructured. These two companies remain subsidiaries for Companies Act purposes.

### Dividends and reserves

The directors propose the payment of a final dividend totalling £178,265 in respect of the year ended 31 March 2003 (2002: £641,223). An interim dividend of £340,000 was paid during the year (2002: £150,000).

The retained loss at the year end is £1,010 (2002: £nil). The directors consider it appropriate for the Company to maintain a cash balance for the purpose of funding ongoing working capital requirements and regulatory requirements.

### Directors

The directors of the Company during the year ended 31 March 2003 and as at that date were:

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

### Directors' interests in shares of group companies

During the year, no director had any beneficial interest in the share capital of the Company or of any group undertakings other than in Querist Limited, Quester Venture GP Limited and Quester Academic GP Limited.

SHV Acland, APG Holmes and JA Spooner are directors of Querist Limited (the ultimate parent company) and details of their interests in the shares of Querist Limited, Quester Venture GP Limited and Quester Academic GP Limited and options to subscribe for shares are therefore disclosed in the financial statements of Querist Limited.

By order of the Board

RJ Drover  
Secretary



29 Queen Anne's Gate  
London SW1H 9BU  
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.

31 March 2003

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUESTER CAPITAL MANAGEMENT LIMITED**

We have audited the financial statements on pages 4 to 12.

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 2, 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 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.

### **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 March 2003 and of its profit for the year then ended 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 March 2003*

	Note	2003 £	2002 £
<b>Turnover</b>	2	<b>5,796,135</b>	4,605,029
Administrative expenses		(4,878,722)	(3,772,620)
<b>Operating profit</b>	3	<b>917,413</b>	832,409
Interest receivable and similar income		79,791	27,388
<b>Profit on ordinary activities before taxation</b>		<b>997,204</b>	859,797
Tax on profit on ordinary activities	5	(479,949)	(68,574)
<b>Profit on ordinary activities after taxation</b>		<b>517,255</b>	791,223
Dividends paid and proposed	6	(518,265)	(791,223)
<b>Retained loss for the financial year</b>		<b>(1,010)</b>	-

There are no recognised gains and losses other than as shown above in the profit and loss account.

All operations arise from continuing activities.

The notes on pages 6 to 12 form part of these financial statements.

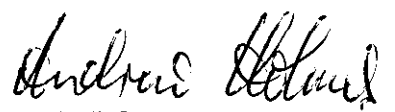
## BALANCE SHEET

as at 31 March 2003

	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Investments in subsidiary undertakings	7		33,650		2
<b>Current assets</b>					
Debtors	8	653,523		245,746	
Cash at bank		2,352,054		1,724,141	
		3,005,577		1,969,887	
<b>Creditors: amounts falling due within one year</b>	9	(2,794,133)		(1,949,889)	
<b>Net current assets</b>			211,444		19,998
<b>Creditors: amounts falling due after more than one year</b>	10		(225,094)		-
<b>Net assets</b>			20,000		20,000
<b>Capital and reserves</b>					
Called up share capital	11		16,510		15,500
Profit and loss account	12		3,490		4,500
<b>Shareholders' funds attributable to equity interests</b>	13		20,000		20,000

The notes on pages 6 to 12 form part of these financial statements.

These financial statements were approved by the Board of Directors on 17 July 2003 and 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. The Company is exempt from preparing group accounts under Section 228 of the Companies Act 1985. The ultimate parent undertaking in whose consolidated accounts the Company is included is Querist Limited, (see note 16).

#### *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.

#### *Valuation of investments*

Investments in venture capital funds held by the Company's subsidiary, Quester Venture Participations Limited, are stated at cost less provision for any impairment in value. Investments in subsidiary undertakings are stated at cost as reduced by any pre-acquisition dividend received.

### 2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the management and operation of venture capital funds and the provision of management or advisory services to third parties.

### 3 Operating profit

Operating profit is stated after charging:

	2003	2002
	£	£
Auditor's remuneration		
- audit	6,000	3,000
- other services	2,275	1,660

### 4 Directors' emoluments and employees

Directors' emoluments were paid and borne by another group undertaking and are comprised of the allocation of the total emoluments for services as directors of the Company.

The Company had no employees during the year (2002: nil).

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5 Tax on profit on ordinary activities

	2003 £	2002 £
UK corporation tax at 30% (2001 - 30%)	-	109,080
Group relief payable:		
- in respect of current year	372,270	-
- in respect of prior year	170,154	-
Adjustment of current taxation in respect of prior years	3,275	(40,506)
	545,699	68,574
Deferred taxation	(65,750)	-
	479,949	68,574

Taxation has been provided against the profit on ordinary activities utilising group relief where it is available.

	2003 £	2002 £
Profit on ordinary activities before tax	997,204	859,797
Tax on profit on ordinary activities at standard UK corporation tax rate at 30% (2001-30%).	299,161	257,939
Effects of :		
Expenses not deductible for tax purposes	7,359	9,295
Dividends from subsidiary undertakings	173,429	-
Adjustments to tax charge in respect of previous periods	-	(198,660)
Current tax charge for period	479,949	68,574

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

### 6 Dividends paid and proposed

	2003 £	2002 £
Paid	340,000	150,000
Proposed	178,265	641,223
	<u>518,265</u>	<u>791,223</u>

### 7 Investments in subsidiary undertakings

Cost and valuation	At 1 April 2002 £	Additions £	At 31 March 2003 £
Quester Venture Participations Limited	1	24,998	24,999
Quester Venture GP Limited	1	7,522	7,523
Quester Academic GP Limited	-	118	118
Quester Venture Managers Limited	-	1,010	1,010
	<u>2</u>	<u>33,648</u>	<u>33,650</u>

At 31 March 2003 the Company held an interest in the nominal value of the allotted shares as stated below (all companies registered in England and Wales unless otherwise stated):

Name of subsidiary undertaking	Principal activity	Description of shares held	Percentage held
Quester Venture Participations Limited	Investment company holding interests in venture capital funds managed by the Company	Ordinary shares	100%
Quester Venture GP Limited	Company registered in Scotland, General partner of Quester Venture GP Partnership	Ordinary shares 'A' ordinary shares	100% 100%
Quester Academic GP Limited	General partner of Quester Academic GP Partnership	Ordinary shares 'A' ordinary shares	100% 100%
Quester Venture Managers Limited	General partner of venture capital limited partnerships	Ordinary shares	100%

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

### 7 Investments in subsidiary undertakings *(continued)*

During the year the following transactions were undertaken;

- Quester Capital Management Limited acquired a further 24,998 new ordinary shares of £1 each in Quester Venture Participations Limited on 16 December 2002.
- On 31 March 2003, the Company acquired from Quester Services Limited all of the ordinary shares of £1 each of Quester Venture Managers Limited as consideration for issuing an additional 1,010 ordinary shares of £1 each in the Company to Quester Services Limited.

### 8 Debtors

	2003	2002
	£	£
Deferred tax asset	65,750	-
Prepayments and accrued income	102,088	-
Amounts owed by related parties	485,534	222,642
Other debtors	151	23,104
	<u>653,523</u>	<u>245,746</u>

The amounts owed by related parties represents amounts due from Quester VCT 2 plc and Quester VCT 3 plc being management and secretarial fees payable under the terms of the respective agreements referred to in note 14.

### 9 Creditors: amounts falling due within one year

	2003	2002
	£	£
Subordinated loan	-	5,929
Amounts owed to group undertakings	1,866,332	542,455
Accruals and deferred income	690,490	1,112,632
Taxation and social security	137,311	188,873
Amounts owed to related parties	100,000	100,000
	<u>2,794,133</u>	<u>1,949,889</u>

The amount owed to related parties is an amount due to Quester VCT plc of £100,000 in accordance with the management agreement referred to in note 14.

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

### 10 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Provision for third party interest in future priority profit share (see below)	219,165	-
Subordinated loan	5,929	-
At 31 March	225,094	-

Under the terms of the partnership agreement of Quester Venture GP Partnership, part of the priority profit share in due course accruing to that partnership as general partner of Quester Venture Partnership ("the Fund"), which would normally accrue in turn to the Company's subsidiary Quester Venture GP Limited as its general partner, will subject to certain conditions accrue instead to a third party, in which case the amount so accruing will be £219,165. Such entitlement will arise upon the investors in the Fund having received repayment in full of their loan commitments and the preferred return.

At 31 March 2003 there were guaranteed group bank overdraft facilities of £150,000 (2002: £150,000) in respect of Querist Limited and its subsidiary undertakings, of which £nil (2002: £nil) had been drawn down by the Group at the year end.

### 11 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted, called up and fully paid</i>		
<i>Ordinary shares of £1 each</i>		
At 1 April	15,500	15,500
Issued during the year	1,010	-
At 31 March	16,510	15,500

On 31 March 2003, 1,010 ordinary shares of £1 each were issued in consideration of the acquisition of the whole of the share capital in Quester Venture Managers Limited.

### 12 Profit and Loss account

	2003 £	2002 £
At 1 April	4,500	4,500
Retained loss for the year	(1,010)	-
At 31 March	3,490	4,500

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

### 13 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Share capital issued during the year	1,010	-
Profit on ordinary activities after taxation	517,255	791,223
Dividends	(518,265)	(791,223)
Net change in shareholders' funds	-	-
Opening shareholders' funds as previously stated	20,000	20,000
Closing shareholders' funds	20,000	20,000

### 14 Related party disclosure

The Company provides investment management services to five venture capital trusts, of where APG Holmes and JA Spooner are non executive directors. APG Holmes and JA Spooner have waived their entitlement to directors' fees in respect of each of these trusts. The total fees receivable by Quester Capital Management Limited in respect of each of these agreements for the year under review are detailed below:

	Date of management agreement	2003	2002
		£	£
Quester VCT plc	22 February 1996*	490,640	683,693
Quester VCT 2 plc	9 February 1998*	869,814	1,384,441
Quester VCT 3 plc	19 January 2000	900,660	912,382
Quester VCT 4 plc	30 October 2000	1,040,012	906,874
Quester VCT 5 plc	3 December 2001	312,123	30,935

\* as subsequently amended

As more than 90% 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.

### 15. 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.

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

**16. Ultimate parent company**

The ultimate parent company is Querist Limited, which is registered in England and Wales. Querist Limited is the only 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.