

**Quester Capital Management
Limited**

**Directors' report and financial
statements**

Registered number 2454345

31 March 2001



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 2001.

Principal activities

The principal activities of the company are the marketing and management of venture capital funds and the provision of corporate finance advice.

Review of business and future developments

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

Dividends and reserves

The directors propose the payment of a final dividend totalling £974,671 in respect of the year ended 31 March 2001 (2000: £450,532). An interim dividend of £441,670 was paid during the year (2000: £nil).

The retained profit at the year end is £nil (2000: £96,195).

Directors

The directors of the company during the year ended 31 March 2001 were:

APG Holmes	
JA Spooner	
SHV Acland	
JR Hustler	(resigned 19.9.00)
ICS Wilcock	
JB Milne	(appointed 14.9.00)
MG Williams	(appointed 5.2.01)

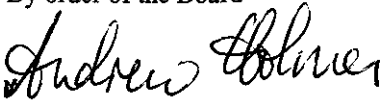
Directors' interests in shares of group companies

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company and other group companies as recorded in the register of directors' share interests:

	Company	Class of share	2001	2000
APG Holmes	Querist Limited	£1 ordinary	500	500
JA Spooner	Querist Limited	£1 ordinary	500	500

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 financial year.

By order of the Board


APG Holmes
Director

29 Queen Anne's Gate
London SW1H 9BU

20 July 2001

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;
- 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.

Auditor's report to the members of Quester Capital Management Limited

We have audited the financial statements on pages 4 to 9.

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. 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

20 July 2001

Profit and loss account

for the year ended 31 March 2001

	Note	2001 £	2000 £
Turnover	2	3,857,174	1,869,333
Administrative expenses		(2,014,869)	(1,160,593)
Operating profit	3	1,842,305	708,740
Interest receivable and similar income		19,833	-
Interest payable and similar charges		-	(1,668)
Profit on ordinary activities before taxation		1,862,138	707,072
Tax on profit on ordinary activities	5	(445,797)	(160,345)
Profit on ordinary activities after taxation		1,416,341	546,727
Dividends paid and proposed	6	(1,416,341)	(450,532)
Retained profit for the financial year		-	96,195

Statement of total recognised gains and losses

for the year ended 31 March 2001

		2001 £	2000 £
Profit for the financial year		1,416,341	546,727
Prior year adjustment	7	-	(91,695)
Total recognised gains and losses for the year		1,416,341	455,032

All operations arise from continuing activities.

The notes on pages 6 to 9 form part of these financial statements.

Balance sheet

as at 31 March 2001

	Note	2001 £	2000 £
Current assets			
Debtors	8	260,794	267,467
Cash at bank		865,335	36
		<u>1,126,129</u>	<u>267,503</u>
Creditors: amounts falling due within one year	9	<u>(1,106,129)</u>	<u>(247,503)</u>
Net current assets		<u>20,000</u>	<u>20,000</u>
Capital and reserves			
Called up share capital	10	15,500	15,500
Profit and loss account	11	4,500	4,500
Shareholders' funds attributable to equity interests	12	<u>20,000</u>	<u>20,000</u>

These financial statements were approved by the Board of Directors on behalf by:

20 July

2001 and signed on its



APG Holmes
Director

The notes on pages 6 to 9 form part of these financial statements.

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 because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover, which excludes VAT, represents the invoiced value of fees and management services supplied.

3 Operating profit

Operating profit is stated after charging:

	2001 £	2000 £
Auditor's remuneration		
- audit	3,004	3,680
- other services	1,300	2,320
	<u>4,304</u>	<u>6,000</u>

4 Directors' emoluments and employees

	2001 £	2000 £
Directors' emoluments	716,745	394,821
Company contributions to money purchase schemes	95,974	53,305
	<u>812,719</u>	<u>448,126</u>

Directors' emoluments and pension contributions were paid and borne by the Company's parent undertaking and comprised emoluments in respect of services as directors of the Company. Retirement benefits under money purchase schemes are accruing to six directors (2000: four).

The emoluments of the highest paid director were £219,949 (2000: £170,228) and the Company made pension contributions of £35,416 (2000: £24,233) to a money purchase scheme on his behalf.

The Company had no employees during the year (2000: nil).

Notes to the financial statements *(continued)*

5 Tax on profit on ordinary activities

	2001 £	2000 £
UK corporation tax	476,774	160,345
Over provision in respect of prior year	(30,977)	-
	<u>445,797</u>	<u>160,345</u>

Taxation has been provided against the profit on ordinary activities to the extent that group relief is not available. Group relief is claimed for nil consideration (2000:100% of losses surrendered).

6 Dividends paid and proposed

	2001 £	2000 £
Paid	441,670	-
Proposed	974,671	450,532
	<u>1,416,341</u>	<u>450,532</u>

7 Prior year adjustment

A material under-provision of tax in respect of the year ended 31 March 1999 of £91,695 has been accounted for by restating the figures for the year ended 31 March 1999.

8 Debtors

	2001 £	2000 £
Amounts owed by group undertakings	-	3,785
Amounts owed by related parties	245,807	255,638
Other debtors	14,987	8,044
	<u>260,794</u>	<u>267,467</u>

The amount owed by related parties represents net amounts due from Quester VCT plc and Quester VCT 4 plc being management fees payable under the terms of the agreement referred to in note 13.

Notes to the financial statements *(continued)*

9 Creditors: amounts falling due within one year

	2001 £	2000 £
Subordinated loan	5,929	5,929
Amount owed to group undertakings	12,120	76,929
Accruals and deferred income	445,735	4,300
Corporation tax	256,584	160,345
Other creditors including tax	148,936	-
Amount owed to parent undertaking	236,825	-
	<u>1,106,129</u>	<u>247,503</u>

At 31 March 2001 there were guaranteed group bank overdraft facilities of £150,000 (2000: £150,000) in respect of Querist Limited and its subsidiary undertakings of which nil (2000: £nil) had been drawn down by the Group as at the end of the year.

10 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Ordinary shares of £1 each	15,500	15,500
	<u>15,500</u>	<u>15,500</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	15,500	15,500
	<u>15,500</u>	<u>15,500</u>

11 Profit and Loss account

	£
At 1 April 2000	4,500
Retained profit for the year	-
	<u>4,500</u>
At 31 March 2001	<u>4,500</u>

Notes to the financial statements *(continued)*

12 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the year	1,416,341	546,727
Dividends	(1,416,341)	(450,532)
	<hr/>	<hr/>
Net increase in shareholders' funds	-	96,195
Opening shareholders' funds as previously stated	20,000	15,500
Prior year adjustment	-	(91,695)
	<hr/>	<hr/>
Closing shareholders' funds	20,000	20,000
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13 Related party disclosure

Quester Capital Management Limited provides investment management services to Quester VCT plc under an agreement dated 22 February 1996. The total fees receivable by Quester Capital Management Limited, in respect of this agreement, for the period amounted to £1,083,447 (2000: £887,089).

Quester Capital Management Limited provides investment management services to Quester VCT 2 plc under an agreement dated 9 February 1998. The total fees receivable by Quester Capital Management Limited, in respect of this agreement, were £1,445,042 (2000: £902,250).

Quester Capital Management Limited provides investment management services to Quester VCT 3 plc under an agreement dated 19 January 2000. The total fees receivable by Quester Capital Management Limited, in respect of this agreement were £709,498 (2000: £33,389).

Quester Capital Management Limited provides investment management services to Quester VCT 4 plc under an agreement dated 30 October 2000. The total fees receivable by Quester Capital Management Limited, in respect of this agreement were £231,946 (2000: £nil).

APG Holmes and JA Spooner are non-executive directors of Quester VCT plc, Quester VCT 2 plc, Quester VCT 3 plc and Quester VCT 4 plc.

As more than 90% of the voting rights 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.

14 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.

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