

Quester Capital Management Limited

Directors' report and financial statements

31 March 1999

Registered number 2454345



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 1999.

Principal activities

The principal activities of the company are the 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 recommend the payment of a dividend totalling £424,156 in respect of the year ended 31 March 1999 (1998:£181,843). There was no retained profit or loss for the year (1998:loss £38,822).

Directors

The directors of the company during the year ended 31 March 1999 were:

APG Holmes
JA Spooner
SHV Acland
JR Hustler

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	1999	1998
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.

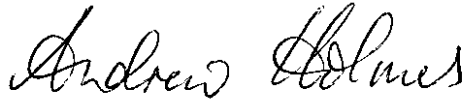
Directors' report *(continued)*

Year 2000

Historically, most computer systems and equipment with embedded chips or processors have tended to rely on two rather than four digits to define a specific year. This has created the risk that, from 1 January 2000, dates could be treated by computer systems as dates in the 1900's. If systems calculate, compare or sort using the incorrect date, the resulting errors could lead to a range of problems or even system failure. The potential risks associated with these events could include business interruption and financial loss.

During the period the Company has undertaken a full review of its systems. Following a Year 2000 audit by external consultants of all equipment and systems, the Company made an assessment of the issues associated with the Year 2000 problem. All issues arising were addressed in the Autumn of 1998 when all equipment and software was upgraded to Year 2000 compliant versions. As a result of this upgrade, the Company believes that no critical systems are at risk of failing to meet Year 2000 requirements. The Company believes that the actions it has taken should significantly reduce the risk of a Year 2000 issue serious enough to cause business disruption. The costs of this exercise have been borne by Quester Services Limited and no further costs are anticipated.

By order of the Board



APG Holmes
Director

29 Queen Anne's Gate
London SW1H 9BU

1 July 1999

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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Quester Capital Management Limited

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1999 and of its result 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

1 July 1999

Profit and loss account

for the year ended 31 March 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	1,157,478	638,550
Administrative expenses		(736,635)	(490,431)
Operating profit		420,843	148,119
Interest receivable and similar income		-	1,980
Profit on ordinary activities before taxation	3-4	420,843	150,099
Tax on profit on ordinary activities	5	3,313	(7,078)
Profit on ordinary activities after taxation		424,156	143,021
Proposed dividends		(424,156)	(181,843)
Retained profit/(loss) for the financial year		-	(38,822)
Retained profit brought forward		-	38,822
Retained profit carried forward		-	-

There are no recognised gains and losses other than as shown above in the profit and loss account (1998 - £nil).

All operations arise from continuing activities.

The notes on pages 7 to 9 form part of these financial statements.

Balance sheet

at 31 March 1999

	Note	£	1999	£	£	1998	£
Current assets							
Debtors	6	93,487			48,827		
Cash at bank		1,143			325		
Creditors: amounts falling due within one year	7						
Net current assets							
Capital and reserves							
Called up share capital	8						
Profit and loss account							
Shareholders' funds attributable to equity interests							

These financial statements were approved by the Board of Directors on 1 July 1999 and signed on its behalf by:

Andrew Holmes

APG Holmes
Director

The notes on pages 7 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.

2 Turnover

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

3 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:

	1999 £	1998 £
Auditors' remuneration		
- audit	1,600	1,540
- other services	2,250	2,200
	<u> </u>	<u> </u>

4 Directors' emoluments and employees

	1999 £	1998 £
Directors' emoluments	266,333	186,983
Company contributions to money purchase schemes	35,008	19,105
	<u> </u>	<u> </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 3 directors (1998:3).

The company had no employees during the year (1998:nil).

5 Tax on profit on ordinary activities

	1999 £	1998 £
UK corporation tax at 21%	(3,765)	(7,078)
Overprovision in respect of prior year	7,078	-
	<u> </u>	<u> </u>
	3,313	(7,078)
	<u> </u>	<u> </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 (1998:100% of losses surrendered).

Notes to the financial statements *(continued)*

6 Debtors

	1999	1998
	£	£
Amounts owed by group undertakings	-	12,514
Amounts owed by related parties	82,845	36,313
Other debtors	10,642	-
	<u>93,487</u>	<u>48,827</u>

The amount owed by related parties represents net amounts due from Quester VCT plc and Quester VCT2 plc, being management fees payable under the terms of the agreement referred to in note 10.

7 Creditors: amounts falling due within one year

	1999	1998
	£	£
Subordinated loan	5,929	5,929
Amount owed to group undertakings	65,286	16,795
Accruals and deferred income	4,150	3,850
Other creditors including taxation and social security	3,765	7,078
	<u>79,130</u>	<u>33,652</u>

At 31 March 1999 the company had guaranteed group bank overdraft facilities of £150,000 (1998 -£150,000) in respect of Querist Limited, Quester Limited, Quester Services Limited and Parquest Capital Management Limited, of which £20,474 (1998 - £nil) had been drawn down by the group at the end of the year.

8 Called up share capital

	1999	1998
	£	£
<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>

Notes to the financial statements *(continued)*

9 Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
At 1 April	15,500	46,322
Profit/(loss) for the year	-	(38,822)
Issue of share capital	-	8,000
	<hr/>	<hr/>
At 31 March	15,500	15,500
	<hr/>	<hr/>

10 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 £822,242 (1998:£623,361). APG Holmes and JA Spooner are non-executive directors of Quester VCT plc.

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 £316,855 (1998:£nil). APG Holmes and JA Spooner are non-executive directors of Quester VCT 2 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.

11 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.

12 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.