

Clarendon Fund Managers Limited

Financial statements

Year ended 31 August 2005

Company registration No. 03525474



Clarendon Fund Managers Limited

Directors' report and financial statements

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Clarendon Fund Managers Limited

Directors and other information

Directors	Philip S Cammerman Alan Mawson Neil Simms
Secretary	Anthony N Fiducia
Bankers	Bank of Ireland Belfast City Branch Belfast BT1 2BA
Solicitors	Bryan Cave 33 Cannon Street London EC4M 5TE
Auditors	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6DH
Registered office	Bryan Cave 33 Cannon Street London EC4M 5TE
Registered in England number	03525474

Clarendon Fund Managers Limited

Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements of the company for the year ended 31 August 2005.

Business review and results

The principal activity of the company is the management of two venture funds. There is no intention to change its activity in the foreseeable future.

The results for the year are set out on page 5 of the financial statements.

The directors do not recommend the payment of a final dividend on the ordinary shares (2004: £Nil).

Suppliers

We are committed to establishing mutually beneficial relationships with our suppliers and it is our policy to pay them within 30 days of the invoice date, or as otherwise agreed.

Directors

The directors at 31 August 2005 were as follows:

Alan Mawson
Philip S Cammerman
Neil Simms

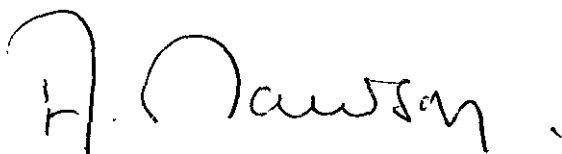
Directors' interests

According to the register of directors' interests, no director holding office at 31 August 2005 had any beneficial interest in the shares of the company during the year, with the exception of Alan Mawson, who was the beneficial holder of 1,500 £1 A ordinary shares of the company (2004: 1,500 shares), 6,000 £1 A preference shares (2004: 6,000) and 24,000 £1 B preference shares (2004: 24,000).

Auditors

A resolution for the re-appointment of KPMG as auditors will be proposed at the Annual General Meeting.

By order of the board



Director

21 December 2005

Clarendon Fund Managers Limited

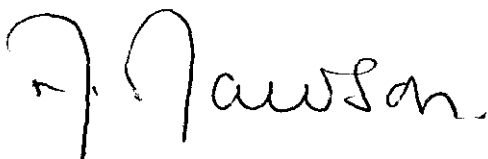
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give, in accordance with applicable United Kingdom law and accounting standards, a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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 maintaining 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the board



Director

21 December 2005

Independent auditors' report to the members of Clarendon Fund Managers Limited

We have audited the financial statements on pages 5 to 17.

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 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.

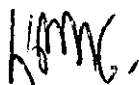
Basis of audit opinion

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 affairs of company as at 31 August 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



21 December 2005

KPMG
Chartered Accountants
Registered Auditors
Stokes House, 17/25 College Square East
Belfast, BT1 6DH

Clarendon Fund Managers Limited

Profit and loss account

Year ended 31 August 2005

	<i>Note</i>	2005 £	2004 £
Continuing operations			
Management fees receivable		193,028	172,977
Other income	2	219,908	115,623
Administrative expenses		(277,677)	(253,074)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	135,259	35,526
Tax on profit on ordinary activities	5	(43,648)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		91,611	35,526
Proposed dividends on non-equity shares		(2,080)	(2,080)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	12	89,531	33,446
		<hr/>	<hr/>

The company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

All activity has arisen from continuing operations.

The notes on pages 8 to 17 form part of these financial statements.

Clarendon Fund Managers Limited

Balance sheet

At 31 August 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	6	-		-	
Investments	7	4		4	
		<hr/>	4	<hr/>	4
Current assets					
Cash at bank		84,011		46,524	
Debtors	8	158,061		48,930	
		<hr/>	242,072	<hr/>	95,454
Creditors: amounts falling due within one year	9		(97,800)		(40,713)
			<hr/>		<hr/>
Net current assets			144,272		54,741
			<hr/>		<hr/>
Total assets less current liabilities			144,276		54,745
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	10		(10,000)		(10,000)
			<hr/>		<hr/>
Net assets			134,276		44,745
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		34,000		34,000
Profit and loss account	12		100,276		10,745
			<hr/>		<hr/>
	13		134,276		44,745
			<hr/>		<hr/>

Approved by the Board of Directors on the 21 of December 2005



For and on behalf of

Clarendon Fund Managers Limited (Director)

The notes on pages 8 to 17 form part of these financial statements.

Clarendon Fund Managers Limited

Cash flow statement

For the year ended 31 August 2005

	Note	2005 £	2004 £
Net cash (outflow)/inflow from operating activities 14(a)		43,710	(1,381)
Returns on investments and servicing of finance			
Interest on loans		(1,004)	(394)
Acquisitions and disposals			
Purchase of subsidiary		-	-
Financing			
Issue of ordinary share capital		-	-
Issue of preference share capital		-	-
New bank loans		-	-
Repayment of loans		(5,219)	(8,537)
		<hr/>	<hr/>
Increase/decrease in cash		37,487	(10,312)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
		2005 £	2004 £
(Decrease)/increase in cash		37,487	(10,312)
Cash outflow/(inflow) from decrease/(increase) in loans		5,219	8,537
		<hr/>	<hr/>
Movement in net debt	14(b)	42,706	(1,775)
		<hr/>	<hr/>
Net debt at 1 September		31,305	33,080
		<hr/>	<hr/>
Net debt at 31 August		74,011	31,305
		<hr/>	<hr/>

Clarendon Fund Managers Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

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

The implementation by the company of FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax' has had no material effect on the financial statements.

Consolidated financial statements

The company has not prepared consolidated accounts due to the immaterial size of its interests in its subsidiary undertakings.

Bank interest and dividends

Bank interest and dividends received from subsidiary undertakings are recognised on an accruals basis.

Depreciation

Fixed assets are depreciated on a straight line basis over their useful economic lives as follows:

Fixtures and fittings	-	33 % per annum
Office equipment	-	33 % per annum

Grants

Revenue grants are credited to the profit and loss account so as to match them with the expenditure to which they relate.

Taxation

Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and is determined using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

Investments

Investments are stated at cost less any provisions for impairments in value.

Turnover

Turnover excludes value-added tax and represents the fair value of services delivered to customers in the accounting period. Services are deemed to have been delivered to customers when, and to the extent that the entity has met its obligations under its service contracts.

Clarendon Fund Managers Limited

Notes (continued)

2 Other income

	2005 £	2004 £
Consultancy fees	103,688	-
Custodian fees	11,523	10,021
Grant	104,697	105,602
	<u>219,908</u>	<u>115,623</u>

3 Operating loss

This is stated after charging/(crediting)

	2005 £	2004 £
Auditors' remuneration - audit work	3,000	3,000
Depreciation	-	8,541
Revenue grants	(104,697)	(105,602)
Directors' remuneration	98,548	98,317
	<u>96,851</u>	<u>93,256</u>

4 Staff costs

	2005 £	2004 £
Wages and salaries	72,195	52,601
Social security costs	7,298	5,624
Other pension costs	12,637	-
	<u>92,130</u>	<u>58,225</u>

The average number of persons employed by the company during the year was 4 (2004: 3).

Clarendon Fund Managers Limited

Notes (continued)

5 Tax on profit on ordinary activities

The tax charge for the period is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2005 £	2004 £
Profit/(loss) on ordinary activities before tax	135,259	35,526
Current tax at 30 % (2004: 19%)	40,578	6,750
Effects of:		
Expenses not deductible for tax reasons	599	354
Capital allowances for period in excess of depreciation	-	1,623
Other timing differences	566	-
Utilisation of losses brought forward	-	(1,832)
Group relief	-	(6,895)
Small Companies relief	(4,424)	-
Adjustment in respect of prior years	6,895	-
Deferred tax debtor adjustment	(566)	-
	43,648	-

6 Tangible assets

	Office equipment £	Fixtures & fittings £	Total £
Cost			
At 1 September 2004	18,792	6,834	25,626
Additions	-	-	-
At 31 August 2005	18,792	6,834	25,626
Depreciation			
At 1 September 2004	18,792	6,834	25,626
Charge for the year	-	-	-
At 31 August 2005	-	-	-
Net book value			
At 31 August 2005	-	-	-
At 31 August 2004	-	-	-

Clarendon Fund Managers Limited

Notes (continued)

7 Investments in subsidiary undertakings

	2005 £	2004 £
Investment in NI Venture Partners Limited	2	2
Investment in Clarendon Fund Nominees Limited	1	1
Investment in Nitech Venture Partners Limited	1	1
	<hr/>	<hr/>
	4	4
	<hr/>	<hr/>

The company holds 2 ordinary shares of £1 each in NI Venture Partners Limited. This represents the entire share capital of NI Venture Partners Limited, a company incorporated in the United Kingdom and whose principal activity is its role as General Partner in a venture capital limited partnership, the Viridian Growth Fund.

For the year ended 31 August 2005 and year ended 31 August 2004 NI Venture Partners Limited made neither a profit nor a loss and had net assets of £2.

The company holds 1 ordinary share of £1 in Clarendon Fund Nominees Limited. This represents the entire share capital of Clarendon Fund Nominees Limited, a company incorporated in the United Kingdom and whose principal activity is the provision of share certificate custodian services.

For the year ended 31 August 2005 and year ended 31 August 2004 Clarendon Fund Nominees Limited made neither a profit nor a loss and had net assets of £1.

The company holds 1 ordinary share of £1 in Nitech Venture Partners Limited. This represents the entire share capital of NI Venture Partners Limited, a company incorporated in the United Kingdom and whose principal activity is its role as General Partner in a venture capital limited partnership, the Nitech Growth Fund.

For the year ended 31 August 2005 and period ended 31 August 2004 Nitech Venture Partners Limited made neither a profit nor a loss and had net assets of £1.

Viridian Growth Fund Limited Partnership and Nitech Growth Fund Limited Partnership are both deemed to be subsidiaries of the company due to its interest in NI Venture Partners Limited and Nitech Venture Partners Limited as set out above.

Clarendon Fund Managers Limited

Notes (continued)

8 Debtors: amounts falling due within one year

	2005 £	2004 £
Trade debtors	38,264	6,551
Amounts due from subsidiary undertakings	26,719	15,196
Other debtors	91,052	4,467
VAT receivable	1,460	22,716
Deferred tax debtor	566	-
	<hr/>	<hr/>
	158,061	48,930

9 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans	-	5,219
Trade creditors	8,974	4,496
Founder loan	50	50
Sundry creditors	-	1,409
Accruals and deferred income	37,966	25,550
Other taxes and social security costs	4,516	1,909
Corporation tax payable	44,214	-
Dividend	2,080	2,080
	<hr/>	<hr/>
	97,800	40,713

10 Creditors: amounts falling due after one year

	2005 £	2004 £
Analysis of debt:		
Loans	10,000	10,000
	<hr/>	<hr/>
Amounts repayable:		
In one year or less	-	5,219
Amounts repayable in more than one year:		
In more than one year but not more than two years	-	-
In more than two years but not more than five	10,000	10,000
	<hr/>	<hr/>
Total loan amount	10,000	15,219

Clarendon Fund Managers Limited

Notes (continued)

10 Creditors: amounts falling due after one year (continued)

Total loans wholly repayable within 5 years:

	2005 £	2004 £
Bank loans	-	5,219
Subordinated loan	10,000	10,000
	<hr/>	<hr/>
Total loan amount	10,000	15,219
	<hr/>	<hr/>

The bank loan is unsecured and an interest rate of 5.5 % per annum applies.

The subordinated loan is an unsecured loan made to the company by a Director, Alan Mawson. An interest rate of LIBOR +4 % applies to the subordinated loan and the loan is repayable on the 3rd July 2008.

11 Share capital

	2005 £	2004 £
Authorised:		
1,500 A ordinary shares of £1 each	1,500	1,500
500 B ordinary shares of £1 each	500	500
8,000 A preference shares of £1 each	8,000	8,000
24,000 B preference shares of £1 each	24,000	24,000
	<hr/>	<hr/>
	34,000	34,000
	<hr/>	<hr/>
Issued:		
1,500 A ordinary shares of £1 each	1,500	1,500
500 B ordinary shares of £1 each	500	500
8,000 A preference shares of £1 each	8,000	8,000
24,000 B preference shares of £1 each	24,000	24,000
	<hr/>	<hr/>
At 31 August	34,000	34,000
	<hr/>	<hr/>

Clarendon Fund Managers Limited

Notes *(continued)*

11 Share capital *(continued)*

The A preference shares, which were issued at par, are redeemable in annual tranches of 2,000 from 31 December 2007 onwards at par. They carry a dividend of 5 % per annum payable half yearly in arrears on 31 December and 30 June with the first dividend to be paid on 31 December 2004 in respect of the year ending 31 August 2004.

The B preference shares, which were issued at par, are redeemable at par in multiples of 2,000 shares, provided the A preference shares have been redeemed. They carry a dividend of 7 % per annum payable half yearly in arrears on 31 December and 30 June.

Each holder of ordinary shares shall be entitled to receive notice of and shall be entitled to attend and have one vote for each ordinary share of which he is the holder, either in person or by proxy, at any general meeting of the company.

The preference shares carry no voting rights at meetings unless the dividend thereon is 28 days or more in arrears or the company fails to redeem the shares on the redemption dates, in which case each holder shall be entitled to one vote for each preference share held until such arrears are cleared or redemption takes place.

On a winding up the assets of the company remaining after the payment of its liabilities ('the net assets') will be applied first in paying to the holders of the preference shares £1 per share plus any accrued dividend and second in paying any accrued dividend on the ordinary shares. The balance of net assets shall be distributed amongst the holders of the ordinary shares *pari passu*.

Clarendon Fund Managers Limited

Notes (continued)

12 Profit and loss reserve

	2005	2004
	£	£
At 1 September	10,745	(22,701)
Retained profit/(loss) for the year	89,531	33,446
	<hr/>	<hr/>
At 31 August	100,276	10,745
	<hr/>	<hr/>

13 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Opening shareholders' funds	44,745	11,299
Profit for the year	89,531	33,446
	<hr/>	<hr/>
Closing shareholders' funds	134,276	44,745
	<hr/>	<hr/>

14 Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2005	2004
	£	£
Operating profit/(loss)	135,259	35,526
Interest on loans	1,004	1,329
Depreciation	-	8,541
Increase in debtors	(108,565)	(28,295)
Increase/(decrease) in creditors	16,012	(18,482)
	<hr/>	<hr/>
	43,710	(1,381)
	<hr/>	<hr/>

Clarendon Fund Managers Limited

Notes (continued)

14 Notes to the statement of cash flows (continued)

(b) Analysis of changes in net debt

	<i>At 1 September 2004 £</i>	<i>Cash flow £</i>	<i>At 31 August 2005 £</i>
Cash at bank and in hand	46,524	37,487	84,011
Debt due within one year	(5,219)	5,219	-
Debt due after one year	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>
	31,305	42,706	74,011
	<hr/>	<hr/>	<hr/>

15 Contingent liabilities

There were no contingent liabilities at 31 August 2005 (2004: £nil).

16 Related party transactions

During the year the company entered into the following transactions with subsidiary undertakings:

	<i>2005 £</i>	<i>2004 £</i>
NI Venture Partners Limited		
Fees received and receivable	157,645	138,623
Clarendon Fund Nominees Limited		
Fees received and receivable	11,523	10,021
Nitech Venture Partners Limited		
Fees received and receivable	35,382	34,354

The fees paid by NI Venture Partners Limited relate to the management of the Viridian Growth Fund Limited Partnership.

The fees paid by Nitech Venture Partners Limited relate to the management of the Nitech Growth Fund Limited Partnership.

Yorkshire Fund Managers Limited, a related party who owns 25 % of the ordinary shares in the company provide management consultancy services to the company, for which the current year charge is £ 7,040 (2004 - £4,079).

Clarendon Fund Managers Limited

Notes *(continued)*

16 Related party transactions *(continued)*

The aggregate amounts receivable from and payable to subsidiary undertakings and other related parties at the balance sheet date were:

	2005 £	2004 £
Clarendon Fund Nominees Limited		
Receivables within one year	26,719	15,196
Yorkshire Fund Managers Limited		
Payable within one year	3,000	1,000
NI Venture Partners Limited		
Payable within one year	13,642	12,250
Nitech Venture Partners Limited		
Payable within one year	3,010	2,904

These amounts are included within debtors (note 7) and creditors (note 8).

The company has a subordinated loan from a Director, Alan Mawson. There was an amount outstanding at the balance sheet date of £10,000 (2004: £10,000) as disclosed in note 9.

All dealings with fellow subsidiary undertakings and other related parties are in the ordinary course of business and on normal terms and conditions.

17 Ultimate controlling party

The ultimate controlling party is deemed to be Dr Alan Mawson due to his beneficial interest in the share capital of the company.