

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED
(REGISTERED NUMBER 2188943)

DIRECTORS' REPORT AND ACCOUNTS

30 June 1994



BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1994

The directors present their report together with the audited financial statements of the company for the year ended 30 June 1994.

PRINCIPAL ACTIVITIES

The company makes investments in the form of equity and loans in Birmingham based, high technology companies based on the Aston Science Park in Birmingham.

RESULTS AND TRADING

The results for the year are set out on page 3.

DIRECTORS AND THEIR SHARE INTERESTS

The directors during the year and up to the date of this report were:

ALS Jackson	(Chairman)
A Bore	
D Hartshorne	(resigned 27 July 1993)
DC Roy	(appointed 27 July 1993)
MC Mogano	
Sir FW Crawford	(appointed 9 November 1993)

None of the directors had any interest (beneficial or otherwise) in the share capital of the company at 30 June 1994 or at any time during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each 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 assume that the company will continue in business.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1994 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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 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.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed. A resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



DW HARRIS
Secretary

19 December 1994

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 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 mis-statement, 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 30 June 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse.

**PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors**

19 December 1994

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1994

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
TURNOVER			
Directors' fees		21,987	31,875
Interest receivable on loans to investee companies	2	13,162	21,357
Other operating income		<u>4,712</u>	<u>64,737</u>
		39,861	117,969
Administrative expenses		(66,514)	(144,389)
Amounts written off investments	6	<u>(37,150)</u>	<u>(405,130)</u>
OPERATING LOSS		(63,803)	(431,550)
Interest receivable	2	<u>16,762</u>	<u>25,196</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(47,041)	(406,354)
Tax on loss on ordinary activities	4	<u>46,288</u>	<u>(38,125)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	12	<u>(£753)</u>	<u>(£444,479)</u>

The results of the company arise entirely from the continuing activities of the company.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

BALANCE SHEET AS AT 30 JUNE 1994

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
FIXED ASSETS			
Investments	6	631,385	652,135
CURRENT ASSETS			
Debtors	7	373,571	404,997
Cash at bank	8	977	977
		374,548	405,974
CREDITORS (amounts falling due within one year)	9	(456,954)	(505,210)
NET CURRENT (LIABILITIES)/ASSETS		(82,406)	(99,236)
TOTAL ASSETS LESS CURRENT LIABILITIES		548,979	552,899
PROVISIONS FOR LIABILITIES AND CHARGES	10	-	(3,167)
		£548,979	£549,732
CAPITAL AND RESERVES			
Called up share capital	11	1,605,500	1,605,500
Profit and loss account	12	(1,056,521)	(1,055,768)
		£548,979	£549,732

Approved by the Board and signed on its behalf on 19 December 1994

DIRECTOR



BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1994

	<u>1994</u>	<u>1993</u>
LOSS FOR THE FINANCIAL YEAR	<u>(753)</u>	<u>(444,479)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(£753)</u>	<u>(£444,479)</u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES

There is no difference between the loss before taxation and the retained loss for the year as shown in the profit and loss account and their historical equivalents.

MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1994</u>	<u>1993</u>
LOSS FOR THE FINANCIAL YEAR	<u>(753)</u>	<u>(444,479)</u>
NET REDUCTION TO SHAREHOLDERS' FUNDS	<u>(753)</u>	<u>(444,479)</u>
OPENING SHAREHOLDERS' FUNDS	<u>549,732</u>	<u>994,211</u>
CLOSING SHAREHOLDERS' FUNDS	<u>£548,979</u>	<u>£549,732</u>

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts are prepared under the historical cost convention, as modified by the valuation of investments set out in Note 1 (2) below, and in accordance with applicable accounting standards.

(2) Investments

Investments in investee companies are stated at cost except where the directors become aware of any diminution in value that they consider to be permanent, in which case provision is made for such diminution. Provisions are made in accordance with the guidelines issued in March 1991 by the British Venture Capital Association.

Having regard to the nature of the company's activities the directors do not consider that the company exercises any significant influence in respect of associated undertakings, being those in which the company holds in excess of 20% but not more than 50% of the voting share capital. The company's share of associated companies' post acquisition profits and losses is not therefore reflected in the financial statements. Furthermore, as the shareholders of the company have regular access to financial information on investee companies, the directors consider that disproportionate expense and undue delay would be incurred by disclosing details of investee companies on the equity basis of accounting.

(3) Turnover

Turnover represents income received and receivable in the year in respect of directors' fees, dividends and interest from investee companies.

(4) Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is only provided in the financial statements where there is a reasonable probability that taxation will become payable in the foreseeable future.

(5) Statement of cash flows

The parent undertaking has published a statement of cash flows in accordance with Financial Reporting Standard Number 1. The company has therefore exercised its right not to publish a statement of cash flows.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)****2 INTEREST RECEIVABLE**

	<u>1994</u>	<u>1993</u>
On money market deposits	16,762	25,196
On loans to investee companies	<u>13,162</u>	<u>21,357</u>
	<u>£29,924</u>	<u>£46,553</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging the following amounts:

	<u>1994</u>	<u>1993</u>
	£	£
Management fee payable to parent undertaking	50,097	55,082
Auditors' remuneration		
- audit fees	5,000	4,700
- non-audit fees	8,200	8,190
Amounts written off fixed asset investments	<u>37,150</u>	<u>405,130</u>

None of the directors received any emoluments during the year in respect of their services to the company.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

	<u>1994</u>	<u>1993</u>
Irrecoverable advance corporation tax written off	-	20,287
Adjustments in respect of prior years	(43,121)	6,136
Deferred tax (note 10)	<u>(3,167)</u>	<u>11,702</u>
	<u>(£46,288)</u>	<u>£38,125</u>

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)

5 DIVIDENDS PAID AND PROPOSED

Birmingham District Council and Lloyds Bank PLC may jointly, but not otherwise, waive or postpone the payment of any dividend in respect of the Cumulative Redeemable Preference Shares held by them.

The following preference dividends have been waived:

	Paid and proposed £	Waived £	Total due £
Period ended:			
31 March 1988	-	26,196	26,196
30 June 1989	90,556	58,844	149,400
30 June 1990	-	149,400	149,400
30 June 1991	-	149,400	149,400
30 June 1992	-	149,400	149,400
30 June 1993	-	149,400	149,400
30 June 1994	-	149,400	149,400

6 FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investee companies</u>		<u>Total</u>
	<u>Shares at cost</u>	<u>Loans</u>	
At 30 June 1993	1,099,385	153,000	1,252,385
Additions	-	16,400	16,400
At 30 June 1994	1,099,385	169,400	1,268,785
<u>Provisions</u>			
At 30 June 1993	554,250	46,000	600,250
Charge for the year	10,250	26,900	37,150
At 30 June 1994	564,500	72,900	637,400
<u>Net book amount</u>			
At 30 June 1994	£534,885	£96,500	£631,385
At 30 June 1993	£545,135	£107,000	£652,135

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)

6 FIXED ASSET INVESTMENTS (CONTINUED)

Investments in investee companies, all of which are incorporated in the United Kingdom and unlisted, are detailed as follows:

<u>Name of company</u>	<u>At 30 June 1994</u>		<u>Details of share holding</u>	<u>Per-centage holding</u>
	<u>Shares at cost</u>	<u>Loans</u>		
Techsonix Limited (previously Techsonix UK Limited)	56,985	-	25 Ordinary shares of £1 each	12.5%
Tech-Ni-Plant Limited	252,000	-	9,608 Ordinary shares of £1 each 20,000 Cumulative redeemable preference shares of £1 each	41.6%
Management and Control Technology Associates Limited	37,000	-	37,000 Cumulative redeemable preference shares of £1 each	-
Cimtel Limited	88,900	61,000	43,350 Ordinary shares of £1 each	26.8%
Aston Molecules	160,000	-	894 Cumulative convertible participating preferred ordinary shares of £1 each	35%
Walmsley Microsystems Limited	20,000	42,000	9,500 Ordinary shares of £1 each	33.3%
AD2 Limited	100,000	-	100,000 Ordinary shares of £1 each	50%
HDL Fluid Dynamics Limited	262,500	16,400	21,462 Ordinary shares of £1 each 131,265 Preference shares of £1 each	45%
The Logistics Business Limited	122,000	50,000	22,000 Ordinary shares of £1 each 100,000 Preference shares of £1 each	40%
	<u>1,099,385</u>	<u>169,400</u>		

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)

6 FIXED ASSET INVESTMENTS (CONTINUED)

The directors have made provisions for permanent diminution in the value of investments, in accordance with the guidelines issued in March 1991 by the British Venture Capital Association. Because of the nature of the investments, many of which are at an early stage of development, it is not possible to determine, in the opinion of the directors, whether any further provision for permanent diminution in value is necessary.

7 DEBTORS

	<u>1994</u>	<u>1993</u>
Trade debtors	54,443	42,515
Amounts owed by group undertakings	267,820	310,364
Other debtors	34,678	39,420
Prepayments and accrued income	<u>16,630</u>	<u>12,698</u>
	<u>£373,571</u>	<u>£404,997</u>

Included within trade debtors above is £28,050 (1993 - £Nil) which is due outside one year.

8 CASH AT BANK

	<u>1994</u>	<u>1993</u>
Money market deposits	<u>£977</u>	<u>£977</u>

9 CREDITORS (amounts falling due within one year)

	<u>1994</u>	<u>1993</u>
Loans:		
City of Birmingham District Council	200,000	200,000
Lloyds Bank Plc	200,000	200,000
Group tax relief payable	48,672	91,793
Other taxation (VAT)	482	2,572
Accruals and deferred income	<u>7,800</u>	<u>10,845</u>
	<u>£456,954</u>	<u>£505,210</u>

Both loans are repayable on demand. Interest is repayable at an annual rate of 1% over the Lloyds Bank Plc base rate. However by agreement with both lenders, no interest has been charged during the year.

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

At 30 June 1993	3,167
Profit and loss account (note 4)	(3,167)

At 30 June 1994	£-
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The potential deferred taxation, calculated on the liability method at 33% (1992 - 33%), is as follows:

	<u>1994</u>	<u>1993</u>
Accelerated capital allowances	(975)	-
Short term timing differences	20,415	17,770
Surplus management expenses carried forward (restricted)	(19,440)	(4,705)
Advance corporation tax	-	(9,898)
	£-	£3,167

11 CALLED UP SHARE CAPITAL

	<u>1994</u>	<u>1993</u>
Authorised:		
'A' Ordinary shares of £1 each	5,000	5,000
'B' Ordinary shares of £1 each	5,000	5,000
12.45% (9.3375% net) Cumulative Redeemable Preference shares of £1 each	<u>1,600,000</u>	<u>1,600,000</u>
	£1,610,000	£1,610,000
Allotted and fully paid:		
'A' Ordinary shares of £1 each	5,000	5,000
'B' Ordinary shares of £1 each	500	500
12.45% (9.3375% net) Cumulative Redeemable Preference shares of £1 each	<u>1,600,000</u>	<u>1,600,000</u>
	£1,605,500	£1,605,500

BIRMINGHAM TECHNOLOGY (VENTURE CAPITAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1994 (CONTINUED)

12 PROFIT AND LOSS ACCOUNT

	<u>1994</u>
At 30 June 1993	(£1,055,768)
Loss for the year	<u>(753)</u>
At 30 June 1994	<u>(£1,056,521)</u>

13 PARENT UNDERTAKING

The parent undertaking is Birmingham Technology Limited, a company incorporated in Great Britain. A copy of the group accounts can be obtained from the Company Secretary, Birmingham Technology Limited, Aston Science Park, Love Lane, Birmingham B7 4BJ.