

**REGISTERED NUMBER: 1626586**

**CONSOLIDATED VENTURE FINANCE LIMITED**  
**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2006**



## **CONSOLIDATED VENTURE FINANCE LIMITED**

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### **DIRECTOR'S REPORT**

The sole Director presents his report and audited financial statements for the year ended 31 January 2006.

#### **Company's business**

The principal business of the Company is that of investment dealing and the sole Director has continued this policy during the year.

#### **Results and Dividends**

The net total return deficit after tax for the year amounted to £194,320 (2005: £413,602 revenue). The sole Director does not recommend payment of a dividend for the year (2005: nil).

#### **Directors**

The sole Director who served during the year was:

Mr Christopher H B Mills

The sole Director has no interest in the shares of the Company.

The interest of the sole Director, Mr C.H.B Mills in the share capital of the Company's holding company, North Atlantic Smaller Companies Investment Trust PLC, are shown in the annual report of that Company. Mr C.H.B. Mills is a director and sole shareholder of Growth Financial Services Limited which provides Mr C.H.B Mills' services as an executive director to the Company's holding company.

Mr C.H.B. Mills is chief investment officer and a member of North Atlantic Value LLP, a UK Limited Liability Partnership with legal personality authorised by the FSA, which is the manager of the Company and joint manager of the holding company. He is also a director and indirect shareholder of J O Hambro Capital Management Limited, the Secretary of the Company.

Save as aforesaid, the Director was not a party to, or had any interest in, any contract or arrangement with the Company at any time during the year.

## **CONSOLIDATED VENTURE FINANCE LIMITED**

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### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

Company law in the United Kingdom requires the sole Director to prepare financial statements for each financial year which give a fair presentation of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the sole Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable International Financial Reporting Standards (IFRS); and
- prepared the financial statements on the going concern basis.

The sole Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and so enable him to ensure that the financial statements comply with the Companies Act 1985. The sole Director is 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.

The sole Director is responsible for ensuring that the Director's Report and other information included in the financial statements is prepared in accordance with company law in the United Kingdom.

### **Elective Regime**

Elective Resolutions to dispense with the holding of Annual General Meetings, the obligation to appoint Auditors annually and to dispense with the laying of accounts and reports before the Company in General Meeting were passed in accordance with section 379A of the Companies Act 1985 by the sole shareholder of the Company on 9 July 2002.

By order of the Board



For and on behalf of J O Hambro Capital Management Limited  
as Company Secretary  
20 November 2006

Ground Floor  
Ryder Court  
14 Ryder Street  
London, SW1Y 6QB

Registered number: 01626586

## **CONSOLIDATED VENTURE FINANCE LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CONSOLIDATED VENTURE FINANCE LIMITED**

We have audited the financial statements on pages 5 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Shareholders, 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 Shareholders 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 Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Director and Auditors**

The Director's responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's 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 other transactions is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 sole Director 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.

## CONSOLIDATED VENTURE FINANCE LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CONSOLIDATED VENTURE FINANCE LIMITED (continued)

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, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Company as at 31 January 2006 and of its loss for the year then ended; and
- the financial statements have been prepared in accordance with the Companies Act 1985.

*RSM Robson Rhodes LLP*

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
London, England  
20 November 2006

## CONSOLIDATED VENTURE FINANCE LIMITED

### INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 Total £	2005 Total £
Revenue	2	1,200	43,285
Cost of sales			
Change in fair value of financial asset investments held for trading	3	(276,503)	-
Change in fair value of investments	3	-	(20,376)
Gross (loss)/profit		<u>(275,303)</u>	<u>22,909</u>
Other expenses	4	(3,189)	(420)
Operating (loss)/profit		<u>(278,492)</u>	<u>22,489</u>
Interest receivable and similar income		84,172	391,113
(Loss)/profit for the year		<u><u>(194,320)</u></u>	<u><u>413,602</u></u>

The total column of the statement represents the Company's income statement, prepared in accordance with IFRS.

All items in the above statement derive from continuing operations.

*The notes on pages 9 to 18 form part of these accounts.*

# **CONSOLIDATED VENTURE FINANCE LIMITED**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2006**

	Share capital £	Revenue reserve £	Total £
<b>2006</b>			
31 January 2005	2	238,610	238,612
Restatement of opening reserves for IAS 39 and IAS 32 (see note 1)	-	(2,858)	(2,858)
Restated as at 31 January 2005*	2	235,752	235,754
Total recognised income and expenses for the year	-	(194,320)	(194,320)
31 January 2006	2	41,432	41,434
<b>2005</b>			
31 January 2004	2	(174,992)	(174,990)
Total recognised income and expenses for the year	-	413,602	413,602
31 January 2005	2	238,610	238,612

\* Restated - see note 1.

The notes on pages 9 to 18 form part of these accounts.

# CONSOLIDATED VENTURE FINANCE LIMITED

## BALANCE SHEET AS AT 31 JANUARY 2006

	Note	2006 £	2005 £
<b>Current assets</b>			
Financial asset investments held for trading		382,293	-
Investments		-	136,654
Trade and other receivables		-	38,392
Cash and cash equivalents		24,306	20,072,096
<b>Total assets</b>		<b>406,599</b>	<b>20,247,142</b>
<b>Current liabilities</b>			
Amounts owed to holding company		(365,165)	(20,008,530)
<b>Net assets</b>		<b>41,434</b>	<b>238,612</b>
<b>Represented by:</b>			
Share capital	7	2	2
Revenue reserve		41,432	238,610
<b>Total equity</b>		<b>41,434</b>	<b>238,612</b>

These financial statements were approved by the sole Director on 20 November 2006.

C.H.B Mills  
Director



*The notes on pages 9 to 18 form part of these accounts.*



**CONSOLIDATED VENTURE FINANCE LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2006**

	2006 £	2005 £
<b>Cash flows from operating activities</b>		
Bank deposit interest received	84,172	390,369
Cash generated from operations	84,172	390,369
Bank interest paid	-	-
<b>Net cash inflow from operating activities</b>	<u>84,172</u>	<u>390,369</u>
 <b>Cash flows from investing activities</b>		
Sales of investments	-	24,847
<b>Net cash outflow from investing activities</b>	<u>-</u>	<u>24,847</u>
 <b>Cash flows from financing activities</b>		
Transfer to holding company	(25,697,096)	(10,645,250)
Transfer from holding company	5,565,134	19,174,913
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(20,131,962)</u>	<u>8,529,663</u>
 <b>(Decrease)/increase in cash and cash equivalents for the year</b>	<b>(20,047,790)</b>	<b>8,944,879</b>
 <b>Cash and cash equivalents at the start of the year</b>	<b>20,072,096</b>	<b>11,127,086</b>
Revaluation of foreign currency balances	-	131
<b>Cash and cash equivalents at the end of the year</b>	<u><u>24,306</u></u>	<u><u>20,072,096</u></u>

*The notes on pages 9 to 18 form part of these accounts.*

## CONSOLIDATED VENTURE FINANCE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 1. Accounting Policies

Consolidated Venture Finance Limited is a Company incorporated and registered in England and Wales under the Companies Acts 1948 to 1967.

##### Basis of preparation/statement of compliance

The financial statements of the Company have been prepared in conformity with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Financial Reporting Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and to the extent they have been adopted by the European Union. They have also been prepared in accordance with applicable requirements of England and Wales company law, and reflect the following policies which have been adopted and applied consistently. These are the Company's first audited results prepared in conformity with IFRS and IFRS 1: First Time Adoption has been applied. All accounting policies are consistent with the policies used in the previous UK Generally Accepted Accounting Principles ("GAAP") financial statements. There are no resulting changes to equity as a result of adopting IFRS.

The Company has taken advantage of the exemption under IFRS 1 to only adopt IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39") and IAS 32: Financial Instruments: Disclosure and Presentation ("IAS 32") from 1 February 2005, rather than the date of transition of 1 February 2004. Therefore the comparative financial statements have not been restated for these standards. Instead, the opening reserves at 1 February 2005 have been restated to take account of IAS 39 and IAS 32 (see the statement of changes in equity on page 6).

The net effect is to reduce the net assets at that date by £2,858, being the reduction in the value of the portfolio from using bid prices for quoted holdings rather than previous methods. The valuations of unquoted investments were already stated at fair value prior to the current reporting period, therefore no adjustment has been made to the opening reserves as at 1 February 2005 in this respect.

Applying this reduction to the net assets at 31 January 2005 as currently shown in the balance sheet results in the revised figure of £235,754.

## CONSOLIDATED VENTURE FINANCE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 1. Accounting Policies (continued)

The other principal accounting policies which have been applied consistently by the Company are as follows:

(a) Deposit interest receivable and expenses payable are taken to the income statement on an accruals basis.

(b) Any profits or losses arising on the sale of financial asset investments held for trading are taken directly to the income statement.

(c) Transactions in foreign currency are translated into Sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated to Sterling at the rates of exchange ruling on that date. Any profits or losses on foreign currencies held, whether realised or unrealised, are taken directly to the income statement.

#### (d) Investments

##### - From 1 February 2004 to 31 January 2005

Listed investments have been valued on an individual basis at the lower of cost and market value ruling at the close of business on 31 January 2005, where an organised market in such investments exist. Unlisted investments have been valued at the lower of cost and Director's valuation based on the most recent accounts, having regard to the net assets or earnings of the individual companies and by reference to transaction prices where appropriate. Foreign investments have been valued using exchange rates ruling at the same date. The market value of the portfolio at 31 January 2005 was £136,774 of which £108,000 were listed investments.

##### - From 1 February 2005 to 31 January 2006

All investments held by the Company are classified as financial asset investments held for trading and are valued at fair value in accordance with the following policies:

(i) Quoted at market value on a recognised stock exchange  
Securities quoted on recognised stock exchanges are valued at the market bid price and exchange rates ruling at the balance sheet date.

(ii) Unquoted at Director's estimate of fair value  
Unquoted investments included at Director's estimate of fair value are valued at what the sole Director considers to be their fair value and follow the European Private Equity and Venture Capital Association ("EVCA") guidelines. This valuation incorporates all factors that market participants would consider in settling a price. Valuations in local currency are translated into Sterling at the exchange rate ruling on the balance sheet date.

## CONSOLIDATED VENTURE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 1. Accounting Policies (continued)

##### (e) Cash and cash equivalents

Cash is defined as cash in hand and demand deposits. There are no cash equivalents held by the Company.

(f) The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date unless such provision is not permitted by Financial Reporting Standard 19.

#### 2. Revenue

	2006 £	2005 £
Revenue comprises:		
Proceeds from the sale of financial asset investments held for trading	1,200	-
Proceeds from the sale of investments	-	43,285
	<u>1,200</u>	<u>43,285</u>

#### 3. Cost of sales

	2006 £	2005 £
Cost of investments realised	-	18,689
Unrealised losses on financial asset investments held for trading	276,503	-
Unrealised losses on investments	-	1,687
	<u>276,503</u>	<u>20,376</u>

#### 4. Other expenses

	2006 £	2005 £
General expenses	30	420
Realised exchange loss on escrow	3,159	-
	<u>3,189</u>	<u>420</u>

The Auditors' remuneration is incurred and paid by the Company's holding company, North Atlantic Smaller Companies Investment Trust PLC.

## CONSOLIDATED VENTURE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 5. Director's fees

The Director received no remuneration for his services during the year (2005: nil).

#### 6. Taxation

	2006 £	2005 £
Corporation tax at 30%	-	-

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2006 £	2005 £
Profit on ordinary activities before taxation	(194,320)	413,602
Theoretical tax at UK Corporation Tax rate of 30% (2005: 30%).	(58,296)	124,081
Effects of:		
- Increase/(utilisation) of excess management expenses	58,296	(6,747)
- Group relief claimed	-	(115,834)
- Benefits of starting rate of tax	-	(1,500)
Actual current tax charge	-	-

#### Factors that may affect future tax charges

The Company has tax losses of £758,296 (2005: £700,000) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these losses as they are recoverable only to the extent that the Company has sufficient taxable revenue.

## CONSOLIDATED VENTURE FINANCE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 7. Called up share capital

	2006 £	2005 £
Authorised Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued, allotted and fully paid 2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

#### 8. Holding company

The Company's holding and ultimate parent company is North Atlantic Smaller Companies Investment Trust PLC, which is incorporated and registered in England and Wales under the Companies Acts 1948 to 1967. Copies of the Annual Report of North Atlantic Smaller Companies Investment Trust PLC may be obtained from the Company Secretary J O Hambro Capital Management Limited, Ground Floor, Ryder Court, 14 Ryder Street, London, SW1Y 6QB.

#### 10. Related Party Transactions

Advantage has been taken of the exemption from disclosure of transactions with the parent company under IAS 24 - Related Party Disclosures, as the Company is wholly owned and its accounts are included in the consolidated accounts of the parent company, which are publicly available.

## CONSOLIDATED VENTURE FINANCE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 11. FINANCIAL INSTRUMENTS

##### Interest rate risk

As at 31 January 2006, the carrying amount of the Company's financial instruments were as follows:

	In 1 year or less £	In more than 2 years but less than 3 years £	Total £
<b>Fair value interest rate risk</b>			
Financial asset investments held for trading	-	-	-
<b>Cashflow interest rate risk</b>			
Loans and receivables			
- Cash at bank	24,306	-	24,306
<b>No interest rate risk</b>			
Financial asset investments held for trading	382,293	-	382,293
Loans and receivables			
- Trade and other receivables	-	-	-
Other financial liabilities			
- Amounts owed to holding company	(365,165)	-	(365,165)
	<b>41,434</b>	<b>-</b>	<b>41,434</b>

## CONSOLIDATED VENTURE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 11. FINANCIAL INSTRUMENTS (continued)

As at 31 January 2005, the carrying amount of the Company's financial instruments were as follows:

	In 1 year or less £	In more than 2 years but less than 3 years £	Total £
<b>Fair value interest rate risk</b>			
Financial asset investments held for trading	-	-	-
<b>Cashflow interest rate risk</b>			
Loans and receivables			
- Cash at bank	20,072,096	-	20,072,096
<b>No interest rate risk</b>			
Financial asset investments held for trading	136,654	-	136,654
Loans and receivables			
- Trade and other receivables	38,392	-	38,392
Other financial liabilities			
- Amounts owed to holding company	(20,008,530)	-	(20,008,530)
	<u>238,612</u>	<u>-</u>	<u>238,612</u>



## CONSOLIDATED VENTURE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 11. FINANCIAL INSTRUMENTS (continued)

##### Financial assets

The Company's financial assets comprise equity investments, trade receivables and cash balances.

As at 31 January 2006, the currency cashflow profile of those financial assets was:

	Sterling £	US Dollar £	Total £
Financial asset investments held for trading	357,481	24,812	382,293
Trade and other receivables	-	-	-
Cash at bank	24,306	-	24,306
	<u>381,787</u>	<u>24,812</u>	<u>406,599</u>

The fair value of these financial assets are not materially different from their balance sheet value.

As at 31 January 2005, the currency cashflow profile of those financial assets was:

	Sterling £	US Dollar £	Total £
Financial asset investments held for trading	107,481	29,173	136,654
Trade and other receivables	38,392	-	38,392
Cash at bank	20,072,096	-	20,072,096
	<u>20,217,969</u>	<u>29,173</u>	<u>20,247,142</u>

The fair value of these financial assets are not materially different from their balance sheet value.

## CONSOLIDATED VENTURE FINANCE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

#### 11. FINANCIAL INSTRUMENTS (continued)

##### Financial liabilities

The Company's financial liabilities comprise ordinary share capital and reserves.

As at 31 January 2006, the currency cashflow profile of those financial liabilities was:

	<b>Sterling</b>	<b>US Dollar</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed to holding company	<b>365,165</b>	-	<b>365,165</b>
	<b>365,165</b>	-	<b>365,165</b>

The fair value of these financial liabilities are not materially different from their balance sheet value.

As at 31 January 2005, the currency cashflow profile of those financial liabilities was:

	<b>Sterling</b>	<b>US Dollar</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed to holding company	<b>20,008,530</b>	-	<b>20,008,530</b>
	<b>20,008,530</b>	-	<b>20,008,530</b>

The fair value of these financial liabilities are not materially different from their balance sheet value.