

**ADVENT LIMITED
AND SUBSIDIARIES
REPORT AND ACCOUNTS
31 MARCH 2001**

**Registered in England and Wales
Number: 2191603**



DIRECTORS' REPORT

The directors have pleasure in submitting the annual report and accounts of the company for the year ended 31 March 2001.

Activities

The principal activity of the Group is the promotion of venture capital investment funds and the provision of venture capital investment management and advisory services in respect of such funds and to other parties.

During the year ended 31 March 2001 the income of the group was derived principally:

- a) from the management of two institutionally-sourced venture capital funds, the £100.0 million Advent Private Equity Fund II, which is in investment phase and the £306.5 million Advent Private Equity Fund III, which was raised in the year with its final closing on 9 February 2001;
- b) through the company's associated undertaking Advent Fund Managers Limited, from the management of Advent VCT plc ("Advent VCT"), a venture capital trust listed on the London Stock Exchange with subscribed capital of £31.5 million ; and
- c) from the management of Advent 2 VCT plc, a venture capital trust listed on the London Stock Exchange with subscribed capital of £35.0 million.

Financial results

Advent Limited made a loss for the year before taxation, of £453,311 (2000: profit of £122,448) and a loss after taxation of £476,615 (2000: profit of £93,897).

The consolidated profit for the year before taxation was £239,090 (2000: loss of £2,651,384) and profit after taxation was £179,849 (2000: loss of £2,684,429).

The disclosure of such profits and losses are required under accounting standards but are not representative of the long term position of the group. This is because the group's income derives from "General Partners Share" (described below) which is a first call on the profits of the limited partnerships under management by the company. If profits do not materialize to discharge these loans then the loans are forgiven and the deficit shown on the consolidated balance sheet can never materialise.

The General Partner's Share is a share in the profits of the Advent Private Equity II (the APEF II partnerships) and the Advent Private Equity Fund III (the APEF III partnerships) satisfied by a priority allocation to the general partner out of the net income and/or realised capital gains of those partnerships. The group is entitled to receive General Partner's Share equivalent to 2.5% per annum on the £100 million of total commitments to the four partnerships constituting the APEF II partnerships and General Partner's Share equivalent to 2.5% per annum on £300 million of total commitments to five partnerships constituting the APEF III partnerships. To the extent that there is insufficient net income and/or realised capital gains available in the partnerships to satisfy this entitlement, the partnerships advance a corresponding amount to the general partner, interest-free, which then advances an equivalent amount to the group.

The directors do not recommend the payment of a dividend (2000: £100,000).

Directors

The directors who held office during the year were as follows:

J.C. Benjamin	
P.A. Baines	
D. Cheesman	
Sir David Cooksey	
L.I. Gabb	(appointed 21 September 2000)
P.P. Lee	
M.A. McNair	(appointed 20 May 2000)
W.H.N. Pearce	
N.J. Teasdale	
M.G. Williams	(resigned 3 July 2000)

Directors' interests

The interests of the persons who were directors of the company at 31 March 2001 in the share capital of the company, in the partnership capital of Advent Management Limited Partnership ("AMLPL") which is the general partner of Advent First Limited Partnership and its sister partnerships, in the partnership capital of Advent Management II Limited Partnership ("AMLPL2") which is the general partner of the APEF II partnerships, and in the partnership capital of Advent Management III Limited Partnership ("AMLPL3") which is the general partner of the APEF III partnerships were as follows:

	31.03.01				01.04.00			
	Advent Limited Ord. shares	AMLPL Capital cont.	AMLPL2 Capital cont.	AMLPL3 Capital cont.	Advent Limited Ord. shares	AMLPL Capital cont.	AMLPL2 Capital cont.	AMLPL3 Capital cont.
Sir David Cooksey	203	-	-	£12,217	203	-	-	-
P.A. Baines	70	-	£192	£10,338	-	-	£192	-
J.C. Benjamin	184	£7,113	£373	£10,338	184	£7,113	£373	-
D. Cheesman	92	-	£372	£8,270	-	-	£372	-
L.I. Gabb	-	-	-	£1,880	-	-	-	-
P.P. Lee	70	-	£192	£10,338	-	-	£192	-
M.A. McNair	70	-	£192	£10,338	-	-	£192	-
W.H.N. Pearce	100	£4,890	£283	£7,989	100	£4,890	£283	-
N.J. Teasdale	92	-	£296	£8,270	-	-	£296	-

Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Sir David Cooksey
26 July 2001

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing the accounts for the year ended 31 March 2001, the directors have been required, *inter alia*, to select suitable accounting policies and to apply them consistently, to make judgements and estimates that are reasonable and prudent, and to prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS to the shareholders of Advent Limited

We have audited the accounts on pages 7 to 24, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.


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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2001 and of the results of the company and the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
26 July 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2001

	<i>Notes</i>	2001 £	2000 £
Group turnover	2	7,953,645	1,655,526
Other operating income		-	11,170
Staff costs	3	(3,673,754)	(1,950,233)
Depreciation		(147,356)	(62,129)
Other operating charges		(2,023,746)	(1,377,256)
Amortisation of fund raising costs		(2,087,440)	(590,440)
Group operating profit/(loss)	5	21,349	(2,313,362)
Share of operating profit/(loss) of associated undertakings		206,470	(370,350)
Total operating profit/(loss)		227,819	(2,683,712)
Income from other fixed asset investments	6	456	359
Other interest receivable and similar income		10,815	31,969
Profit/(loss) on ordinary activities before taxation		239,090	(2,651,384)
Tax on profit/(loss) on ordinary activities	7	(59,241)	(33,045)
Profit/(loss) for the financial year		179,849	(2,684,429)
Dividend proposed		-	(100,000)
Retained profit/(loss) for financial year		179,849	(2,784,429)
Retained loss brought forward		(3,699,575)	(915,146)
Accumulated loss carried forward		(3,519,726)	(3,699,575)

Total recognised gains and losses

There were no recognised gains or losses other than the profit attributable to the shareholders of the company of £179,849 for the year ended 31 March 2001 (2000: loss of £2,684,429).

All profit and loss items in the above statement derive from continuing operations.

The notes on pages 11 to 23 form part of these accounts.

ADVENT LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2001

	<i>Notes</i>	2001 £	2000 £
Turnover	2	7,480,691	3,943,646
Other operating income		-	11,170
Staff costs	3	(3,673,754)	(1,950,233)
Depreciation		(147,356)	(62,129)
Other operating charges		(2,033,419)	(1,242,618)
Amortisation of fund raising costs		(2,087,440)	(590,440)
Operating (loss)/profit	5	(461,278)	109,396
Other interest receivable and similar income		7,967	13,052
(Loss)/profit on ordinary activities before taxation		(453,311)	122,448
Tax charge on (loss)/profit on ordinary activities	7	(23,304)	(28,551)
(Loss)/profit for the financial year		(476,615)	93,897
Dividend proposed		-	(100,000)
Retained loss for the financial year		(476,615)	(6,103)
Retained profit brought forward		704,802	710,905
Retained profit carried forward		228,187	704,802

Total recognised gains and losses

There were no recognised gains or losses other than the loss attributable to the shareholders of the company of £476,615 for the year ended 31 March 2001 (2000: profit of £93,897).

All profit and loss items in the above statement derive from continuing operations.

The notes on pages 11 to 23 form part of these accounts.

CONSOLIDATED BALANCE SHEET

As at 31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	726,784	795,312
Investments in associated undertakings	9	59,633	-
Other investments	9	182,505	66,149
		<u>968,922</u>	<u>861,461</u>
Current assets			
Debtors	10	1,760,649	3,110,328
Money market and other deposits		-	8
Cash at bank and in hand		1,120,664	142,665
		<u>2,881,313</u>	<u>3,253,001</u>
Creditors: Amounts falling due within one year	11	<u>(2,267,507)</u>	<u>(2,772,731)</u>
Net current assets		<u>613,806</u>	<u>480,270</u>
Total assets less current liabilities		<u>1,582,728</u>	<u>1,341,731</u>
Creditors: Amounts falling due after more than one year			
Advance from general partner of venture capital			
Partnerships		4,263,873	4,604,453
Other creditors		792,885	241,463
Provision for deficit on associated undertakings	9	<u>-</u>	<u>160,662</u>
		5,056,758	5,006,578
Provision for liabilities and charges			
Deferred taxation	12	44,696	33,728
		<u>5,101,454</u>	<u>5,040,306</u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account		<u>(3,519,726)</u>	<u>(3,699,575)</u>
Equity shareholders' funds		<u>(3,518,726)</u>	<u>(3,698,575)</u>
		<u>1,582,728</u>	<u>1,341,731</u>



SIR DAVID COOKSEY
Director



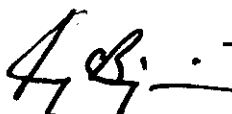
J.C. BENJAMIN
Director

The notes on pages 11 to 24 form part of these accounts, which were approved by the directors on 26 July 2001.

ADVENT LIMITED
BALANCE SHEET
As at 31 March 2001

	<i>Notes</i>	2001 £	2000 £
Fixed assets			
Tangible assets	8	726,784	795,312
Investments in associated undertakings	9	15,427	1,600
Other investments	9	333,161	21,263
		<u>1,075,372</u>	<u>818,175</u>
Current assets			
Debtors	10	1,984,667	3,196,257
Money market deposits		-	8
Cash at bank and in hand		788,337	42,248
		<u>2,773,004</u>	<u>3,238,513</u>
Creditors: Amounts falling due within one year	11	<u>(2,781,608)</u>	<u>(3,075,695)</u>
Net current (liabilities)/assets		<u>(8,604)</u>	<u>162,818</u>
Total assets less current liabilities		<u>1,066,768</u>	<u>980,993</u>
Creditors: Amounts falling due after more than one year			
Other creditors		<u>792,885</u>	<u>241,463</u>
Provision for liabilities and charges			
Deferred taxation	12	<u>44,696</u>	<u>33,728</u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account		228,187	704,802
Equity shareholders' funds		<u>229,187</u>	<u>705,802</u>
		<u>1,066,768</u>	<u>980,993</u>


SIR DAVID COOKSEY
Director


J.C. BENJAMIN
Director

The notes on pages 11 to 23 form part of these accounts, which were approved by the directors on 26 July 2001.

**CONSOLIDATED
CASH FLOW STATEMENT**
For the year ended 31 March 2001

	<i>Notes</i>	2001 £	2000 £
Operating activities			
Net cash inflow from operating activities	15	993,736	231,498
Dividends from associated undertakings		298,500	-
Returns on investments and servicing of finance			
Interest received		10,815	31,969
Income from other fixed asset investments		456	359
Net cash inflow from returns on investments and servicing of finance		<u>11,271</u>	<u>32,328</u>
Equity dividends paid		(100,000)	-
Taxation			
Corporation tax paid		(7,296)	(4,863)
Capital expenditure and financial investment			
Purchase of investments		(184,598)	(21,415)
Sale of investments		45,207	-
Purchase of fixed assets		(78,829)	(804,712)
Sale of fixed assets		-	20,299
Net cash outflow from capital expenditure and financial investment		<u>(218,220)</u>	<u>(805,828)</u>
Net cash inflow/(outflow) before financing and management of liquid resources		977,991	(546,865)
Management of liquid resources			
Decrease in short-term deposits		<u>8</u>	<u>500,500</u>
Increase/(decrease) in cash	16	<u>977,999</u>	<u>(46,365)</u>

The notes on pages 12 to 24 form part of these accounts.

NOTES (forming part of the accounts)

1. Accounting policies

a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985, and in accordance with applicable accounting standards.

b) Consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings.

The company's subsidiary undertakings Advent Management Limited, Advent Management II Limited and Advent Management III Limited, are respectively the general partner of Advent Management Limited Partnership ("AMLP"), the general partner of Advent Management II Limited Partnership ("AMLP2") and the general partner of Advent Management III Limited Partnership ("AMLP3") and hence these partnerships and:

- a) Advent First Limited Partnership and its three sister partnerships ("the AFLP partnerships"), of which AMLP is the general partner, and
- b) Advent Private Equity Fund II 'A' and its three sister partnerships ("the APEF II partnerships"), of which AMLP2 is the general partner
- c) Advent Private Equity Fund III 'A' and its five sister partnerships ("the APEF III partnerships"), of which AMLP3 is the general partner

are legally subsidiary undertakings of the company. However, the directors consider that the accounts would not give a true and fair view if all the assets and income of AMLP and the AFLP partnerships, or AMLP2 and the APEF II partnerships, or AMLP3 and the APEF III partnerships, were consolidated since the company has no equity interest in those assets or income and its role is simply that of investment manager. Accordingly, the group consolidates on a proportional basis its nil share of the assets and income of AMLP and the AFLP partnerships and AMLP2 and the APEF II partnerships and AMLP3 and the APEF III partnerships. The departure from the requirements of the Companies Act 1985 has no effect on the results for the year or on the net assets at 31 March 2001 as more fully explained in note 23.

The accounts of each subsidiary undertaking have been prepared to 31 March 2001, except in the case of Advent Management II Limited and AMLP2 and Advent Management III Limited and AMLP3, which have a year-end of 31 December so as to coincide with the year end of the APEF II and APEF III partnerships respectively. In respect of Advent Management II Limited and AMLP2, the figures included in the accounts have been based on audited statutory accounts for the year ended 31 December 2000 and for Advent Management III Limited and AMLP3, the figures included in the accounts have been based on audited management accounts for the period ended 31 March 2001. All intra-group profits are eliminated on consolidation.

Advent Management Limited and AMLP have taken advantage of the exemption conferred by regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

The results of the associated undertakings, Advent Fund Managers Limited ("Advent Fund Managers") and Advent 2 Fund Managers Limited ("Advent 2 Fund Managers"), are dealt with by equity accounting in the group accounts. The figures included in the accounts have been based on the most recent audited accounts, for the period ended 31 March 2001 in respect of Advent Fund Managers and 28 February 2001 in respect of Advent 2 Fund Managers. Advent Services Limited has been held at cost.

c) Turnover

Turnover represents (i) the amounts receivable for services supplied to customers during the period excluding VAT, and (ii) the share of the net income and/or realised capital gains of the venture capital partnerships that is attributable to subsidiaries of the company as general partner of such partnerships.

d) Other operating charges

Fund raising costs are written off in the period which they are incurred.

e) Depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives which are:

Leasehold improvements	Over period of lease
Fixtures and fittings	5 years
Computer equipment	3 years

f) Taxation

The charge for taxation is based on the results 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 for deferred taxation is made if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

g) Investments

Investments are valued at the lower of cost (net of amortisation where applicable) and market value.

h) Leases

The company occupies property under operating leases, the rental charges for which are charged to the profit and loss account on a straight-line basis over the life of the lease.

i) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling at the balance sheet date. The differences arising from exchange rate fluctuations in respect of these items are included in interest payable and similar charges.

2. Turnover

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Share of the net income and/or realised gains of the venture capital partnerships attributable to the general partner	6,211,406	41,670	-	-
Management and advisory fees	612,088	79,638	6,682,884	2,440,427
Nominated directors' fees and other items	666,052	158,285	333,708	127,286
Income from supply of services to an associated undertaking	464,099	1,375,933	464,099	1,375,933
	<u>7,953,645</u>	<u>1,655,526</u>	<u>7,480,691</u>	<u>3,943,646</u>

3. Staff costs

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Employee costs (including salaried directors)				
Wages and salaries	3,020,530	1,556,858	3,020,530	1,556,858
Social security costs	367,205	189,708	367,205	189,708
Other pension costs	286,019	203,667	286,019	203,667
	<u>3,673,754</u>	<u>1,950,233</u>	<u>3,673,754</u>	<u>1,950,233</u>

Average number of employees 18 (2000: 17)

4. Directors' emoluments

The emoluments, excluding pension contributions, attributable to the highest paid director amounted to £453,480 (2000: £124,831). Pension contributions attributable to that director amounted to £41,250 (2000: £18,000).

Consultancy fees of £282,061 (2000: £79,133) were paid by Advent Limited during the year to a company in which W.H.N. Pearce has a controlling interest.

5. **Operating profit/(loss)**

Operating profit/(loss) is stated after charging/(crediting)

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Operating lease rentals	197,500	203,116	197,500	203,116
Auditors' remuneration				
Audit work	31,728	14,580	11,595	4,355
Non audit work	36,278	24,330	22,090	6,630
Former auditors' remuneration				
Non audit work	-	10,800	-	10,800
Directors' remuneration (see note 4)				
Other emoluments	2,541,985	599,816	2,541,985	599,816
Consultancy fees paid to a company in which a director had a controlling interest	357,103	79,133	282,061	79,133
Pension contributions	286,019	203,667	286,019	203,667
Net profit on disposal of tangible assets	-	(6,927)	-	(6,927)
Net charge/(release) of provision for diminution in value of investments	9,129	(553)	9,129	(553)

6. **Income from other fixed assets investments**

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Listed	456	359	-	-

7. **Tax on profit/(loss) on ordinary activities**

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Corporation tax	35,937	-	-	-
Over/(under) provisions in respect of prior periods	12,336	(5,177)	12,336	(5,177)
Deferred tax	10,968	33,728	10,968	33,728
Share of associates' tax	-	4,494	-	-
	59,241	33,045	23,304	28,551

8. **Tangible fixed assets**

Group and Company	Leasehold improvements £	Fixtures, fittings & equipment £	Total £
Cost:			
At beginning of year	620,463	271,681	892,144
Additions	33,604	45,225	78,829
Disposals	-	-	-
At end of year	654,067	316,906	970,973
Depreciation:			
At beginning of year	18,212	78,620	96,832
Charge for year	77,352	70,005	147,357
Disposals	-	-	-
At end of year	95,564	148,625	244,189
Net book value at 31 March 2001	558,503	168,281	726,784
Net book value at 31 March 2000	602,251	193,061	795,312

9. **Investments**

a) Investments in associated undertakings

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Associated undertakings (note 21)	59,633	(160,662)	15,427	1,600
	59,633	(160,662)	15,427	1,600

b) Other investments

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Subsidiary undertakings (note 20)	25,410	45,207	180,674	5,008
Listed on the London Stock Exchange	4,608	4,687	-	-
Other unlisted investments	152,487	16,255	152,487	16,255
	182,505	66,149	333,161	21,263

9. Investments (continued)

In the group accounts, investments in subsidiary undertakings for the current year represent the interest of Advent GPIC Limited, a wholly owned subsidiary, as a limited partner in Advent Management III Limited Partnership. The prior year balance represented the interest of Advent Management Limited, a wholly owned subsidiary, as a limited partner in Advent Management II Limited Partnership. This interest was sold during the year.

The market value at 31 March 2001 of the investment listed on the London Stock Exchange was £4,824 (2000: £4,825).

c) Investment movements

Movements in investments for the group during the year are summarised as follows

	Subsidiary undertaking £	Associated undertakings £	Listed investments £	Unlisted investments £
Book cost at 1 April 2000	45,207	1,600	5,000	26,251
Share of undistributed losses	-	(162,262)	-	-
Amortisation of book cost	-	-	(313)	-
Provision for diminution in value	-	-	-	(9,996)
Net book value at 1 April 2000	45,207	(160,662)	4,687	16,255
Movements in the year:				
Purchases at cost	25,410	9,188	-	150,000
Sales at cost	(45,207)	-	-	-
Share of undistributed profits	-	206,468	-	-
Movement within investments	-	4,639	-	(4,639)
Amortisation of book cost	-	-	(79)	-
Provision for diminution in value	-	-	-	(9,129)
Net book value at 31 March 2001	25,410	59,633	4,608	152,487
Book cost at 31 March 2001	25,410	15,427	5,000	171,612
Share of undistributed profits	-	44,206	-	-
Amortisation of book cost	-	-	(392)	-
Provision for diminution in value	-	-	-	(19,125)
Net book value at 31 March 2001	25,410	59,633	4,608	152,487

Included in the investments are performance-related incentives held as investments by the company's wholly-owned subsidiary undertaking, Advent Investments Limited ("AIL"), details of which and of related arrangements are as follows:

- a) AIL is party to an option agreement dated 16 February 1996 whereby it is entitled, in certain circumstances to subscribe at par for ordinary shares in Advent VCT plc. The company is party to option agreements (i) with AIL whereby it has an option to acquire, at market value at the date of grant, 85% of such number of ordinary shares in Advent VCT plc as AIL would acquire by subscription in the event that the conditions of the agreement dated 16th February 1996 are satisfied; and (ii) with Abacus Corporate Trustee Limited as trustee of the Advent Employee Benefit Trust whereby the trustee has an option to acquire, at market value at the date of exercise, such ordinary shares in Advent VCT plc as may be acquired by the company pursuant to the above-mentioned arrangement.
- b) AIL and Abacus Corporate Trustee Limited as trustee of the Advent Employee Benefit Trust (together "the optionholders") are parties to an option agreement dated 6 February 1998 whereby the optionholders are entitled in certain circumstances to subscribe at par for ordinary shares in Advent 2 VCT plc, AIL being entitled to subscribe for 15% and Abacus Corporate Trustee Limited as trustee of the Advent Employee Benefit Trust, for 85% of such number of ordinary shares as may be subscribed by the optionholders collectively.

10. Debtors

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Amounts falling due within one year				
Trade debtors	344,487	176,024	344,487	170,367
Amounts owed by subsidiaries	-	-	322,398	91,715
Amounts owed by associates	108,777	1,819,289	108,777	1,819,289
Dividends receivable from associated undertakings	-	298,500	-	298,500
Other amounts owed by venture capital partnerships	78,282	-	-	-
Other debtors	1,042,385	45,341	1,022,375	45,337
Prepayments and accrued income	150,123	729,539	150,123	729,502
Tax credits recoverable	88	88	-	-
Corporation tax recoverable	36,507	41,547	36,507	41,547
	<u>1,760,649</u>	<u>3,110,328</u>	<u>1,984,667</u>	<u>3,196,257</u>

11. Creditors: amounts falling due within one year

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Trade and other creditors	1,217,409	652,670	1,195,447	577,120
Amounts owed to venture capital partnerships in respect of nominated directors' fees	4,476	10,546	4,476	10,546
Other amounts owed to venture capital partnerships	-	15,908	-	15,008
Amounts owed to other subsidiaries	-	-	669,239	432,489
Amounts owed to associated undertakings (note 21)	-	1,631,094	-	*1,631,094
Dividend proposed	-	100,000	-	100,000
Accruals	728,682	36,635	631,842	16,547
VAT	83,705	195,762	83,705	167,248
Corporation tax	39,917	-	3,581	-
Other taxes and social security	193,318	130,116	193,318	125,643
	<u>2,267,507</u>	<u>2,772,731</u>	<u>2,781,608</u>	<u>3,075,695</u>

12. Provisions for liabilities and charges

The movement in deferred taxation during the current and previous years are as follows

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Short term timing differences				
At 1 April	33,728	-	33,728	-
Charge for the year	<u>10,968</u>	<u>33,728</u>	<u>10,968</u>	<u>33,728</u>
At 31 March	<u>44,696</u>	<u>33,728</u>	<u>44,696</u>	<u>33,728</u>

13. Called up share capital

	Authorised, allotted, called up and fully paid			
	2001 No	2001 £	2000 No	2000 £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

14. **Reconciliation of movements in shareholders' funds**

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Shareholders' funds				
At beginning of year	(3,698,575)	(914,146)	705,802	711,905
Profit/(loss) for the financial year	179,849	(2,784,429)	(476,615)	(6,103)
At end of year	<u>(3,518,726)</u>	<u>(3,698,575)</u>	<u>229,187</u>	<u>705,802</u>

15. **Reconciliation of group operating profit/(loss) to net cash inflow from operating activities**

	Group 2001 £	Group 2000 £
Operating profit/(loss)	21,349	(2,313,362)
Depreciation	147,356	62,129
Amortisation of fund raising costs	2,087,440	590,440
Payment of fund raising costs	(127,053)	(442,221)
Provision/(release) for diminution/(appreciation) in value of investments	9,129	(553)
Profit on sale of fixed assets	-	(6,927)
Decrease/(increase) in debtors	455,699	(1,674,548)
(Decrease)/increase in creditors	(1,259,631)	1,434,839
Net advance from General Partner of venture capital partnerships	(340,580)	2,581,429
Other non-cash items	27	272
Net cash inflow from operating activities	<u>993,736</u>	<u>231,498</u>

16. **Change in cash**

	Group 2001 £	Group 2000 £
Cash at beginning of year	142,665	189,030
Net cash inflow/(outflow) for the year	<u>977,999</u>	<u>(46,365)</u>
Cash at end of year	<u>1,120,664</u>	<u>142,665</u>

17. Other financial commitments

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001 £	2001 £
Operating leases which expire:		
In two to five years	-	-
In over five years	197,500	201,250
	<hr/> 197,500	<hr/> 201,250

At 31 March 2001, Advent GPIC Limited, a wholly-owned subsidiary, had an outstanding commitment in respect of undrawn loan commitments as a limited partner in Advent Management III Limited Partnership amounting to £156,090.

18. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately in an independently administered fund. The scheme is operated for a single director whilst, the other salaried directors and employees are members of personal defined contribution schemes to which the company contributes. The pension cost charge for the period of £286,019 (2000: £203,667) represents contributions payable by the company to the various funds.

19. Long term incentive schemes

The company has established the Advent Employee Benefit Trust, of which Abacus Corporate Trustee Limited ("the Trustee") is trustee, and has adopted the Advent 1996 Long Term Incentive Plan and the Advent 1998 Long Term Incentive Plan under which certain incentives are provided for directors and employees of the company.

Pursuant to the Advent 1996 Long Term Incentive Plan, the Trustee has granted Conditional Awards to directors and employees of the company in respect of specified percentages of the total number of ordinary shares in Advent VCT plc which the trustee will become entitled to acquire in accordance with an option agreement made between the company and the Trustee dated 16 March 1998.

Pursuant to the Advent 1998 Long Term Incentive Plan, the Trustee has granted Conditional Awards to directors and employees of the company in respect of specified percentages of the total number of shares in Advent 2 VCT plc which the trustee will become entitled to acquire in accordance with an option agreement made between Advent 2 VCT plc, Advent Investments Limited ("AIL"), a wholly-owned subsidiary of the company, and the Trustee dated 6 February 1998.

No provision is made in the profit and loss account in respect of the incentives provided under the above arrangements, since awards of shares in Advent VCT plc and Advent 2 VCT plc will only be made once the respective performance conditions (corresponding to the conditions of the option agreement made between Advent VCT plc and AIL dated 16 February 1996 and the conditions of the above-mentioned option agreement with Advent 2 VCT plc dated 6 February 1998) are satisfied and the cost to the company in such circumstances is expected to be matched by the surplus arising on the exercise of the options to which AIL is entitled and which remain for the benefit of that company.

20. Particulars of subsidiary undertakings

The following are the subsidiary undertakings at 31 March 2001.

Advent Investments Limited

A wholly owned subsidiary of the company
Registered in England. (Issued share capital of
5,000 £1 ordinary shares.)

Advent Management Limited

A wholly owned subsidiary of the company
Registered in Scotland. (Issued share capital of
2 £1 ordinary shares.)

Advent Management II Limited

A wholly owned subsidiary of the company
Registered in Scotland (Issued share capital of
2 £1 ordinary shares.)

Advent Management III Limited

A wholly owned subsidiary of the company
Registered in Scotland (Issued share capital of
1 £1 ordinary shares.)

Advent Nominees Limited

A wholly owned subsidiary of the company
Registered in England. (Issued share capital of
2 £1 ordinary shares.)

Advent Trustee Limited

A wholly owned subsidiary of the company
Registered in England. (Issued share capital of
2 £1 ordinary shares.)

Advent Holdings Limited

A wholly owned subsidiary of the company
Registered in England. (Issued share capital of
7,895 £1 ordinary shares.)

Advent GPIC Limited

A wholly owned subsidiary of the company
Registered in England. (Issued share capital of
1 £1 ordinary shares.)

Advent Management Limited Partnership ("AMLP")

A Scottish limited partnership whose principal place of business is at 50 Lothian Road, Festival Square, Edinburgh EH3 9BY and of which Advent Management Limited is the general partner. A subsidiary undertaking of Advent Management Limited by virtue of Section 258 (2)(c)(i) of the Companies Act 1985 as amended.

Advent First Limited Partnership

Advent First Limited Partnership 'A'

Advent First Limited Partnership 'B'

Advent First Technology Limited Partnership

English limited partnerships whose principal place of business is at 25 Buckingham Gate, London SW1E 6LD and of which AMLP is in each case the general partner. Subsidiary undertakings of AMLP by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

AFLP Investments Limited

AFLP Investments Fund Limited

Companies registered in England whose issued share capitals (consisting in each case of 100

ordinary shares of £1 each) are wholly owned by the AFLP partnerships. These companies were struck off during the year.

Advent Management II Limited Partnership ("AML2")

A Scottish limited partnership whose principal place of business is at 50 Lothian Road, Festival Square, Edinburgh EH3 9BY and of which Advent Management II Limited is the general partner. A subsidiary undertaking of Advent Management II Limited by virtue of Section 258 (2)(c)(i) of the Companies Act 1985 as amended.

Advent Private Equity Fund II 'A')
Advent Private Equity Fund II 'B') (the "APEF II partnerships")
Advent Private Equity Fund II 'C')
Advent Private Equity Fund II 'D')

English limited partnerships whose principal place of business is at 25 Buckingham Gate, London SW1E 6LD and of which AML2 is in each case the general partner. Subsidiary undertakings of AML2 by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

Advent Management III Limited Partnership ("AML3")

A Scottish limited partnership whose principal place of business is at 50 Lothian Road, Festival Square, Edinburgh EH3 9BY and of which Advent Management III Limited is the general partner. A subsidiary undertaking of Advent Management III Limited by virtue of Section 258 (2)(c)(i) of the Companies Act 1985 as amended.

Advent Private Equity Fund III 'A')
Advent Private Equity Fund III 'B') (the "APEF III partnerships")
Advent Private Equity Fund III 'C')
Advent Private Equity Fund III 'D')
Advent Private Equity Fund III 'KG')
Advent Private Equity Fund III 'Affiliates')

English limited partnerships whose principal place of business is at 25 Buckingham Gate, London SW1E 6LD and of which AML3 is in each case the general partner. Subsidiary undertakings of AML3 by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

21. Particulars of associated undertakings

The following are the associated undertakings:

Advent Fund Managers Limited

The company holds 800 'A' ordinary shares of £1 each (100% of the issued shares in that class) in Advent Fund Managers Limited giving it the right to exercise 49% of the votes attributable to all the issued shares of that company and an entitlement to 99.5% of the profits of that company.

Advent 2 Fund Managers Limited

The company holds 800 'A' ordinary shares of £1 each (100% of the issued shares in that class) in Advent 2 Fund Managers Limited giving it the right to exercise 49% of the votes attributable to all the issued shares of that company and an entitlement to 99.5% of the profits of that company.

Advent Services Limited

The company holds 11,688 ordinary shares of £1 each in Advent Services Limited giving it the right to exercise 46.8% of the votes attributable to all the issued shares of that company.

22. Related party transactions

Under an agreement with Advent Fund Managers Limited ("AFM"), the company is responsible for the payment of the salaries and related costs of certain individuals employed jointly by the company and AFM ("joint contract employees") and provides AFM with certain services. In the year ended 31 March 2001, salaries and related costs in respect of joint contract employees paid by the company on behalf of AFM amounted to £162,875 (2000: £219,230) and the company made a charge to AFM of £487,388 (2000: £501,328) in respect of services provided. During the period, in the normal course of business, the company was advanced a net £549,052 (2000: £605,990) on account by AFM of which a net £189,360 remained owed to the company at 31 March 2001 (2000: owed by AFM £88,149).

23. Full consolidation

The effect of the accounting policy stated in note 1(b) of consolidating on a proportional basis the share of assets and income of Advent Management Limited Partnership ("AML1P"), Advent Management II Limited Partnership ("AML2P"), Advent Management III Limited Partnership ("AML3P") and the venture capital partnerships is nil. Had full consolidation been adopted, the amounts shown in the balance sheet as investments would have increased by some £97.0 million (2000: £30.0 million) and other assets by £4.9 million (2000: £3.0 million), and a minority interest of £101.9 million (2000: £33.0 million) would have been shown. There would have been no effect on the reported results for the year.