

**ADVENT LIMITED
ANNUAL REPORT AND ACCOUNTS
31 MARCH 2003**

**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 2003.

Activities

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

During the year ended 31 March 2003 the income of the company was derived principally:

- a) from the management of two institutionally-sourced venture capital funds, the £100.0 million Advent Private Equity Fund II, and the £306.5 million Advent Private Equity Fund III. With effect from 1 December 2002, Advent Venture Partners LLP took over the management agreement to manage Advent Private Equity Fund III from Advent Limited.
- b) from the management of Advent 2 VCT plc, a venture capital trust listed on the London Stock Exchange with subscribed capital of £36.0 million. With effect from 1 December 2002, Advent Fund Managers Limited took over the management agreement to manage Advent 2 VCT plc from Advent Limited.

Financial results

Advent Limited made a profit of £1,659,467 for the year before taxation (2002: £1,846,914) and a profit after taxation of £1,093,952 (2002: £1,780,031).

The directors do not recommend the payment of a final dividend (2002: Nil), however £50,000 was paid as an interim dividend (2002: Nil).

Directors

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

Sir David Cooksey
J.C. Benjamin
P.A Baines
D. Cheesman
L.I. Gabb
P.P. Lee
M.A. McNair
J.A. McNaught-Davis
W.H.N. Pearce (resigned 31 January 2003)
N.J. Teasdale

Directors' interests

The interests of the persons who were directors of the company at 31 March 2003 in the share capital of the company was as follows:

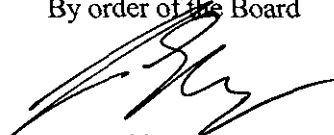
	31.03.03 Ord. shares	01.04.02 Ord. shares
Sir David Cooksey	-	203
P.A. Baines	-	70
J.C. Benjamin	-	184
D. Cheesman	-	92
L.I. Gabb	-	20
P.P. Lee	-	70
M.A. McNair	-	70
W.H.N. Pearce	-	100
N.J. Teasdale	-	92

During the year, the Directors gifted their shares to Advent Venture Partners LLP, a limited liability partnership registered in England and Wales.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



L.I. Gabb
25 July 2003

STATEMENT OF 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 profit or loss of the company for that period. In preparing the accounts for the year ended 31 March 2003, 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.

Independent Auditors' Report to the Members of Advent Limited

We have audited the company's accounts for the year ended 31 March 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

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

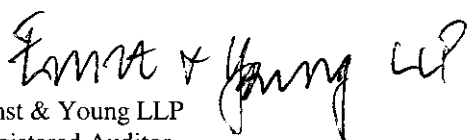
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 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 as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

29 July 2003

ADVENT LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2003

	<i>Notes</i>	2003 £	2002 £
Turnover	2	9,461,733	11,668,914
Staff costs	3	(5,404,504)	(7,555,150)
Depreciation		(268,181)	(198,086)
Other operating charges		<u>(2,390,257)</u>	<u>(2,340,222)</u>
Operating profit	5	1,398,791	1,575,456
Dividends received from subsidiaries		58,705	165,000
Other interest receivable and similar income		128,146	106,458
Profit on sale of an associated undertaking		73,825	-
Profit on ordinary activities before taxation		<u>1,659,467</u>	<u>1,846,914</u>
Tax charge on profit on ordinary activities	6	(565,515)	(66,883)
Profit for the financial year		1,093,952	1,780,031
Dividend paid		(50,000)	-
Retained profit for the financial year		<u>1,043,952</u>	<u>1,780,031</u>
Retained profit brought forward		<u>2,008,218</u>	<u>228,187</u>
Retained profit carried forward		<u>3,052,170</u>	<u>2,008,218</u>

Total recognised gains and losses

There were no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,043,952 for the year ended 31 March 2003 (2002: £1,780,031).

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

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

ADVENT LIMITED
BALANCE SHEET
As at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	7	924,255	1,122,422
Investments in associated undertakings	8	-	15,427
Other investments	8	149,133	436,415
		<u>1,073,388</u>	<u>1,574,264</u>
Current assets			
Debtors	9	2,931,385	1,845,038
Money market deposits		956,884	600,000
Cash at bank and in hand		95,478	153,562
		<u>3,983,747</u>	<u>2,598,600</u>
Creditors: Amounts falling due within one year	10	<u>(1,954,724)</u>	<u>(1,757,170)</u>
Net current assets		<u>2,029,023</u>	<u>841,430</u>
Total assets less current liabilities		<u>3,102,411</u>	<u>2,415,694</u>
Creditors: Amounts falling due after more than one year			
Other creditors		<u>-</u>	<u>336,516</u>
Provision for liabilities and charges			
Deferred taxation	11	<u>49,241</u>	<u>69,960</u>
		<u>49,241</u>	<u>406,476</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account		<u>3,052,170</u>	<u>2,008,218</u>
Equity shareholders' funds		<u>3,053,170</u>	<u>2,009,218</u>
		<u>3,102,411</u>	<u>2,415,694</u>

SIR DAVID COOKSEY
Director



L.I. GABB
Director



The notes on pages 8 to 17 form part of these accounts, which were approved by the directors on 25 July 2003.

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) Turnover

Turnover represents (i) the amounts receivable for business advisory services supplied to customers during the period excluding VAT, and (ii) amounts receivable for investment management services supplied excluding VAT.

c) Other operating charges

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

d) 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 which expires in March 2008
Fixtures and fittings	5 years
Computer equipment and software	3 years

e) Deferred taxation

FRS 19 "Deferred Tax" has been adopted in these financial statements and a provision is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset. Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which the timing differences reverse.

f) Investments

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

g) 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.

h) 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.

1. **Accounting policies (continued)**

i) Exemption from preparing a cash flow statement

In accordance with Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

j) Exemption from preparing consolidated accounts

The company is a wholly owned subsidiary of another UK undertaking and has dispensed with the requirement to prepare group accounts as permitted by s228 Companies Act 1985.

2. **Turnover**

	2003 £	2002 £
Management and Advisory fees	7,596,542	10,854,184
Nominated directors' fees and other items	256,390	320,172
Income from supply of services to the parent	1,121,619	-
Income from supply of services to a group company	487,182	494,558
	<u>9,461,733</u>	<u>11,668,914</u>

3. **Staff costs**

	2003 £	2002 £
Employee costs (including salaried directors)		
Wages and salaries	4,423,334	6,333,526
Social security costs	503,669	732,801
Other pension costs	477,501	488,823
	<u>5,404,504</u>	<u>7,555,150</u>

Average number of employees 23 (2002: 30)

Split between: Investment : 10 (2002: 16); Administration : 13 (2002: 14)

4. **Directors' emoluments**

The emoluments, excluding pension contributions, attributable to the highest paid director amounted to £552,875 (2002: £708,155). Pension contributions attributable to that director amounted to £82,031 (2002: £75,000).

Consultancy fees of £436,500 (2002: £600,505) were paid by Advent Limited during the year to a company in which W.H.N. Pearce has a controlling interest.

5. **Operating profit**

Operating profit is stated after charging/(crediting)

	2003 £	2002 £
Operating lease rentals - land and buildings	332,367	249,787
Auditors' remuneration:		
Audit services	8,525	7,700
Non audit services	-	3,665
Net charge/(release) of provision for diminution in value of investments	301,991	(10,256)

6. **Tax on profit on ordinary activities**

	2003 £	2002 £
Corporation tax	157,253	46,850
Group relief claimed for payment	475,831	-
	<u>633,084</u>	<u>46,850</u>
Over provisions in respect of prior periods	(46,850)	(5,231)
	<u>586,234</u>	<u>41,619</u>
Deferred tax	(20,719)	25,264
	<u>565,515</u>	<u>66,883</u>

Factors affecting current tax charge for the year:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>1,659,467</u>	<u>1,846,914</u>
Corporation tax at 30%	497,840	554,074
Effects of:		
Losses brought forward	-	(4,692)
Expenses not deductible for tax purposes	115,130	49,012
Depreciation in excess of capital allowances for period	37,726	(9,205)
UK Dividends not taxable	(17,612)	(49,500)
Prior year adjustments	(46,850)	(5,231)
Marginal relief	-	(723)
Group relief claimed not for payment	-	(492,116)
	<u>586,234</u>	<u>41,619</u>

7. **Tangible fixed assets**

	Leasehold improvements £	Fixtures, fittings & equipment £	Total £
Cost at 1 April 2002:			
At beginning of year	1,023,092	541,605	1,564,697
Additions	15,465	54,549	70,014
Disposals	-	-	-
At 31 March 2003	1,038,557	596,154	1,634,711
Depreciation:			
At 1 April 2002	189,648	252,627	442,275
Charge for year	141,131	127,050	268,181
Disposals	-	-	-
At 31 March 2003	330,779	379,677	710,456
Net book value at 31 March 2003	707,778	216,477	924,255
Net book value at 31 March 2002	833,444	288,978	1,122,422

8. **Investments**

a) Investments in associated undertakings

	2003 £	2002 £
Associated undertakings (note 18)	-	15,427
	-	15,427

b) Other investments

	2003 £	2002 £
Subsidiary undertakings (note 17)	23,812	198,671
Other unlisted investments	125,321	237,744
	149,133	436,415

8. Investments (continued)

c) Investment movements

Movements in investments for the company during the year are summarised as follows:

	Subsidiary undertakings £	Associated undertakings £	Unlisted investments £
Book cost at 1 April 2002	198,671	15,427	246,613
Provision for diminution in value	-	-	(8,869)
Net book value at 1 April 2002	198,671	15,427	237,744
Movements in the year:			
Transfer at cost	800	(800)	-
Purchase at cost	5	-	77
Disposal at cost	-	(800)	-
Provision for diminution in value	(175,664)	(13,827)	(112,500)
Net book value at 31 March 2003	23,812	-	125,321
Book cost at 31 March 2003	199,476	13,827	246,690
Provision for diminution in value	(175,664)	(13,827)	(121,369)
Net book value at 31 March 2003	23,812	-	125,321

9. Debtors

	2003 £	2002 £
Trade debtors	1,208,430	450,865
Amounts owed by parent	1,119,020	-
Amounts owed by subsidiaries	101,231	350,927
Amounts owed by associates	-	464,847
Dividends receivable from subsidiary undertakings	-	165,000
Other amounts owed by venture capital partnerships	2,047	75,003
Other debtors	114,204	103,904
Prepayments and accrued income	346,561	179,324
VAT	39,892	55,168
	<u>2,931,385</u>	<u>1,845,038</u>

10. Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade and other creditors	783,264	869,091
Amounts owed to venture capital partnerships in respect of nominated directors' fees	1,358	1,358
Amounts owed to other subsidiaries	900,906	488,926
Accruals	76,734	128,564
Corporation tax	113,705	46,850
Other taxes and social security	78,757	222,381
	<u>1,954,724</u>	<u>1,757,170</u>

11. Provisions for liabilities and charges

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

	2003	2002
	£	£
Deferred tax charge in profit & loss account		
At 1 April	69,960	44,696
Charge for the year	<u>(20,719)</u>	<u>25,264</u>
At 31 March	<u>49,241</u>	<u>69,960</u>

12. Called up share capital

	Authorised, allotted, called up and fully paid			
	2003	2003	2002	2002
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

13. Reconciliation of movements in equity shareholders' funds

	2003	2002
	£	£
Shareholders' funds		
At beginning of year	2,009,218	229,187
Profit for the financial year	1,093,952	1,780,031
Dividends	<u>(50,000)</u>	<u>-</u>
At end of year	<u>3,053,170</u>	<u>2,009,218</u>

14. Other financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases for its land and buildings as set out below:

	2003 £	2002 £
Operating leases which expire:		
In two to five years	373,250	-
In over five years	-	356,050
	<hr/> 373,250	<hr/> 356,050

15. 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 £477,501 (2002: £488,823) represents contributions payable by the company to the various funds.

16. 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.

17. Particulars of subsidiary undertakings

The following are the subsidiary undertakings at 31 March 2003.

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 2 Fund Managers Limited

A wholly owned subsidiary of the company
Registered in England.

(Issued share capital of
1,000 £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 Private Equity GmbH

A wholly owned subsidiary of the company
Registered in Germany.

(Issued share capital of
25,000 €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

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(the "AFLP partnerships")

17. **Particulars of subsidiary undertakings (continued)**

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.

Advent Management II Limited Partnership ("AMLP2")

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 AMLP2 is in each case the general partner. Subsidiary undertakings of AMLP2 by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

Advent Management III Limited Partnership ("AMLP3")

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 'Affiliates')

English limited partnerships whose principal place of business is at 25 Buckingham Gate, London SW1E 6LD and of which AMLP3 is in each case the general partner. Subsidiary undertakings of AMLP3 by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

Advent Private Equity Fund III GmbH & Co 'KG') (the "APEF III partnerships")

A German limited partnership whose principal place of business is at Theresienstrasse 6, 80333 Munich, Germany, and of which the AMLP3 is the managing limited partner. A subsidiary undertaking of AMLP3 by virtue of Section 258(2)(c)(i) of the Companies Act 1985 as amended.

18. **Particulars of associated undertakings**

The following are the associated undertakings:

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.

19. 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 2003, salaries and related costs in respect of joint contract employees paid by the company on behalf of AFM amounted to £47,794 (2002: £150,438) and the company made a charge to AFM of £465,122 (2002: £494,558) in respect of services provided. During the period, in the normal course of business, the company was advanced a net £896,976 (2002: £369,509) on account by AFM of which a net £80,785 remained owed to the company at 31 March 2003 (2002: £464,847).

20. Ultimate parent undertaking

The company's ultimate parent undertaking is Advent Venture Partners LLP, a partnership registered in England and Wales. Copies of the consolidated accounts of Advent Venture Partners LLP may be inspected at Companies House.