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Octopus Ventures Limited

Report and Accounts
31 December 2004



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20/07/05

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	C R Hulatt G B Myles S A Rogerson
Company Secretary	C R Hulatt
Registered Office	8 Angel Court London EC2R 7HP
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	HSBC plc 31 Holborn London EC1N 2HR
Solicitors	Denton Wilde Sapte One Fleet Place London EC4M 7WS
Registered Number	3974202

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company during the year was investment in technology and biotechnology companies.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

C R Hulatt
G B Myles
S A Rogerson

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the accounts of the parent company.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



C R Hulatt
Director

13 July 2005



REES POLLOCK

Chartered Accountants

35 New Bridge Street

London EC4V 6BW

Telephone 020 7778 7200

Fax 020 7329 6408

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OCTOPUS VENTURES LIMITED

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 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 shareholders 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 law and United Kingdom 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 the company's affairs as at 31 December 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock
Chartered Accountants
Registered Auditors

14 July 2005

Octopus Ventures Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	2	15,000	15,556
Administrative expenses		301,183	335,522
OPERATING LOSS	3	(286,183)	(319,966)
Interest receivable		234	—
Amounts written off investments		(541,445)	48,858
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(827,394)	(271,108)
Tax on loss on ordinary activities	6	—	—
LOSS FOR THE FINANCIAL YEAR		(827,394)	(271,108)
Balance brought forward		(1,191,520)	(920,412)
Balance carried forward		<u>(2,018,914)</u>	<u>(1,191,520)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 11 form part of these accounts.

Octopus Ventures Limited

BALANCE SHEET
at 31 December 2004

	Note	£	2004 £	2003 £
FIXED ASSETS				
Investments	7		772,504	1,317,275
CURRENT ASSETS				
Debtors	8	—		26,391
Investments	9	—		54,383
Cash at bank		44,315		124
		44,315		80,898
CREDITORS: amounts falling due within one year	10	<u>2,835,732</u>		<u>2,589,692</u>
NET CURRENT LIABILITIES			(2,791,417)	(2,508,794)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(2,018,913)</u>	<u>(1,191,519)</u>
CAPITAL AND RESERVES				
Called-up equity share capital	13		1	1
Profit and loss account			(2,018,914)	(1,191,520)
DEFICIENCY	14		<u>(2,018,913)</u>	<u>(1,191,519)</u>



S A Rogerson
Director

13 July 2005

The notes on pages 7 to 11 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting

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

Going concern

The directors have considered the company's ability to continue as a going concern. As the group companies have confirmed that they will not call in their debt for at least twelve months, the accounts have been prepared on the going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the accounts on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents the value of services provided during the year, stated net of value added tax.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution of value.

Current asset investments

Current asset investments are stated at the lower of cost and market value.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company carried out wholly in the UK.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

3. OPERATING LOSS

Operating loss is stated after charging:

	2004	2003
	£	£
Loss on disposal of fixed assets	13,716	—
Auditors' remuneration		
- as auditors	—	3,000
Operating lease costs:		
- land and buildings	34,569	39,300

The audit fee has been borne by a fellow group undertaking.

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of administrative staff	10	7

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	101,717	189,236
Social security costs	83,037	20,533
	184,754	209,769

5. DIRECTORS' EMOLUMENTS

	2004	2003
	£	£
Emoluments	70,000	110,000

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

6. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004 £	2003 £
Loss on ordinary activities before taxation	(827,394)	(271,108)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2003: 19%)	(157,205)	(51,511)
Effects of:		
Expenses not deductible for tax purposes	—	206
Movement in provisions for investments	86,083	(9,283)
Movement in tax losses	68,827	60,588
Difference between profit on disposal for accounting and tax purposes	2,295	—
Total current tax	—	—

7. INVESTMENTS

	Unlisted investments £
Cost	
At 1 January 2004	1,364,205
Disposals	(3,325)
At 31 December 2004	1,360,880
Amounts written off	
At 1 January 2004	46,930
Written off in year	541,446
At 31 December 2004	588,376
Net book value	
At 31 December 2004	772,504
At 31 December 2003	1,317,275

8. DEBTORS

	2004 £	2003 £
Other debtors	—	12,384
Prepayments and accrued income	—	14,007
	—	26,391

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

9. INVESTMENTS

	2004	2003
	£	£
Other investments	—	54,383

Listed investments

Investments having a net book value of £Nil (2003 - £54,383) are listed on a recognised stock exchange and had a market value of £Nil at the end of the year (2003 - £55,825).

All listed investments were sold during the year.

10. CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	—	7,321
Amounts owed to group undertakings	2,835,732	2,577,948
Other creditors	—	1,423
Accruals and deferred income	—	3,000
	<u>2,835,732</u>	<u>2,589,692</u>

11. DEFERRED TAXATION

No provision has been made in the accounts and the amounts unprovided at the end of the year are as follows:

	2004	2003
	£	£
Tax losses available	283,170	214,343
Other timing differences	95,000	8,917
	<u>378,170</u>	<u>223,260</u>

The deferred tax asset will only crystallise in the event of the company making future taxable profits. At present the directors feel that this is insufficiently certain to support the recognition of the asset.

12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	39,300	—	—	—
Within 2 to 5 years	—	3,254	39,300	3,254
	<u>39,300</u>	<u>3,254</u>	<u>39,300</u>	<u>3,254</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

13. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Loss for the financial year	(827,394)	(271,108)
Opening equity shareholders' deficit	<u>(1,191,519)</u>	<u>(920,411)</u>
Closing equity shareholders' deficit	<u>(2,018,913)</u>	<u>(1,191,519)</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent undertaking of the company is Octopus Capital plc, a company incorporated in England and Wales.

Copies of group accounts can be obtained from The Secretary, Octopus Capital plc, 8 Angel Court, London, EC2R 7HP.