

PENTECH VENTURES LLP

Report and Financial Statements

For the year ended

31 May 2010

Registered in Scotland – LLP Number SO301769



Pentech Ventures LLP

REPORT AND FINANCIAL STATEMENTS 2010

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Pentech Ventures LLP

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

C Anderson
E Anderson
M Moens
S McKinnon

REGISTERED OFFICE

39 Melville Street
Edinburgh
EH3 7JF

BANKERS

Clydesdale Bank
Clydesdale Bank Plaza
50 Lothian Road
Edinburgh
EH3 9BT

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

LAWYERS

Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

INDEPENDENT AUDITORS

KPMG Audit Plc
191 West George Street
Glasgow
G2 2LJ

Pentech Ventures LLP

MEMBERS' REPORT

The members present their report and the audited financial statements for the year ended 31 May 2010.

REVIEW OF THE BUSINESS

The principal activity of Pentech Ventures LLP (the "LLP") and its subsidiary undertakings (together the "Group") is the provision of private equity investment management services. As at 31 May 2010, the Group had total committed funds under management of £67.8m (2009 - £67.5m).

RESULTS AND DIVIDENDS

The results for the year ended 31 May 2010 are set out on page 7. The members regard the results and future prospects to be satisfactory.

DESIGNATED MEMBERS

The designated members of the LLP during the year ended 31 May 2010 were as follows:

C Anderson (appointed 30 September 2009)
E Anderson
A McKinnon
M Moens (appointed 24 November 2009)

MEMBERS' DRAWINGS AND CAPITAL POLICY

Members' drawings are made on a monthly basis, based on the members' profit share as set by the Profit Share Committee, and from time to time as working capital permits.

The level of members' capital is determined by the members from time to time and there is no entitlement to have capital repaid.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Neither the LLP nor any of its subsidiary undertakings made any political or charitable donations or incurred any political expenditure during the year or prior period.

MEMBERS AND OFFICERS INSURANCE

Members benefited from qualifying third party members and officers liability insurance in place during the year and at the date of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each member has taken all the steps that he ought to have taken as a member to make himself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Pentech Ventures LLP

MEMBERS' REPORT

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Members



C Anderson
Designated Member

16 August 2010

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

The members are responsible for preparing the Members' Report and the Group and the LLP financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (LLP) Regulations made under the Limited Liability Partnerships Act 2000 require the members to prepare Group and LLP financial statements for each financial year. Under that law the members have elected to prepare the Group and LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and LLP financial statements are required by law to give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group for that period.

In preparing each of the Group and LLP financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the LLP will continue in business.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with the Limited Liability Partnership Regulations 2001. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTECH VENTURES LLP

We have audited the group and LLP financial statements (the "financial statements") of Pentech Ventures LLP for the year ended 31 May 2010 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with sections 495 and 496 of the Companies Act 2006, as required by Regulation 3 of the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the LLP's members 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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the Statement of Members' Responsibilities on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE AUDITORS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTECH VENTURES LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
20 Castle Terrace
Edinburgh

16 August 2010

Pentech Ventures LLP

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 May 2010

	Note	Year ended 31 May 10 £	Period ended 31 May 09 £
Turnover	1	1,233,479	1,361,171
Administrative expenses		(458,822)	(649,586)
Operating profit	2	774,657	711,585
Interest (payable) receivable		(535)	3,804
Profit before tax		774,122	715,389
Taxation	3	(127,967)	(38,588)
Profit for the period before members' remuneration and profit shares		646,155	676,801
Members' remuneration charged as an expense	12	(486,667)	(389,751)
Profit for the period available for discretionary division among members	12	159,488	287,050

All results relate to continuing operations.

There were no recognised gains or losses in the year ended 31 May 2010 other than the profit for the year of £159,488 (period to 31 May 2009 - £287,050).

The prior year comparatives are for the period from 21 February 2008 (date of incorporation of the LLP) to 31 May 2009.

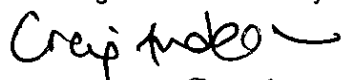

The notes on pages 11 to 19 together with the accounting policies on page 11 form part of these financial statements.

Pentech Ventures LLP – SO301769

CONSOLIDATED BALANCE SHEET at 31 May 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible assets	5	16,947	18,500
Investments	6	71,344	40,716
Intangible assets	7	423,712	593,198
		<u>512,003</u>	<u>652,414</u>
CURRENT ASSETS			
Debtors	8	133,733	123,588
Cash		672,922	453,727
		<u>806,655</u>	<u>577,315</u>
CREDITORS: Amounts falling due within one year	9	(126,387)	(269,913)
NET CURRENT ASSETS		<u>680,268</u>	<u>307,402</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,192,271</u>	<u>959,816</u>
CREDITORS: Amounts falling due after more than one year	10	(72,917)	(107,917)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(272,816)	(144,849)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>846,538</u>	<u>707,050</u>
		=====	=====
REPRESENTED BY:			
Members' capital classified as equity under FRS 25	12	400,000	420,000
Other reserves	12	446,538	287,050
TOTAL MEMBERS' INTERESTS	12	<u>846,538</u>	<u>707,050</u>
		=====	=====

The financial statements were approved and authorised for issue by the Members on 16 August 2010 and signed on its behalf by:

C Anderson Designated Member

E Anderson Designated Member

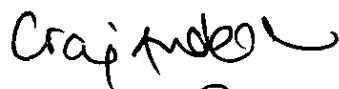
The notes on pages 11 to 19 together with the accounting policies on page 11 form part of these accounts.

Pentech Ventures LLP – SO301769

LLP BALANCE SHEET at 31 May 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible assets	5	16,947	18,500
Investments	6	430,000	430,000
		<u>446,947</u>	<u>448,500</u>
CURRENT ASSETS			
Debtors	8	82,751	249,036
Cash		10,351	41,122
		<u>93,102</u>	<u>290,158</u>
CREDITORS: Amounts falling due within one year	9	(67,132)	(210,741)
NET CURRENT ASSETS		<u>25,970</u>	<u>79,417</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>472,917</u>	<u>527,917</u>
CREDITORS: Amounts falling due after more than one year	10	(72,917)	(107,917)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>400,000</u>	<u>420,000</u>
REPRESENTED BY:			
Members' capital classified as equity under FRS 25	12	400,000	420,000
Other reserves	12	-	-
TOTAL MEMBERS' INTERESTS	12	<u>400,000</u>	<u>420,000</u>

The financial statements were approved and authorised for issue by the Members on 16 August 2010 and signed on its behalf by:



C Anderson Designated Member



E Anderson Designated Member

The notes on pages 11 to 19 together with the accounting policies on page 11 form part of these accounts.

Pentech Ventures LLP

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 May 2010

	Note	Year ended 31 May 10 £	Period ended 31 May 09 £
Net cash inflow from operating activities	13	763,032	315,004
Returns on investment and servicing of finance	14	(535)	3,804
Capital expenditure and financial investment	14	(36,635)	279,670
Transactions with members	14	(506,667)	(144,751)
Increase in cash	15	219,195	453,727
		=====	=====

The notes on pages 11 to 19 together with the accounting policies on page 11 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2010

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'. The particular accounting policies adopted by the members are described below.

The financial statements have been prepared in accordance with the historical cost convention.

Turnover represents the amounts derived from the provision of services that fall within the Group's ordinary activities, stated net of value added tax. Fees are credited to income when they are earned and the fee has been agreed. None of the turnover was derived from overseas.

No tax is recorded in the financial statements of the LLP as all tax liabilities are liabilities of the members, not the limited liability partnership.

UK corporation tax on the profits of the corporate members of the Group is provided at amounts expected to be paid using the tax rates relevant at the accounting date.

Deferred taxation is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on un-remitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings.

The cost of tangible fixed assets is depreciated by equal instalments over their expected useful lives as follows:

Office equipment - 3 to 5 years

Investments are held at cost less any diminution for permanent impairment.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is stated at cost less amortisation. Goodwill is amortised over the remaining commitment period of the funds managed by the subsidiary acquired. Goodwill is reviewed for impairment at least every six months and any impairment is recognised immediately in the consolidated profit and loss account and cannot be subsequently reversed.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2010

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the LLP and its subsidiary undertakings made up to 31 May 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the LLP is exempt from the requirement to present its own profit and loss account.

Members' interest

Members' capital is classified as equity in the balance sheet. Non-discretionary profit allocations are included in 'members' remuneration charged as an expense' in the profit and loss account, whilst discretionary profit allocations are classified as a division of profits within members' interests.

Allocation of profits

A members' share in the profit or loss for the period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'Other Reserves'.

Going Concern

No material uncertainties that may cast significant doubt about the ability of the LLP to continue as a going concern have been identified by the members.

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

2. OPERATING PROFIT

	Year ended 31 May 10 £	Period ended 31 May 09 £
Operating profit is stated after charging:		
Depreciation	7,560	3,460
Amortisation of goodwill	169,486	155,361
Operating lease rentals – premises	59,810	44,487
Auditors' remuneration – audit of these financial statements	6,000	6,000
Auditors' remuneration – other services relating to taxation	5,800	5,800
	=====	=====

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

3. TAXATION

(a) Provision for UK corporation tax based on the profit for the period:

	Year ended 31 May 10 £	Period ended 31 May 09 £
Current tax		
Adjustment for prior year	23	(1,053)
Total current tax charge (credit)	23	(1,053)
Deferred tax		
Short term timing differences	352,937	384,859
Tax losses carried forward and other deductions	(224,993)	(345,218)
Total deferred tax charge	127,944	39,641
Total taxation for the period	127,967	38,588
	=====	=====

(b) The current taxation for the period is lower than the standard rate of UK corporation tax and the differences can be reconciled to the profit for the period as follows:

	Year ended 31 May 10 £	Period ended 31 May 09 £
Profit on ordinary activities before taxation	774,122	715,389
Corporation tax at standard rate of 28%	216,755	200,309
Effects of:		
Income not subject to tax	(88,811)	(160,668)
Deferred tax timing differences	(127,944)	(39,641)
Adjustments for prior years	23	(1,053)
Total current taxation for the period	23	(1,053)
	=====	=====

4. STAFF COSTS

The LLP and the Group had one employee during the year ended 31 May 2010.

Total staff costs including employers' national insurance in the year ended 31 May 2010 amounted to £6,801 (2009 - £nil).

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

5. TANGIBLE FIXED ASSETS

Group and LLP:

Office
equipment
£

Cost:

Beginning of year	21,960
Additions	6,007
End of year	27,967

Depreciation:

Beginning of year	3,460
Charge for the year	7,560
End of year	11,020

Net Book Value:

Beginning of year	18,500
End of year	16,947

6. INVESTMENTS

(a) Group – cost and valuation:

2010
£

Unlisted investments:

Beginning of year	40,716
Additions in year	30,628
End of year	71,344

(b) LLP – cost and valuation:

2010
£

Subsidiary undertakings – beginning and end of year	430,000
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Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

6. INVESTMENTS (CONTINUED)

The subsidiary undertakings at 31 May 2010 were as follows:

<i>Subsidiary</i>	<i>Country of registration</i>	<i>Nature of business</i>	<i>Proportion of ordinary shares held</i>
Pentech Fund IA GP Limited	Scotland	Investment Management	100%
Pentech Fund IB GP Limited	Scotland	Investment Management	100%
Pentech Fund II GP Limited	Scotland	Investment Management	100%
Pentech Capital Limited	Scotland	Investment Management	100%

7. GOODWILL

	Group £
Cost:	
Beginning and end of year	748,559
Amortisation:	
Beginning of year	155,361
Charge for the year	169,486
End of year	324,847
Net Book Value:	
Beginning of year	593,198
End of year	423,712

8. DEBTORS

	Group 2010 £	Group 2009 £	LLP 2010 £	LLP 2009 £
Trade debtors	48,330	42,181	70,415	67,600
Prepayments and accrued income	12,336	4,784	12,336	4,784
Amounts due from subsidiaries	-	-	-	162,870
Other debtors	73,067	76,623	-	13,782
	133,733	123,588	82,751	249,036

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

9. CREDITORS: Amounts falling due within one year

	Group 2010 £	Group 2009 £	LLP 2010 £	LLP 2009 £
Accruals and deferred income	126,116	129,325	31,861	35,153
Other taxes and social security costs	271	5,633	271	5,633
Other creditors	-	134,955	35,000	169,955
	-----	-----	-----	-----
	126,387	269,913	67,132	210,741
	=====	=====	=====	=====

10. CREDITORS: Amounts falling due after more than one year

	Group 2010 £	Group 2009 £	LLP 2010 £	LLP 2009 £
Other creditors	72,917	107,917	72,917	107,917
	=====	=====	=====	=====

11. DEFERRED TAXATION

	Group 2010 £	Group 2009 £
Short term timing difference	940,175	587,238
Tax losses carried forward and other deductions	(667,359)	(442,389)
	-----	-----
	272,816	144,849
	=====	=====
Beginning of period	144,849	105,208
Charge for the period	127,967	39,641
	-----	-----
End of period	272,816	144,849
	=====	=====

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

12. RECONCILIATION OF MEMBERS' INTEREST

Group:

	Members' capital (classified as equity) £	Other amounts £	Total Members' interests £
Beginning of year	420,000	287,050	707,050
Members' remuneration charged as an expense	-	486,667	486,667
Result for the year available for discretionary division among members	-	159,488	159,488
Capital introduced by members	25,000	-	25,000
Capital withdrawn by members	(45,000)	-	(45,000)
Members' interests after profit for the period	400,000	933,205	1,333,205
Drawings	-	(486,667)	(486,667)
End of year	400,000	446,538	846,538

LLP:

	Members' capital (classified as equity) £	Other amounts £	Total Members' interests £
Beginning of year	420,000	-	420,000
Members' remuneration charged as an expense	-	486,667	486,667
Result for the year available for discretionary division among members	-	-	-
Capital introduced by members	25,000	-	25,000
Capital withdrawn by members	(45,000)	-	(45,000)
Members' interests after profit for the period	400,000	486,667	886,667
Drawings	-	(486,667)	(486,667)
End of year	400,000	-	400,000

The average number of members during the year to 31 May 2010 was 4 (2009 - 4). The total profit share of the highest paid member in the year was £165,000 (period to 31 May 2009 - £121,250).

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

13. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	774,657	711,585
Add back non-cash items:		
Depreciation	7,560	3,460
Amortisation of goodwill	169,486	155,361
	<u>951,703</u>	<u>870,406</u>
Increase in debtors	(10,145)	(24,138)
Decrease in creditors	(178,526)	(550)
Decrease in deferred income	-	(530,714)
	<u>763,032</u>	<u>315,004</u>
Net cash flow from operating activities	<u>763,032</u>	<u>315,004</u>

14. ANALYSIS OF CASH FLOWS

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest (paid) received	(535)	3,804
	<u>(535)</u>	<u>3,804</u>
Capital expenditure and financial investment:		
Purchases of tangible fixed assets	(6,007)	(21,960)
Acquisition of businesses	-	(112,083)
Cash in businesses acquired	-	434,761
Investments	(30,628)	(21,048)
	<u>(36,635)</u>	<u>279,670</u>
Transactions with members		
Payments to and on behalf of members	(486,667)	(389,751)
Capital introduced by members	25,000	246,000
Capital repaid to members	(45,000)	(1,000)
	<u>(506,667)</u>	<u>(144,751)</u>

15. ANALYSIS OF CHANGES IN NET FUNDS

	2010 £	2009 £
Cash at beginning of period	453,727	-
Cash movement in the period	219,195	453,727
	<u>672,922</u>	<u>453,727</u>
Cash at end of period	<u>672,922</u>	<u>453,727</u>

Pentech Ventures LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2010

16. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating leases for premises are as follows:

	2010 £	2009 £
Operating leases which expire within one year	-	-
Operating leases which expire within two to five years	22,000	57,000
	=====	=====

17. PENSIONS

Neither the LLP nor the Group operated a pension scheme during the year or prior period.