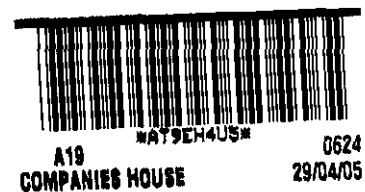


Registered Number: 04455321

Nova Capital Group Limited
Financial report
for the year ended 30 June 2004



Nova Capital Group Limited

Financial Report for the year ended 30 June 2004

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Nova Capital Group Limited

Directors' report for the year ended 30 June 2004

The directors present their report and the audited financial statements for the year ended 30 June 2004.

Principal activities

The principal activity of the Company is to act as a holding Company. The principal activities of the Company and its subsidiaries ("the Group") during the year were the provision of investment advice and investment management services to third parties.

Review of business and future developments

In the first Directors' report on the business of the Group, the Directors expressed their confidence that Nova's unique market proposition would enable it to take on the management of further portfolios beyond the acquisition of LICA Development Capital Ltd. in October 2002 and to establish the building blocks to develop a successful fund management business.

The Directors believe that significant progress has been made in this direction in that, as a result of a high level of new business activity in the 2003/04 financial year, three new management contracts were won between June and August 2004. The three new contracts were in respect of the Third Private Equity Fund LP, Atlantic Medical Capital LP and NovaVest Fund I LP.

These three contracts represent funds with, in aggregate, over £100 million of committed capital. Each of these transactions has different characteristics but each has involved Nova in securing the backing of major institutional investors and applying Nova's unique portfolio management approach as a means of enhancing value.

Nova currently has a strong pipeline of further transactions of this nature and the Directors are confident of further significant progress in the business in 2005 and beyond.

Results and dividends

The consolidated loss for the year after taxation is £308,653 (2003 £14,505). The directors do not recommend the payment of an ordinary dividend. £308,653 has been transferred from the reserves (2003 £14,505).

Directors and their interests

The directors of the Company who held office during the year are given below:

M A J Kelly
D S Williamson
Lord Hodgson of Astley Abbotts
W Wyatt

In accordance with section 324 of the Companies Act 1985, the directors had interest in the shares of the Company of:

Ordinary shares of £1.00 each

	2004	2003
	Number	Number
M A J Kelly	50,025	50,025
D S Williamson	50,025	50,025
Lord Hodgson of Astley Abbotts	33,358	33,358

Nova Capital Group Limited

Preference shares of £1.00 each

	2004 Number	2003 Number
Lord Hodgson of Astley Abbots (held through Johnson Brothers and Company Ltd)	100,000	100,000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



J A C Gairdner

Secretary

27 April 2005

Nova Capital Group Limited

Independent Auditors' report to the members of Nova Capital Group Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the Group and Company balance sheets, the consolidated cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including our opinion, has been prepared for, and only for, the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27 April 2005

Nova Capital Group Limited

Consolidated profit and loss account for the year ended 30 June 2004

			Year ended 30 June 2004	13 months ended 4 July 2003
	Notes	£	£	£
Turnover				
Continuing Operations	1	1,413,946		476,082
Acquired Operations		<u>-</u>		<u>807,639</u>
			1,413,946	1,283,721
Administrative expenses			(1,689,077)	(1,207,615)
Release of negative goodwill	9		<u>8,064</u>	<u>6,052</u>
Operating (loss)/profit	2			
Continuing Operations		(267,067)		(135,728)
Acquired Operations		<u>-</u>		<u>211,834</u>
			(267,067)	82,158
Interest receivable and similar income	5		6,573	13,852
Interest payable and similar charges	6		<u>(20,961)</u>	<u>(90,575)</u>
(Loss)/Profit on ordinary activities before taxation			(281,455)	5,435
Taxation	7		<u>5,688</u>	<u>(8,280)</u>
Loss for the financial year			(275,767)	(2,845)
Dividends – including non-equity	8		<u>(32,886)</u>	<u>(11,660)</u>
Loss for the financial year			<u>(308,653)</u>	<u>(14,505)</u>

The Group has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The notes on pages 7 to 17 form part of these financial statements.

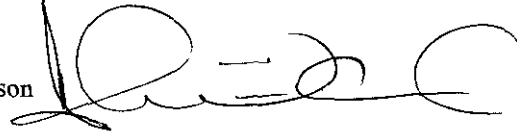
Nova Capital Group Limited

Balance sheets as at 30 June 2004

	Notes	2004 Group £	2004 Company £	2003 Group £	2003 Company £
Fixed assets					
Intangible assets					
Negative goodwill	9	(8,074)	-	(16,138)	-
Tangible assets	10	42,276	42,276	37,677	27,345
Investment in subsidiaries	11	-	600,264	-	600,261
		34,202	642,540	21,539	627,606
Current assets					
Debtors: amounts due within one year	12	1,866,919	537,655	1,325,224	595,874
Cash at bank and in hand		17,054	8,906	637,182	140,467
		1,883,973	546,561	1,962,406	736,341
Creditors: amounts falling due within one year	13	(1,173,422)	(1,119,271)	(642,537)	(368,005)
Net current assets/(liabilities)		<u>710,551</u>	<u>(572,710)</u>	<u>1,319,869</u>	<u>368,336</u>
Total assets less current liabilities		744,753	69,830	1,341,408	995,942
Creditors: amounts falling due after more than one year	14	(12,417)	(10,239)	(300,000)	(300,000)
Provisions for liabilities and charges	15	-	-	(419)	-
Net assets		<u>732,336</u>	<u>59,591</u>	<u>1,040,989</u>	<u>695,942</u>
Capital and reserves					
Called up share capital	18	687,088	687,088	687,088	687,088
Share premium	18	368,406	368,406	368,406	368,406
Profit and loss account	20	(323,158)	(995,903)	(14,505)	(359,552)
Shareholders' funds	21	732,336	59,591	1,040,989	695,942
Analysed as:					
Equity		257,336	(415,409)	565,989	220,942
Non-equity		<u>475,000</u>	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>
Shareholders' funds		<u>732,336</u>	<u>59,591</u>	<u>1,040,989</u>	<u>695,942</u>

The financial statements on pages 4 to 17 were approved by the board of directors on 27 April 2005 and were signed on its behalf by:

David Williamson
Director



The notes on pages 7 to 17 form part of these financial statements.

Nova Capital Group Limited

Consolidated cash flow statement for the year ended 30 June 2004

	Notes	2004 £	2003 £
Net cash outflow from operating activities	23	(924,696)	(172,577)
Returns on investments and servicing of finance			
Interest paid and similar charges		(20,300)	(56,066)
Interest received and similar income		6,573	13,852
Finance charges on finance leases		<u>(661)</u>	<u>(1,551)</u>
Net cash inflow from returns on investments and servicing of finance		<u>(14,388)</u>	<u>(43,763)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(29,388)	(33,788)
Sale of investments		<u>-</u>	<u>7,435</u>
Net cash (outflow) from capital expenditure and financial investment		<u>(29,388)</u>	<u>(26,353)</u>
Corporation tax		(7,649)	-
Acquisitions and disposals	22		
Purchase of subsidiary undertakings		-	(447,507)
Bank overdraft acquired		<u>-</u>	<u>(22,190)</u>
		<u>-</u>	<u>(469,697)</u>
Net cash (outflow) before financing		(976,121)	(712,390)
Financing			
Issue of ordinary share capital		-	580,494
Issue of preference share capital		-	475,000
Increase in borrowings		500,000	500,000
Repaid Johnson Brothers Ltd loan 27 August 2003		(150,000)	(200,000)
Capital element of finance lease payments		<u>5,993</u>	<u>(5,922)</u>
Net cash inflow from financing		<u>355,993</u>	<u>1,349,572</u>
(Decrease)/Increase in net cash	24	(620,128)	637,182

The notes on pages 7 to 17 form part of these financial statements.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

1. Accounting policies

(a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies, which have been applied consistently, are set out below:

(b) Basis of consolidation

The financial statements of the Group consolidate the financial statements of Nova Capital Group Limited and its subsidiaries. The "full acquisition" method of accounting has been adopted.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less provision for any permanent diminution in value.

(c) Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions is capitalised and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Negative goodwill arises from the excess of the fair value of net assets acquired over the fair value of purchase consideration. Purchased or negative goodwill is capitalised and included within fixed assets and amortised on a straight line basis to the profit and loss account over its estimated useful economic life. The negative goodwill is being released to the profit and loss account over the period expected to benefit, being 33 months.

(d) Depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their useful economic lives in the books of the subsidiaries. The principal periods applied by the subsidiaries are as follows:

Computer and electrical equipment	- 3 years
Office equipment and furniture	- 3 years

(e) Turnover

Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of investment advice and investment management services in relation to venture capital and private equity funds.

(f) Finance and operating leases

Where fixed assets are financed by leasing agreements which transfer to the Group substantially all the benefits and risks of ownership, the lease is treated as a "finance lease". The assets are treated as if they had been purchased outright and are included in tangible fixed assets, and depreciated over the shorter of their estimated useful lives or the term of the lease. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. All other leases are accounted for as operating leases and the costs are charged to the profit and loss account on a straight line basis over the lease term.

(g) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

(h) Deferred taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits is uncertain. Deferred tax asset and liabilities are not discounted.

(i) Investments

Investments are stated at the lower of cost and net realisable value.

(j) Segmental disclosure

The Group operates in one business segment providing investment advisory services to venture capital and private equity funds together with interim executive management placement. The geographical location of the Group's operations is the United Kingdom.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of tangible fixed assets		
Owned assets	14,031	6,314
Leased assets	7,314	5,295
Operating lease charges	83,002	80,153
Amortisation of negative goodwill	(8,064)	(6,052)
Audit services	16,728	22,548
Non audit services	12,000	4,000

3. Employee information

	2004 £	2003 £
Employee costs during the year amounted to:		
Wages and salaries	580,999	511,547
Social security costs	<u>70,722</u>	<u>57,144</u>
	<u>651,721</u>	<u>568,691</u>

The average monthly number of persons (including Executive Directors) employed by the Group during the year was as follows:

	2004	2003
Investment advisory	6	5
Administration	<u>3</u>	<u>2</u>
Total	<u>9</u>	<u>7</u>

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

4. Directors' emoluments

	2004	2003
	£	£
Aggregate emoluments	<u>394,203</u>	<u>262,816</u>

	2004	2003
	£	£
Highest paid director		
Aggregate emoluments	<u>149,629</u>	<u>116,441</u>

No pension contributions were paid during the year. No retirement benefits are accruing to directors under a defined benefit scheme. No emoluments have been receivable under long-term incentive schemes.

5. Interest receivable and similar income

	2004	2003
	£	£
Interest receivable from other banks	4,615	2,368
Other income	<u>1,958</u>	<u>11,484</u>
	<u>6,573</u>	<u>13,852</u>

6. Interest payable and similar charges

	2004	2003
	£	£
Interest payable on shareholder loans	18,707	89,438
Other interest	<u>2,254</u>	<u>1,137</u>
	<u>20,961</u>	<u>90,575</u>

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

7. Taxation

	2004 £	2003 £
Current tax:		
UK Corporation tax provision	0	7,733
Prior year adjustment	(9,625)	0
Foreign tax:		
Overseas tax payable	<u>4,356</u>	<u>128</u>
	(5,269)	7,861
Deferred tax:		
Origination of timing differences	<u>(419)</u>	<u>419</u>
Total tax (credit)/charge on profit on ordinary activities	<u>(5,688)</u>	<u>8,280</u>

The tax assessed for the year is higher than the small companies rate of corporation tax in the UK (19%). The differences are explained below:

	2004 £	2003 £
(Loss)/Profit on ordinary activities before tax	(281,455)	5,435
(Loss)/Profit on ordinary activities multiplied by standard rates in the UK of 19%	(53,477)	1,033
Effects of:		
Non-deductible expenses	8,576	9,312
Amortisation of negative goodwill	(1,502)	(1,150)
Excess of depreciation over capital allowances	147	(1,344)
Losses not utilised	50,394	-
Prior year adjustment	(9,625)	-
Overseas rate in excess of UK rate	<u>218</u>	<u>9</u>
Current tax (credit)/charge for the year	<u>(5,269)</u>	<u>7,861</u>

8. Dividends

	2004 £	2003 £
Equity-ordinary shares	-	-
Non-equity- 7% cumulative preference share entitlement	<u>32,886</u>	<u>11,660</u>

The dividend entitlement in relation to the 7% cumulative preference shares has been accrued from 26 February 2003, being the date of the issue of the shares.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

9. Intangible assets

Group	Negative goodwill 2004 £	Negative goodwill 2003 £
Cost		
At 4 July 2003 and 30 June 2002	(22,190)	-
Acquired in the year	-	(22,190)
At 30 June 2004 and 4 July 2003	(22,190)	(22,190)
Aggregate amortisation		
At 4 July 2003 and 30 June 2002	6,052	-
Amortisation for the year	8,064	6,052
At 30 June 2004 and 4 July 2003	14,116	6,052
Net book value		
At 30 June 2004 and 4 July 2003	(8,074)	(16,138)

The directors, having given due consideration to the valuation of negative goodwill, as stated in the balance sheet, consider that there has been no impairment to its valuation. The negative goodwill is being amortised over 33 months, on a straight-line basis, being its expected useful life.

10. Tangible fixed assets

Group	Computer and electrical equipment £	Office equipment and furniture £	Total £
Cost			
At 4 July 2003	32,630	21,822	54,452
Additions	23,105	6,283	29,388
Disposals	0	(20,664)	(20,664)
At 30 June 2004	55,735	7,441	63,176
Depreciation			
At 4 July 2003	6,314	10,461	16,775
Charge for the year	13,009	8,336	21,345
Released on Disposal	0	(17,220)	(17,220)
As 30 June 2004	19,323	1,577	20,900
Net book value			
At 30 June 2004	36,412	5,864	42,276
At 4 July 2003	26,316	11,361	37,677

Included in the amounts above are finance leases with a net book value of £14,932.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

Company	Computer and electrical equipment £	Office equipment and furniture £	Total £
Cost			
At 4 July 2003	32,630	1,158	33,788
Additions	<u>23,105</u>	<u>6,283</u>	<u>29,388</u>
At 30 June 2004	<u>55,735</u>	<u>7,441</u>	<u>63,176</u>
Depreciation			
At 4 July 2003	6,314	129	6,443
Charge for the year	<u>13,009</u>	<u>1,448</u>	<u>14,457</u>
As 30 June 2004	<u>19,323</u>	<u>1,577</u>	<u>20,900</u>
Net book value			
At 30 June 2004	<u>36,412</u>	<u>5,864</u>	<u>42,276</u>
At 4 July 2003	<u>26,316</u>	<u>1,029</u>	<u>27,345</u>

11. Fixed asset investments

The Group has no fixed asset investments at 30 June 2004.

Company	2004 £	2003 £
Value of investment in subsidiary undertakings		
At 30 June 2004 and 4 July 2003	<u>600,264</u>	<u>600,261</u>

Details of the Company's subsidiary undertakings are as follows:

Subsidiary	Country of incorporation	Principal activity	Class and percentage of shares held by the Group
Nova Capital Management Limited	United Kingdom	Investment management	Ordinary GBP£543,475 100%
SELECT Industries Management Company Limited ("SIMCO")	Guernsey	Investment management	Ordinary GBP£25,000 100%
Nova Capital Management Services Limited	United Kingdom	Interim executive management placement	Ordinary GBP£1 100%
Nova General Partner Limited	United Kingdom		Ordinary GBP£1 100%
Nova Capital Nominees Limited	United Kingdom		Ordinary GBP£1 100%

All the subsidiary companies have 30 June year ends.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

12. Debtors

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Amounts falling due within one year				
Trade debtors	1,530,371	439	1,029,307	8,316
Amounts owed by group undertakings	-	310,613	-	327,928
Other debtors	217,714	120,293	161,290	155,290
VAT recoverable	17,399	17,399	28,212	28,252
Prepayments and accrued income	<u>101,435</u>	<u>88,911</u>	<u>106,415</u>	<u>76,088</u>
	<u>1,866,919</u>	<u>537,655</u>	<u>1,325,224</u>	<u>595,874</u>

Amounts owed to the Company by group undertakings are unsecured, interest free and have no fixed date for repayment.

13. Creditors: amounts falling due within one year

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Trade creditors	232,692	164,902	200,773	82,476
Amounts owed to group undertakings	-	59,818	-	19,799
Amounts due under lease and hire purchase contracts	5,120	5,120	9,366	-
Corporation tax	2,178	-	7,861	-
Other creditors	74,913	62,163	121,703	35,499
Deferred consideration	86,113	86,113	152,754	152,754
Accruals and deferred income	77,860	46,609	138,420	65,817
Shareholder loans	650,000	650,000	-	-
Preference dividend	<u>44,546</u>	<u>44,546</u>	<u>11,660</u>	<u>11,660</u>
	<u>1,173,422</u>	<u>1,119,271</u>	<u>642,537</u>	<u>368,005</u>

Amounts owed by the Company to group undertakings are unsecured, interest free and have no fixed date for repayment.

Deferred consideration is payable to one former shareholder of Nova Capital Management Limited. Management believe that this consideration will ultimately be paid.

Caledonia Investments plc has provided a loan facility of up to £1,300,000 of which £500,000 was drawn down as at 30 June 2004. The loan is drawn down in units of £100,000 with associated warrants in the shares of the Company. Each £100,000 drawdown is subject to repayment within 12 months and bears interest at the rate of LIBOR +2% per annum.

Messrs Kelly and Williamson have each provided the Company with loans of £75,000 which bear interest at the rate of LIBOR +4% per annum and are unsecured. Repayment can only be made when the loan provided by Caledonia Investments plc has been repaid in full. See also note 19.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

14. Creditors: amounts falling due after more than one year

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Amounts due under lease and hire purchase contracts	10,239	10,239	-	-
Corporation tax	2,178	-	-	-
Shareholder loans	-	-	300,000	300,000
	<u>12,417</u>	<u>10,239</u>	<u>300,000</u>	<u>300,000</u>

Johnson Brothers and Company Limited, a company controlled by Lord Hodgson and which is a holder of preference shares in the Company, had outstanding at 4 July, 2003 a loan of £150,000. This was subject to interest at 8% per annum together with a premium on redemption (treated as an interest expense in these accounts) which increased with each month that the principal remained outstanding. The loan was repaid on 27 August 2003. See also note 19.

15. Provisions for liabilities and charges

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Deferred tax provision	-	-	419	-

The deferred tax creditor balance represents a timing difference in relation to accelerated capital allowances.

16. Obligations under finance leases and hire purchase contracts

Future minimum payments under finance leases and hire purchase contracts for the Group are as follows:

Group	2004 £	2003 £
Within one year	<u>5,120</u>	<u>10,027</u>

The Company has no obligations under finance leases and hire purchase contracts at 30 June 2004.

17. Obligations under operating leases

Annual commitments under non-cancellable operating leases for the Group and Company are as follows:

Company and Group	2004 £	2003 £
Leases expiring:		
- within one year	84,378	-
- within two to five years	-	217,500
	<u>84,378</u>	<u>217,500</u>

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

18. Called up share capital

	2004 Number	2004 £	2003 Number	2003 £
Authorised ordinary shares of £1 each	233,297	233,297	233,297	233,297
Authorised cumulative 7% preference shares of £1 each	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>
	<u>708,297</u>	<u>708,297</u>	<u>708,297</u>	<u>708,297</u>

Allotted, issued, and fully paid

212,088 ordinary shares of £1 each	<u>212,088</u>	<u>212,088</u>	<u>212,088</u>	<u>212,088</u>
475,000 7% cumulative preference shares of £1 each	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>

The preference share dividend is paid semi-annually on 31 March and 30 September, at the higher rate of LIBOR +3% or 7%, with interest accruing at 4% on unpaid dividends. A full accrual for the cumulative preference share dividends outstanding to date of £44,546 (2003 - £11,660) has been included in creditors. These cumulative dividends on the non-equity shares have been excluded from the analysis of shareholders funds.

19. Related party transactions

The Group has taken advantage of the exemption under the provision of FRS 8 "Related party disclosures" from disclosing transactions or balances between Group entities that have been eliminated on consolidation. The following table summarises material transactions with parties which may be regarded as related under FRS 8.

	Interest expense during the year	Creditor as at 30 June 2003	Creditor as at 30 June 2004
	£	£	£
Group Companies			
Loan from Caledonia Investments plc. Interest is charged at LIBOR + 2%	6,699	-	500,000

This loan represents amounts drawn down from a facility of up to £1,300,000. The ability to draw down from this facility ceased as at 31 December 2004. As at that date a total of £700,000 had been drawn down from the facility. Caledonia Investments plc has warrants entitling it to subscribe for ordinary shares in Nova Capital Group Ltd up to a maximum of 65,000 shares. As at 30 June 2004 Caledonia Investments plc was entitled to warrants for 15,000 shares.

Directors' loans held at year end

Loan from Johnson Brothers and Company Limited, a company controlled by Lord Hodgson. Interest is charged at 8% and has an accumulating premium on redemption.	80	150,000	-
Loan from D Williamson. Interest charged at LIBOR + 4%	5,964	75,000	75,000
Loan from M Kelly. Interest charged at LIBOR + 4%	5,964	75,000	75,000

As at 4 July 2003 the Group had a Johnson Brothers and Company Ltd loan of £150,000. This loan was repaid during the year. An interest expense of £80 was incurred up to the date of repayment.

Notes to the financial statements for the year ended 30 June 2004

During the year £20,000 was paid to Johnson Brothers for the services of Lord Hodgson as a director; a further £21,031 was paid for his services as a consultant. A director's fee of £15,000 was accrued, but unpaid, for the services of Mr W. Wyatt an employee of Caledonia Investments plc.

20. Profit and loss account

	For the year ended 30 June 2004	For the period ended 4 July 2003
	£	£
Group		
At 4 July 2003 and 30 June 2002	(14,505)	-
Retained loss for the financial year	<u>(308,653)</u>	<u>(14,505)</u>
At 30 June 2004 and 4 July 2003	<u>(323,158)</u>	<u>(14,505)</u>

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The retained loss for the Company is £596,351 (2003 £359,552).

21. Movement in shareholders' funds

	For the year ended 30 June 2004	For the period ended 4 July 2003
	£	£
(Loss) for the year	(308,653)	(14,505)
Issue of share capital	-	<u>1,055,494</u>
Net (reduction)/increase in shareholders' funds	<u>(308,653)</u>	<u>1,040,989</u>
Opening shareholders' funds	<u>1,040,989</u>	-
Closing shareholders' funds	<u>732,336</u>	<u>1,040,989</u>

22. Acquisitions and disposals

There were no acquisitions or disposals during the year.

23. Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	2004 £	2003 £
Operating (loss)/profit	(267,067)	82,158
Depreciation charge	21,345	11,609
Negative goodwill amortisation	(8,064)	(6,052)
Loss on disposal of fixed assets	3,444	-
Loss on disposal of investment by subsidiary	-	4,081
Increase in debtors	(541,695)	(212,696)
(Decrease) in creditors	<u>(132,659)</u>	<u>(51,677)</u>
Net cash outflow from operating activities	<u>(924,696)</u>	<u>(172,577)</u>

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2004

24. Reconciliation of net cash flow to movement in net debt

	As at 4 July 2003	Cash Flow	Non-Cash Items	As at 30 June 2004
	£	£	£	£
Cash in hand and at bank	637,182	(620,128)	0	17,054
Debt due after 1 year	(300,000)	150,000	150,000	0
Debt due within 1 year	0	(500,000)	(150,000)	(650,000)
Finance leases due after 1 year	0	(5,993)	(4,246)	(10,239)
Finance leases due within 1 year	<u>(9,366)</u>	<u>0</u>	<u>4,246</u>	<u>(5,120)</u>
	<u>327,816</u>	<u>(976,121)</u>	<u>0</u>	<u>(648,305)</u>

25. Analysis of net cash

	At 4 July 2003	Cash flow	At 30 June 2004
	£	£	£
Cash at bank and in hand	<u>637,182</u>	<u>(620,128)</u>	<u>17,054</u>