Registered Number: 04455321

Nova Capital Group Limited

Financial report for the year ended

30 June 2005



Nova Capital Group Limited

Financial Report for the year ended 30 June 2005

Contents

	Pages
Directors' report for the year ended 30 June 2005	1
Independent Auditors' report to the members of Nova Capital Group Limited	3
Consolidated profit and loss account for the year ended 30 June 2005	4
Statement of total recognised gains and losses	5
Balance sheets as at 30 June 2005	6
Consolidated cash flow statement for the year ended 30 June 2005	7
Notes to the financial statements for the year ended 30 June 2005	8

Nova Capital Group Limited

Directors' report for the year ended 30 June 2005

The directors present their report and the audited financial statements for the year ended 30 June 2005.

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

This was the company's third year of operation and one that showed significant further progress for the business. Three new portfolio management contracts were won during the year. Atlantic Medical Capital LP, a US based healthcare portfolio, was acquired in August 2004 with backing from our shareholder, Caledonia Investments. We then acquired from WestLB, a portfolio of later stage venture investments in the UK and Germany, NovaVest Fund I LP, backed by HarbourVest. Towards the end of the financial year, in June 2005, we completed our largest acquisition to date, a portfolio of seven mid-market buy-out investments from Botts Capital Partners, through a new Luxembourg-based fund, Nova Paul Investments Capital SCA. This acquisition was funded by a group of major institutions led by Paul Capital, and supported by SVG and LCF Rothschild.

At the end of the financial year we had a number of attractive opportunities in the new business pipeline, one of which has since been completed.

Our team has been expanded to manage all this new business. We now have a total of 15 investment professionals based in London and Connecticut, USA.

The positive financial impact of these new contracts was not fully reflected in the last financial year. However, following three years of start-up and development investment in the business by our shareholders, the Group should move into consistent profitability in the current financial year.

With our market niche continuing to grow, and our reputation building, the Directors have great confidence in the potential of the Group to consolidate on the successful new business acquired last year and to generate enhanced returns for our clients.

Results and dividends

The consolidated loss for the year after taxation is £523,422 (2004: loss £308,653). The directors do not recommend the payment of an ordinary dividend. £523,422 has been transferred from the reserves (2004: £308,653).

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

Nova Capital Group Limited

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

Ordinary shares of £1.00 each	2005 Number	2004 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

Preference shares of £1.00 each	2005 Number	2004 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.

Although the Company has negative net assets, the Directors believe it is appropriate to prepare the accounts under a going concern basis as the Company's subsidiaries have sufficient distributable reserves to be called upon if required.

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 2005 and that applicable UK 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 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

D S Williamson
Director
5 December 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 statement of total recognised gains and losses, 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 2005 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
5 December 2005

Nova Capital Group Limited

Consolidated profit and loss account for the year ended 30 June 2005

	Notes	**Year ended 30 June 2005** £	Restated Year ended 30 June 2004 £
Turnover	1	**2,311,520**	1,413,946
Administrative expenses		**(2,741,266)**	(1,689,077)
Release of negative goodwill	9	**8,064**	8,064
Operating (loss)	2	**(421,682)**	(267,067)
Interest receivable and similar income	5	**5,287**	6,573
Interest payable and similar charges	6	**(62,809)**	(19,837)
(Loss) on ordinary activities before taxation		**(479,204)**	(280,331)
Taxation	7	**(1,996)**	5,688
Loss for the financial year		**(481,200)**	(274,643)
Dividends – including non-equity	8	**(42,222)**	(34,010)
Loss for the financial year		**(523,422)**	(308,653)

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 8 to 18 form part of these financial statements.

Nova Capital Group Limited

Statement of total recognised gains and losses for the year ended 30 June 2005

	Notes	**Year ended 30 June 2005**	Year ended 30 June 2004
		£	£
Loss for the financial year		**(523,422)**	(308,653)
Preference Dividends credited to reserves		**42,222**	34,010
Total gains and losses recognised for the year		**(481,200)**	(274,643)
Prior year adjustment (see note 1(c)).	19	**45,670**	
Total losses recognised since last annual report		**(435,530)**	

Nova Capital Group Limited

Balance sheets as at 30 June 2005

	Notes	2005 Group	2005 Company	Restated 2004 Group	2004 Company
		£	£	£	£
Fixed assets					
Intangible assets – negative goodwill	9	**(10)**	**-**	(8,074)	-
Tangible assets	10	**53,747**	**53,747**	42,276	42,276
Investments	11	**57,729**	**40,905**	-	-
Investment in subsidiaries	11	**-**	**600,265**	-	600,264
		111,466	**694,917**	34,202	642,540
Current assets					
Debtors: amounts due within one year	12	**1,878,925**	**511,462**	1,866,919	537,655
Cash at bank and in hand		**21,532**	**5,842**	17,054	8,906
		1,900,457	**517,304**	1,883,973	546,561
Creditors: amounts falling due within one year	13	**(1,709,018)**	**(2,173,479)**	(1,127,752)	(1,073,601)
Net current assets/(liabilities)		**191,439**	**(1,656,175)**	756,221	(527,040)
Total assets less current liabilities		**302,905**	**(961,258)**	790,423	115,500
Creditors: amounts falling due after more than *one year*	14	**(6,099)**	**(5,101)**	(12,417)	(10,239)
Net assets		**296,806**	**(966,359)**	778,006	105,261
Capital and reserves					
Called up share capital	17	**687,088**	**687,088**	687,088	687,088
Share premium	17	***368,406***	***368,406***	*368,406*	*368,406*
Profit and loss account	19	**(758,688)**	**(2,021,853)**	(277,488)	(950,233)
Shareholders' funds	20	**296,806**	**(966,359)**	778,006	105,261
Analysed as:					
Equity		**(266,086)**	**(1,529,251)**	257,336	(415,409)
Non-equity		**562,892**	**562,892**	520,670	520,670
Shareholders' funds		**296,806**	**(966,359)**	778,006	105,261

The financial statements on pages 4 to 18 were approved by the board of directors on 5 December 2005 and were signed on its behalf by:

David Williamson
Director

The notes on pages 8 to 18 form part of these financial statements.

Nova Capital Group Limited

Consolidated cash flow statement for the year ended 30 June 2005

	Notes	**2005** £	2004 £
Net cash outflow from operating activities	22	**(35,600)**	(924,696)
Returns on investments and servicing of finance			
Interest paid and similar charges		**(61,663)**	(20,300)
Interest received and similar income		**5,287**	6,573
Finance charges on finance leases		**(1,146)**	(661)
Net cash outflow from returns on investments and servicing of finance		**(57,522)**	(14,388)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(39,541)**	(29,388)
Purchase of investments		**(57,729)**	-
Net cash outflow from capital expenditure and financial investment		**(97,270)**	(29,388)
Corporation tax		-	(7,649)
Net cash outflow before financing		**(190,392)**	(976,121)
Financing			
Increase in borrowings		**200,000**	500,000
Repaid Johnson Brothers Ltd loan 27 August 2003		-	(150,000)
Capital element of finance lease payments		**(5,130)**	5,993
Net cash inflow from financing		**194,870**	355,993
Increase/(Decrease) in net cash	24	**4,478**	(620,128)

The notes on pages 8 to 18 form part of these financial statements.

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2005

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. Although the company has negative net assets, the Directors believe it is appropriate to prepare the accounts under a going concern basis as the company's subsidiaries have sufficient distributable reserves to be called upon if required. 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) Restatement
In accordance with FRS 4 the cumulated preference share dividends have been credited to reserves rather than shown as a creditor. In addition, the interest on unpaid dividends has been debited to dividends, rather than interest, as previously stated. Shareholders' funds have been restated.

The impact of these changes is to increase the Profit and Loss reserve and net assets by £45,670 in 2004. There is no Profit and Loss impact. See note 17 for further details of the preference shares.

(d) 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.

(e) 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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Investments

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

(k) 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):

	2005	2004
	£	£
Depreciation of tangible fixed assets		
Owned assets	**22,950**	14,031
Leased assets	**5,120**	7,314
Operating lease charges	**105,714**	83,002
Amortisation of negative goodwill	**(8,064)**	(8,064)
Audit services		
Group	**30,400**	16,728
Company	**11,900**	10,443
Non audit services	**2,600**	12,000

3. Employee information

	2005	2004
	£	£
Employee costs during the year amounted to:		
Wages and salaries	**1,113,666**	580,999
Social security costs	**140,726**	70,722
	1,254,392	651,721

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

	2005	2004
Investment advisory	**8**	6
Administration	**3**	3
Total	**11**	9

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2005

4. Directors' emoluments

	2005 £	2004 £
Aggregate emoluments	**410,000**	394,203

	2005 £	2004 £
Highest paid director		
Aggregate emoluments	**150,000**	149,629

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

	2005 £	2004 £
Interest receivable from other banks	**3,008**	4,615
Other income	**2,279**	1,958
	5,287	6,573

6. Interest payable and similar charges

	2005 £	Restated 2004 £
Interest payable on shareholder loans	**61,651**	18,707
Other interest	**1,158**	1,130
	62,809	19,837

7. Taxation

	2005 £	2004 £
Current tax:		
UK Corporation tax provision	-	-
Prior year adjustment	-	(9,625)
Foreign tax:		
Overseas tax payable	**1,996**	4,356
	1,996	(5,269)
Deferred tax:		
Origination of timing differences	-	(419)
Total tax / (credit) on profit on ordinary activities	**1,996**	(5,688)

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:

	2005 £	Restated 2004 £
Loss on ordinary activities before tax	**(479,204)**	(280,331)
Loss on ordinary activities multiplied by standard rates in the UK of 19%	**(91,049)**	(53,263)
Effects of:		
Non-deductible expenses	**9,250**	8,576
Amortisation of negative goodwill	**(1,502)**	(1,502)
Excess of depreciation over capital allowances	**2,814**	147
Losses not utilised	**82,383**	50,180
Prior year adjustment	-	(9,625)
Overseas rate in excess of UK rate	**100**	218
Current tax charge / (credit) for the year	**1,996**	(5,269)

8. Dividends

	2005 £	Restated 2004 £
Non-equity – cumulative preference share entitlement	**36,986**	32,886
Interest on non-payment of preference shares	**5,236**	1,124
	42,222	34,010

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 2005

9. Intangible assets

Group Cost	Negative *goodwill* 2005 £	Negative *goodwill* 2004 £
At 30 June 2004 and 4 July 2003	**(22,190)**	(22,190)
At 30 June 2005 and 30 June 2004	**(22,190)**	(22,190)
Aggregate amortisation		
At 30 June 2004 and 4 July 2003	**14,116**	6,052
Amortisation for the year	**8,064**	8,064
At 30 June 2005 and 30 June 2004	**22,180**	14,116
Net book value		
At 30 June 2005 and 30 June 2004	**(10)**	(8,074)

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 30 June 2004	55,735	7,441	63,176
Additions	28,964	10.577	39,541
At 30 June 2005	**84,699**	**18,018**	**102,717**
Depreciation			
At 30 June 2004	19,323	1,577	20,900
Charge for the year	24,121	3,949	28,070
As 30 June 2005	**43,444**	**5,526**	**48,970**
Net book value			
At 30 June 2005	**41,255**	**12,492**	**53,747**
At 30 June 2004	36,412	5,864	42,276

Included in the amounts above are finance leases with a net book value of £9,812 (2004: 14,932).

10. Tangible fixed assets (continued)

	Computer and electrical equipment £	Office equipment and furniture £	Total £
Company			
Cost			
At 30 June 2004	55,735	7,441	63,176
Additions	28,964	10,577	39,541
At 30 June 2005	**84,699**	**18,018**	**102,717**
Depreciation			
At 30 June 2004	19,323	1,577	20,900
Charge for the year	24,121	3,949	28,070
As 30 June 2005	**43,444**	**5,526**	**48,970**
Net book value			
At 30 June 2005	**41,255**	**12,492**	**53,747**
At 30 June 2004	36,412	5,864	42,276

11. Fixed asset investments

	2005 £	2004 £
Company		
Value of investment in subsidiary undertakings		
At 30 June 2005 and 30 June 2004	**600,265**	600,264
Value of investment in other undertakings		
At 30 June 2005 and 30 June 2004	**40,905**	-

	2005 £	2004 £
Group		
Value of investment in other undertakings		
At 30 June 2005 and 30 June 2004	**57,729**	-

The investment in other undertakings represents an investment in Novavest Fund 1 LP by the company.

11. Fixed asset investments (continued)

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	England & Wales	Investment management	Ordinary £543,475 100%
SELECT Industries Management Company Limited ("SIMCO")	Guernsey	Investment management	Ordinary £25,000 100%
Nova Capital Management Services Limited	England & Wales	Interim executive management	Ordinary £1 100%
Nova General Partner Limited	England & Wales	General Partner	Ordinary £1 100%
Nova Capital Nominees Limited	England & Wales	Nominee	Ordinary £1 100%
Nova Capital Management USA LLC	U.S.A.	Investment management	Ordinary £1 100%
Nova (GP) Scotland Ltd	Scotland	General Partner	Ordinary £1 100%

All the subsidiary companies have 30 June year ends.

12. Debtors : amounts falling due within one year

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Trade debtors	**1,577,015**	-	1,530,371	439
Amounts owed by group undertakings	**-**	**334,364**	-	310,613
Other debtors	**157,350**	**94,194**	217,714	120,293
VAT recoverable	**23,535**	**23,535**	17,399	17,399
Prepayments and accrued income	**121,025**	**59,369**	101,435	88,911
	1,878,925	**511,462**	1,866,919	537,655

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 2005 £	Company 2005 £	Restated Group 2004 £	Company 2004 £
Trade creditors	**190,084**	**167,598**	232,692	164,902
Amounts owed to group undertakings	**-**	**926,346**	-	59,818
Amounts due under lease and hire purchase contracts	**5,128**	**5,128**	5,120	5,120
Corporation tax	**5,354**	**-**	2,178	-
Other creditors	**306,799**	**114,190**	74,913	62,163
Deferred consideration	**53,363**	**53,363**	86,113	86,113
Accruals and deferred income	**298,290**	**56,854**	76,736	45,485
Shareholder loans	**850,000**	**850,000**	650,000	650,000
	1,709,018	**2,173,479**	1,127,752	1,073,601

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. During the year £32,750 was paid to the former shareholder and additional payments will be made during the coming year.

Caledonia Investments plc has provided a loan facility of which £700,000 was drawn down as at 30 June 2005. 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. The loan facility is secured by a fixed and floating charge on the assets of the Company. The Company and Caledonia Investments plc entered into an agreement on 11 November 2005 whereby repayment of £500,000 of the loan was deferred until certain events generating cash receipts for the Company had taken place. The remaining £200,000 of the loan was repaid prior to 11 November 2005.

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.

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

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Amounts due under lease and hire purchase contracts	**5,101**	**5,101**	10,39	10,239
Corporation tax	**998**	**-**	2,178	-
	6,099	**5,101**	12,417	10,239

15. Obligations under finance leases and hire purchase contracts

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

	2005 £	2004 £
Group		
Within one year	**5,128**	5,120
Within 2-5 years	**5,101**	10,239
	10,229	15,359

16. Obligations under operating leases

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

	2005 £	2004 £
Company and Group		
Leases expiring:		
- within one year	**-**	84,378
- within two to five years	**195,000**	-
	195,000	84,378

17. Called up share capital

	2005 Number	**2005 £**	2004 Number	2004 £
Authorised ordinary shares of £1 each	**233,297**	**233,297**	233,297	233,297
Authorised cumulative 7% preference shares of £1 each	**475,000**	**475,000**	475,000	475,000
	708,297	**708,297**	708,297	708,297
Allotted, issued, and fully paid				
212,088 ordinary shares of £1 each	**212,088**	**212,088**	212,088	212,088
475,000 7% cumulative preference shares of £1 each	**475,000**	**475,000**	475,000	475,000
	687,088	**687,088**	687,088	687,088

The preference share dividend is due for payment semi-annually on 31 March and 30 September, at the higher rate of LIBOR +3% or 7%, with interest accruing at 11% on unpaid dividends. A full accrual for the cumulative preference share dividends and interest outstanding to date of £87,892 (2004 - £45,670) has been credited to reserves. These cumulative dividends on the non-equity shares have been included in the analysis of shareholders' funds. The holders of the preference shares are entitled to have the shares redeemed at any time after 26 February 2007. The company is entitled to redeem the preference shares at any time.

18. 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 2004 £	Creditor as at 30 June 2005 £
Group Companies			
Loan from Caledonia Investments plc. Interest is charged at LIBOR + 2% 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 2005 Caledonia Investments plc was entitled to warrants for 47,500 shares.	49,249	500,000	700,000
Directors' loans held at year end			
Loan from D Williamson. Interest charged at LIBOR + 4%	6,201	75,000	75,000
Loan from M Kelly. Interest charged at LIBOR + 4%	6,201	75,000	75,000

During the year £20,000 was paid to Johnson Brothers for the services of Lord Hodgson as a director; a further £20,743 was paid for his services as a consultant. A director's fee of £15,000 was paid to Calendonia Investments plc for the services of Mr W. Wyatt.

19. Profit and loss reserve

	For the year ended 30 June 2005 £	Restated For the year ended 30 June 2004 £
Group		
As previously reported	**(323,158)**	(14,505)
Prior year adjustment (see note 1 (c))	**45,670**	11,660
As restated	**(277,488)**	(2,845)
Retained loss for the financial year	**(523,422)**	(308,653)
Preference share dividend	**42,222**	34,010
At 30 June 2005 and 30 June 2004	**(758,688)**	(277,488)

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 loss for the year is £1,071,620 (2004: £590,681).

Nova Capital Group Limited

Notes to the financial statements for the year ended 30 June 2005

20. Movement in shareholders' funds

	For the year ended 30 June 2005	Restated For the year ended 30 June 2004
	£	£
Loss for the financial year	(481,200)	(274,643)
Dividends	(42,222)	(34,010)
	(523,422)	(308,653)
Preference dividend credited to reserves	42,222	34,010
Net change in shareholders' funds	**(481,200)**	**(274,643)**
Shareholders' funds as at 1 July 2004 (originally £732,336 before adding prior year adjustment of £45,670)	778,006	1,052,649
Shareholders' funds as at 30 June	**296,806**	**778,006**

21. Acquisitions and disposals

The Group purchased Nova (GP) Scotland Ltd during the year for a total consideration of £1.

22. Reconciliation of operating loss to net cash outflow from operating activities

	2005	2004
	£	£
Operating loss	**(421,682)**	(267,067)
Depreciation charge	**28,070**	21,345
Negative goodwill amortisation	**(8,064)**	(8,064)
Loss on disposal of fixed assets	**-**	3,444
Increase in debtors	**(12,006)**	(541,695)
Increase/(Decrease) in creditors	**378,082**	(132,659)
Net cash outflow from operating activities	**(35,600)**	(924,696)

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

	As at 30 June 2004	Cash Flow	Non-Cash Items	**As at 30 June 2005**
	£	£	£	**£**
Cash in hand and at bank	17,054	4,478	-	**21,532**
Debt due within 1 year	(650,000)	(200,000)	-	**(850,000)**
Finance leases due after 1 year	(10,239)	-	5,138	**(5,101)**
Finance leases due within 1 year	(5,120)	5,130	(5,138)	**(5,128)**
	(648,305)	(190,392)	-	**(838,697)**

24. Analysis of net cash

	At 4 July 2004	**Cash flow**	**At 30 June 2005**
	£	£	£
Cash at bank and in hand	**17,054**	**4,478**	**21,532**