

# Bamboo

INVESTMENTS PLC

‘..... a look to the future’

# Bamboo Investments PLC

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# Bamboo Investments PLC

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## Directors and Administration

<b>Directors</b>	M C Stoddart (Chairman) I M Laing S M D Oliver G Ross Russell J R B Stoddart
<b>Secretary</b>	C Kinnear
<b>Registered office</b>	10 Crown Place London EC2A 4FT
<b>Company number</b>	733533
<b>Investment managers</b>	Close Venture Management Ltd 4 Crown Place London EC2A 4BT
<b>Independent auditors</b>	Deloitte & Touche LLP London
<b>Legal advisers</b>	Macfarlanes 10 Norwich Street London EC4A 1BD
<b>Taxation advisers</b>	Ernst & Young London
<b>Registrars</b>	Computershare Investor Services PLC PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1X2

## Investment Approach

Bamboo Investments PLC (“the Company”) and its subsidiary (together “the Group or “Bamboo”) provides early stage venture capital of less than £1 million for small, high growth companies. Typically these companies will have developed their technology or proven the concept and have started to generate revenues but require further investment and working capital to grow the business. The majority of Bamboo’s investments are in the technology sector but Bamboo has invested in other sectors which can demonstrate similar high growth characteristics.

The Directors intend that any free cash be used to support and develop Bamboo’s existing unquoted investments and to meet the costs of managing Bamboo. The Directors believe that it is important that the most successful companies in Bamboo’s portfolio are given time to mature and, where justified, additional investment. Any surplus cash thereafter will be returned to shareholders.

## Financial Highlights

	<b>31 December 2004</b>	<b>31 December 2003</b>
Net asset value per share – Directors’ valuation	104.5p	100.6p

## Financial Calendar

Annual General Meeting	<b>15 March 2005</b>
Announcement of interim results for the six months ended 30 June 2005	<b>September 2005</b>

## Chairman's Statement

### Introduction

Bamboo has made good progress in 2004 with a further increase in net asset value. We have sold our investment in Active Hotels for a substantial profit and realised part of our holding in Careforce. These two investments realised £5.18 million in cash for the Group and the remaining portfolio is showing good progress. We hope to continue to achieve further realisations in the course of 2005.

### Investment activity

During 2004, we have invested £837,520 in three new investments and £308,362 in six follow-on investments. In March, we invested £475,000 into Grosvenor Healthcare, a business providing healthcare outsourcing services to large corporates. This business has performed well since our investment and we have increased our valuation to £754,000. In April we invested £300,000 in Bango, a company that enables content to be provided to mobile users and in September we invested £62,500 in Sparesfinder, an existing Close Venture Management Limited investment which sells optimisation software for high value spares inventory. Both of these investments are relatively early stage but showing good progress.

During the year, follow-on investments into existing Bamboo portfolio companies have been made in Automotive Technik (£77,000), Cassium Technologies (£125,000), Careforce (£60,000), APR Smartlogik (£27,102), Active Hotels (£13,359) and Itim (£5,901).

### Net asset value

Since the beginning of the year, the net asset valuation has increased from 100.6p to 104.5p, an increase of 3.9% over the period. In addition to the realisation of Active Hotels, there has been an increase in valuation for Grosvenor Healthcare, Cassium Technologies, Automotive Technik, Dr Foster and Careforce over the period. This uplift in valuation has been offset by a reduction in value for Casewise Systems, APR Smartlogik, Itim, ET&T and TM Property Services. The net asset value has been reduced by the additional costs of £282,063 incurred relating to the reorganisation of Bamboo to mitigate potential capital gains tax on the sale of current and future investments and a provision for the management incentive fee of £349,500. A contingent liability relating to the management incentive fee of £692,000 at 31 December 2003 was shown as a note to the accounts and not recorded as a liability in the balance sheet. The change in policy is felt justified by the substantial profits realised during 2004. We have also revised the basis on which we report the numbers in the accounts from cost less provision to the more standard directors' valuation made in accordance with BVCA guidelines. Comparative figures have been restated for the previous period ending 31 December 2003.

### Results

Bamboo made a net loss of £169,198 for the twelve month period and total recognised gains in the year of £388,288. As detailed above, the loss for the period reflects £282,063 in respect of one-off costs relating to professional fees incurred in seeking to optimise Bamboo's tax position and a provision of £349,500 for the management incentive fee.

### Outlook

We are encouraged by the progress of the portfolio over the last year and believe that the overall prospects for the business are improving. We will be actively targeting further realisations over the next twelve months.

During the year, the Company established a new wholly owned subsidiary, Bamboo Investments (No. 2) Limited ("Bamboo No 2"). The Company's shareholding in Active Hotels together with several portfolio investments were transferred to this new company limited by guarantee, thereby crystallising previously unrealised capital losses which will then be available to be offset against the profit realised on the sale of Active Hotels. The Board is proposing to move the Company's business and investment portfolio to the Isle of Man and details of these plans are included in a circular to shareholders which accompanies this report and accounts.

In February 2003, the Board sent a circular to shareholders stating that Bamboo would continue to make new investments for 18-24 months. The Board now believe that it is time to concentrate on building up and supporting the existing investments and ultimately realising our investment in the existing portfolio companies. Consequently, Bamboo will not be making any investments into new companies and will seek, over time, to realise the existing portfolio and return surplus cash to shareholders. The details and timing of the next return of cash will be sent to shareholders later in 2005.

## The Board of Directors

### Non-Executive Directors

#### **Michael Stoddart (Chairman) – age 72**

Michael Stoddart is the former chairman of Electra Investment Trust, one of the UK's leading providers of private equity; he held this position from 1986, having been appointed chief executive in 1974, to his retirement in April 2000. He is former chairman of the Foundation of Entrepreneurial Management at the London Business School, a director of Merlin Ventures, chairman of Elderstreet Millennium VCT and holds a number of non-executive directorships of public and private companies in the UK. He is a senior adviser to Fleming Family and Partners.

#### **Ian Laing – age 58**

Ian Laing is chairman of Milton Park, which he founded in 1984. He has also been a founding shareholder and a non-executive director of a series of high tech start-up businesses including Oxford Asymmetry, Oxford Semiconductor and Doctors.net.uk. He is a non-executive director of Sussex Place Ventures and a Governor of the London Business School, of which he is also a graduate.

#### **Simon Oliver – age 64**

Simon Oliver founded his own foods business in 1976, which he grew into a £135 million turnover company before selling out his majority interest in 1995. In 1992 he chaired the MBO of the Cheese Company, which was successfully sold within three years. He is now chairman of Pi Capital, chairman of Dairy Crest and a non-executive director of several companies. Simon Oliver is an active investor in small businesses. Simon Oliver is the Chairman of Bamboo Investments Remuneration Committee.

#### **Graham Ross Russell – age 72**

Graham Ross Russell has had a distinguished career in the City with a special interest in the growth of small companies. He was a partner in stockbrokers Laurence Prust for many years, was deputy chairman of the London Stock Exchange and chairman of the Securities Institute and was a director of the Securities and Investments Board. He is currently chairman of the Foresight 3 VCT, F&C Capital and Income Investment Trust, a director of UK Select Investment Trust and a Trustee of NESTA. Graham Ross Russell is also chairman of the Enterprise Panel of UKBI which is actively involved in promoting the application of business incubation principles in the UK. He is a graduate of Cambridge University and the Harvard Business School. Graham Ross Russell is chairman of the audit committee.

#### **James Stoddart – age 39**

James Stoddart is currently a director of Stonesfield Capital Limited, a company regulated by the FSA, which is a venture capital fund manager that advises Close Venture Management Limited and one other limited partnership fund. Prior to this he was founder and chief executive officer of Bamboo Investments plc. Previously he spent six years at Postern Executive Group, a leading a firm of “company doctors” in the UK, where he worked on numerous turnaround assignments and was instrumental in establishing the Postern Fund to invest in turnaround situations. James Stoddart previously worked in corporate strategy for Hutchison Whampoa in Hong Kong and in corporate finance for Oppenheimer in New York. He has a degree in finance and international business from Boston University.

## The Manager

The manager of Bamboo's portfolio of investments, Close Venture Management Limited, ("CVM") is a company authorised and regulated by the FSA, and a member of the Close Brothers Group. It is one of the market leaders in the area of Venture Capital Trust fund-raising and investment and in addition to other venture capital funds manages five venture capital trusts, Close Brothers Venture Capital Trust PLC, Close Brothers Protected VCT PLC, Close Brothers Development VCT PLC, Close Technology & General VCT PLC and Close Income & Growth VCT PLC which have so far raised a total of £135 million from private investors. Close Brothers was voted Best VCT Provider at the 2005 Professional Adviser Awards..

CVM are responsible for, *inter alia*, the following functions:

- the origination, negotiation and execution of investments , all of which are subject to the formal investment committee procedures adopted internally by the Manager and final approval by the Board;
- the continuing management and monitoring of the Group's investment portfolio;
- arranging for the realisation of investments, when appropriate to do so; and
- the provision of accounting and administration services to the Group.

The following people are specifically responsible for the management and administration of the VCTs managed by CVM and the Company's investment portfolio:

**Patrick Reeve, (44), MA, ACA**, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co. where he spent three years in the corporate finance department. He joined the Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Venture Management with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

**Henry Stanford, (39), MA, ACA**, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group in 1992 where he advised smaller quoted and private companies. He became an assistant director in 1996 and transferred to CVM in 1998 to concentrate on venture capital investment.

**Will Fraser-Allen (33), BA (Hons), ACA**, qualified as an chartered accountant with Cooper Lancaster Brewer in 1996 before specialising in corporate finance and investigation. He joined CVM in 2001.

**Emil Gigov, (34), BA (Hons), ACA**, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined CVM in 2000.

**Ed Lascelles, (29), BA (Hons)**, joined the corporate broking department of Charterhouse Securities in 1998, focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined CVM in 2004.

## The Adviser

Stonesfield Capital Limited a company authorised and regulated by the FSA has entered into an advisory agreement with Close Venture Management, to advise CVM on the following activities relating to Bamboo:

- assisting with the monitoring of Bamboo's investment portfolio;
- assisting Close in the preparation of progress reports regarding all portfolio companies;
- assisting with and advising on the making of new investments, both in existing and new portfolio companies; and
- assisting with the sale of investments, including the identification of purchasers and the negotiation of terms.

James Stoddart, previously chief executive officer of Bamboo, owns and manages Stonesfield Capital Limited.

# Bamboo Investments PLC

## Portfolio Review

Ten largest venture capital investments by Directors' valuation	Historic cost	Directors' valuation	% of NAV valuation
	£	£	%
Grosvenor Healthcare	475,000	770,134	8%
Cassium Technologies Limited	625,000	706,553	7%
Automotive Technik (Holdings) Limited	337,000	525,900	5%
Dr Foster Limited	500,032	426,178	4%
Bango.net	300,000	300,000	3%
E Jewson Services to Charities Limited	268,736	268,736	3%
Infrared Integrated Systems Limited	472,062	253,660	2%
TM Property Services Limited	398,352	144,553	1%
Careforce Group Limited	50,399	125,483	1%
European Telecommunications & Technology Limited	107,758	107,758	1%
	3,534,339	3,628,955	35%
Other venture capital investments	3,958,349	208,155	2%
Venture capital portfolio	7,492,688	3,837,110	37%
Redemption premium	–	63,322	1%
<b>Total venture capital portfolio</b>	<b>7,492,688</b>	<b>3,900,432</b>	<b>38%</b>
Cash and other net assets		6,238,163	62%
<b>Total net assets</b>		<b>10,138,595</b>	<b>100%</b>
<b>Net asset value per share (pence)</b>		<b>104.5p</b>	

## Report of the Directors

The Directors submit the Report and Accounts of Bamboo for the year to 31 December 2004.

### Principal activity

The principal activity of Bamboo in the year under review is that of an investment holding company. The Directors intend that this will continue to be Bamboo's principal activity for the foreseeable future.

### Results and dividends

	<b>31 December 2004</b>	<b>31 December 2003 (restated)</b>
	<b>£</b>	<b>£</b>
Retained loss for the year	(169,198)	(626,679)
Unrealised gains in the year	557,486	3,670,436
<b>Total recognised gains and losses for the year</b>	<b>388,288</b>	<b>3,043,757</b>
Total recognised gains and losses per share (pence)	4.00p	22.25p

The Directors do not recommend the payment of a dividend (2003: £Nil).

### Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are contained in note 4 to these financial statements.

Details of the Directors' remuneration can be found in note 4 to the financial statements.

All Directors are members of the Audit Committee, except for J R B Stoddart.

As at the date of this report Bamboo does not have any employees.

## Report of the Directors (*continued*)

### Management Agreement

Bamboo and Close Venture Management Limited entered into a Management agreement on 18 February 2003 (effective from completion of the Tender Offer in May 2003) for an initial fixed term of one year, which may be terminated by either party on 12 months' notice.

Under the terms of the Management Agreement, CVM is paid (quarterly in arrears) an annual fee equal to 2.5 per cent. (plus any applicable VAT) of the net asset value of Bamboo. CVM are also entitled to a secretarial and administration fee of £25,000 (plus any applicable VAT) per annum.

### Management Performance Incentive

In order to reward the Manager for the maximisation of the returns to shareholders, the Manager is, in addition, entitled under the management agreement to an incentive fee, payable following the end of each financial year, in the event that returns to shareholders exceed minimum target levels, being calculated as 20% of the excess of the proceeds returned to shareholders after calculating an 8% per annum annual hurdle rate on the net asset value of Bamboo at 8 May 2003.

Based on the net asset value of Bamboo on 31 December 2004, a provision of £349,500 had been made in the accounts as at 31 December 2004. The fee is only payable to the Manager once there is an excess of funds returned to shareholders over the hurdle. The provision is the Directors best estimate of the amount payable.

### Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

### Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed; and
- prepare the financial statements 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 the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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. The Directors confirm that applicable accounting standards have been followed in the financial statements accompanying this report.

### Supplier Payment Policy

The Group negotiates payment terms with its suppliers on an individual basis, with the normal arrangements being within 15 to 30 days from receipt of invoice. Trade creditor days of the Company for the year ended 31 December 2004 were 0 days (2003: 0 days) based on the ratio of trade creditors at the end of the year to amounts invoiced during the period by trade creditors.

### Tax Status

In the Directors' opinion, the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

**Report of the Directors (*continued*)**

**Annual General Meeting**

The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 4.30 p.m. on Tuesday 15 March 2005. The notice of the Annual General Meeting is at the end of this document. Resolutions will be proposed as special business at the Annual General Meeting for the following purposes:

**Authority to allot shares**

The Directors' general authority to allot "relevant securities" will expire at the end of the forthcoming Annual General Meeting.

Accordingly, Resolution 5, in the Notice of the Meeting will be proposed as an Ordinary Resolution, to authorise the Directors to allot Ordinary Shares in the capital of the Company up to a maximum nominal amount of £161,000, being approximately one third of the nominal value of the Ordinary Shares currently in issue.

The authority (unless previously revoked or renewed) will expire on the earlier of the date 15 months from the date of the passing of the Resolution and the date of the Annual General Meeting of the Company due to be held in 2006.

The Directors will exercise the authority to allot only when satisfied that it is in the interests of the Company to do so. They have no present intention of exercising the authority, except in connection with the issue of shares under the Company's share option schemes.

**Disapplication of pre-emption rights**

Section 89 of the Companies Act 1985 confers on shareholders rights of pre-emption in respect of the allotment of "equity securities" which are or are to be paid up in cash otherwise than by way of allotment to employees under an employees' share scheme. The provisions of Section 89 apply to the authorised but unissued Ordinary Shares of the Company to the extent that they are not disapplied pursuant to Section 95 of the Companies Act 1985.

The existing disapplication of these statutory pre-emption rights will expire at the end of the forthcoming Annual General Meeting. Accordingly, Resolution 6 in the Notice of Meeting will be proposed as a Special Resolution, to give the Directors power to allot shares without statutory pre-emption rights applying, first, in relation to rights issues and, second, in relation to the issue of Ordinary Shares for cash up to a maximum aggregate nominal amount of £24,000 (representing approximately 5 % of the nominal value of the Ordinary Shares currently in issue).

The authority will expire on the earlier of the date 15 months from the date of the passing of the Resolution and the date of the Annual General Meeting of the Company due to be held in 2006.

The Directors consider the passing of Resolutions 5 and 6 to be in the best interests of the Company and shareholders as a whole.

**Re-appointment of Directors**

At the forthcoming Annual General Meeting, as ordinary business and as required by the Articles of Association, Simon Oliver and Graham Ross Russell as Directors will retire by rotation and being eligible offer themselves for re-election.

Signed on behalf of the Board of Directors.

**M C Stoddart**  
**Chairman**

**17 February 2005**

## Statement of Corporate Governance

### Background

As Bamboo Investments PLC is not listed on the London Stock Exchange it is not required to report in accordance with the Combined Code (“the Code”) issued by the Financial Services Authority. However, for the sake of good order the following information concerning corporate governance is provided.

### Application of the principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. Most of Bamboo’s day-to-day responsibilities are delegated to third parties. Thus, not all the provisions of the Code are directly applicable.

### Board of Directors

The Board consists solely of non-executive Directors. Mr Michael Stoddart is the Chairman and Mr Ian Laing the senior independent Director. All Directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly or more frequently as may be necessary. The management agreement between Bamboo and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. These matters include the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. All other matters are reserved for the approval of the Board of Directors.

The Articles of Association require that all Directors are subject to re-election procedures by rotation at the Annual General Meeting. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

### Directors’ remuneration

Since the Company is not Listed and no longer has any executive Directors, the detailed Directors’ Remuneration disclosure requirements set out in Listing Rules 12.43A(a), 12.43A(b) and 12.43A(c) as they relate to Combined Code Provisions B.1 to B.3 are not relevant.

Prior to 14 May 2003 the Remuneration Committee met annually to determine the emoluments of the Executive staff. It comprised of all non-executive Directors other than the Chairman. Simon Oliver was the Chairman. The Remuneration committee considered the levels of remuneration to be paid in light of the responsibilities and duties undertaken by the Directors.

Since the Company is not a Listed Company and has no employees, a detailed Directors’ Remuneration Report is not appropriate.

### Audit Committee

The Audit Committee, of which Graham Ross Russell is Chairman, consists of all Directors, except J R B Stoddart. Written terms of reference have been constituted for the Audit Committee. It meets as required throughout the period. The Committee overviews Bamboo’s accounting policies and financial reporting and provides a forum through which the Group’s external auditors report to the Board. The Audit Committee also undertakes the duties of the Engagement Committee, and therefore also reviews all matters arising under the management agreement.

### Nomination Committee

A Nomination Committee has not been formed as no appointment to the Board warranted its formation.

## Statement of Corporate Governance (*continued*)

### **Internal control**

The Board is responsible for Bamboo's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve Bamboo's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Bamboo's system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. The Manager operates a Control Procedures Manual which has been approved by the Board of Directors and contains key controls and procedures designed to ensure that management meet Bamboo's objectives.

Bamboo does not have an internal audit function but it does have access to the internal audit department of Close Brothers Group which reports on the Manager's activities. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

### **Going concern**

The Directors have a reasonable expectation that Bamboo has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

## **Independent Auditors' Report to the Members of Bamboo Investments PLC**

We have audited the financial statements of Bamboo Investments PLC for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditors**

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Companies Act 1985. 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 with the Company are not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section 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 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 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 circumstances of the Company and the Group, 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 as at 31 December 2004 and the loss for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

17 February 2005

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in the area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

## Bamboo Investments PLC

### Consolidated Profit and Loss Account

	Note	Year Ended 31 December 2004	Year Ended 31 December 2003 <i>(restated)</i>
		£	£
Turnover	1	–	13,015
Investment income	1,2	331,746	277,373
Other income		–	8,673
<b>Total income</b>		<b>331,746</b>	<b>299,061</b>
Administrative expenses	3,4	(978,969)	(595,527)
<b>Operating loss</b>		<b>(647,223)</b>	<b>(296,466)</b>
Realised gains on investments		688,845	16,553
Provisions for impairment of investments		(210,820)	(346,996)
Interest payable and similar charges		–	–
<b>Loss on ordinary activities before taxation</b>		<b>(169,198)</b>	<b>(626,909)</b>
Taxation on ordinary activities	1,5	–	230
<b>Loss on ordinary activities after taxation</b>		<b>(169,198)</b>	<b>(626,679)</b>
Dividends		–	–
<b>Retained loss for the year</b>		<b>(169,198)</b>	<b>(626,679)</b>

### Consolidated Statement of Total Recognised Gains and Losses

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
<b>Loss for the year</b>	<b>(169,198)</b>	<b>(626,679)</b>
Unrealised gains in the year	557,486	3,670,436
<b>Total recognised gains and losses for the year</b>	<b>388,288</b>	<b>3,043,757</b>
Prior year adjustment (note 1)	3,860,402	
<b>Total gains and losses recognised since last Annual Report</b>	<b>4,248,690</b>	
<b>Total recognised gains and losses per share</b> <i>(see note 6)</i>	<b>43.8p</b>	<b>22.3p</b>

# Bamboo Investments PLC

## Consolidated Balance Sheet

	Note	31 December 2004	31 December 2003 (restated)
		£	£
<b>Fixed assets</b>			
Venture capital portfolio	1,8	3,900,432	6,862,346
<b>Total fixed assets</b>		<b>3,900,432</b>	<b>6,862,346</b>
<b>Current assets</b>			
Debtors	10	35,790	27,254
Cash at bank	17,18	6,620,764	3,007,385
		<b>6,656,554</b>	<b>3,034,639</b>
<b>Creditors: due within one year</b>	11	(68,891)	(146,678)
<b>Net current assets</b>		<b>6,587,663</b>	<b>2,887,961</b>
<b>Total assets less current liabilities</b>		<b>10,488,095</b>	<b>9,750,307</b>
<b>Creditors due in more than one year</b>	11	(349,500)	–
<b>Net assets</b>		<b>10,138,595</b>	<b>9,750,307</b>
<b>Capital and reserves</b>			
Called up share capital	12	484,784	484,784
Capital redemption reserve	13	545,231	545,231
Special reserve	13	9,336,140	9,336,140
Profit and loss account	13	(868,231)	(4,446,142)
Revaluation reserve	13	640,671	3,830,294
<b>Total equity shareholders' funds</b>	14	<b>10,138,595</b>	<b>9,750,307</b>

The financial statements on pages 13 to 25 were approved by the Board of Directors on 17 February 2005

Signed on behalf of the Board of Directors.

**M C Stoddart**  
Chairman

# Bamboo Investments PLC

## Company Balance Sheet

	Note	31 December 2004	31 December 2003 <i>(restated)</i>
		£	£
<b>Fixed assets</b>			
Venture capital portfolio	1,8	3,501,116	6,862,346
<b>Total fixed assets</b>		<b>3,501,116</b>	<b>6,862,346</b>
<b>Current assets</b>			
Debtors	10	676,958	27,254
Cash at bank		6,535,378	3,007,385
		<b>7,212,336</b>	<b>3,034,639</b>
<b>Creditors: due within one year</b>	11	(68,892)	(146,678)
<b>Net current assets</b>		<b>7,143,444</b>	<b>2,887,961</b>
<b>Total assets less current liabilities</b>		<b>10,644,560</b>	<b>9,750,307</b>
<b>Creditors due in more than one year</b>	11	(349,500)	–
<b>Net assets</b>		<b>10,295,060</b>	<b>9,750,307</b>
<b>Capital and reserves</b>			
Called up share capital	12	484,784	484,784
Capital redemption reserve	13	545,231	545,231
Special reserve	13	9,336,140	9,336,140
Profit and loss account	13	(711,766)	(4,446,142)
Revaluation reserve	13	640,671	3,830,294
<b>Total equity shareholders' funds</b>		<b>10,295,060</b>	<b>9,750,307</b>

The financial statements on pages 13 to 25 were approved by the Board of Directors on 17 February 2005

Signed on behalf of the Board of Directors.

**M C Stoddart**  
Chairman

# Bamboo Investments PLC

## Consolidated Cash Flow Statement

	Note	Year Ended 31 December 2004	Year Ended 31 December 2003
		£	£
<b>Net cash outflow from operating activities</b>	16	(417,805)	(185,507)
<b>Servicing of finance</b>			
Interest paid		–	–
<b>Taxation</b>			
UK tax repaid	5	–	230
<b>Capital expenditure and financial investments</b>			
Disposal of tangible fixed assets		–	783
Purchase of investments		(1,147,842)	(559,475)
Disposals of investments		5,179,026	3,179,618
<b>Net cash inflow from investing activities</b>		4,031,184	2,620,926
<b>Equity dividends paid</b>		–	–
<b>Net cash inflow before financing</b>		3,613,379	2,435,649
<b>Financing</b>			
Redemption of shares		–	(6,954,244)
Stamp duty		–	(34,810)
<b>Increase/(decrease) in cash</b>	18	3,613,379	(4,553,405)

**Notes to the Financial Statements**

**1. Accounting policies**

**Accounting convention**

The financial statements are prepared under the historic cost convention and in accordance with applicable laws and accounting standards in the United Kingdom with the exception of fixed asset investments which are held at Directors' valuation.

**Change in accounting policy**

Comparative figures have been restated to reflect the change in accounting policy with respect to the valuation of fixed asset investments. Previously fixed asset investments were valued at historic cost less a provision for impairment. The accounting policy has been changed because the Directors consider that the new policy gives a fairer presentation of the valuation of the Group's investments.

As a result comparative figures for the year ended 31 December 2003 have been adjusted as follows:-

	<b>Total recognised gains and losses</b>	<b>Loss for the year after taxation</b>	<b>Net assets</b>
	£	£	£
As previously reported	(587,653)	(587,653)	5,889,905
Effect of the change in valuation of fixed asset investments	3,631,410	(39,026)	3,860,402
<b>As restated</b>	<b>3,043,757</b>	<b>(626,679)</b>	<b>9,750,307</b>

*The principal accounting policies of the Group are set out as follows.*

**Turnover**

Turnover represents net invoiced sales Director's fee and consultancy services exclusive of value added tax.

**Investment income**

Dividends receivable from Listed shares are accrued from the date the shares are declared ex-dividend; income from unlisted shares is accounted for as dividends are received; interest on fixed interest securities is accounted for on an accruals basis.

Income receivable under the redemption premium is accounted for in the profit and loss account on a time apportionment basis.

**Depreciation**

Depreciation is calculated to write down the cost, less residual value of all tangible fixed assets by equal annual installments over their expected useful lives. The periods generally applicable are; computer equipment 2-3 years, fixtures and fittings 3 years.

**Fixed asset investments**

Investments are held as fixed asset investments.

Fixed interest securities are stated at amortised cost. Any premium/discount upon acquisition of fixed interest securities is amortised on a straight line basis over the fixed life of the security.

Other unlisted investments are stated at Directors' valuation. The Directors base the valuations on the British Venture Capital Association ("BVCA") guidelines.

Investments quoted on AIM are valued at an appropriate discount to the mid-market price at the balance sheet date.

Notes to the Financial Statements (*continued*)

**Taxation**

The charge for taxation is based upon the net profit for the year. Deferred taxation is provided in accordance with FRS 19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred taxable assets are only recognised to the extent that they are recoverable.

**Operating leases**

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

**2. Investment income**

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Income from fixed interest portfolio	–	55,254
Loan stock interest	84,995	14,030
Loan stock redemption premium	98,480	29,563
Deposit interest	148,271	178,526
<b>Total</b>	<b>331,746</b>	<b>277,373</b>

**3. Administrative expenses**

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Depreciation and amortisation	–	10,699
Fund administration costs	34,790	125,527
Management fees	290,646	119,225
Provision for incentive fee	349,500	–
Auditors remuneration		
Audit fees	11,750	11,750
Other fees	4,700	1,250
Operating leases		
Building	–	38,300
Other	–	3,726
Office costs	5,520	27,449
Staff costs		
Salaries and redundancy	–	213,556
Social Security costs	–	16,151
Pension, insurance and other	–	6,446
Legal & professional fees	282,063	–
Irrecoverable VAT	–	21,448
<b>Total</b>	<b>978,969</b>	<b>595,527</b>

Notes to the Financial Statements (*continued*)

4. Directors' emoluments

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
<b>Executive Director</b>		
Salary and redundancy	–	77,000
Taxable benefits	–	1,945
	–	78,945
<b>Non-executive Directors</b>		
Fees	11,750	27,055
<b>Total</b>	<b>11,750</b>	<b>106,000</b>

The highest paid director in 2003 was J R B Stoddart who acted as the sole executive director until 8 May 2003.

Directors' interest in shares

	Year Ended 31 December 2004	Year Ended 31 December 2003
I M Laing	372,400	372,400
S M D Oliver	230,000	230,000
G Ross Russell	37,240	37,240
J R B Stoddart	59,648	59,648
M C Stoddart	693,778	693,778

All shares are Ordinary shares of 5 pence per share.

M C Stoddart's holding includes 148,960 shares held by the Railike Special Pension Fund.

Railike Ltd holds a total of 1,084,477 Ordinary shares in Bamboo Investments, representing 11.2% of the total share capital. J R B Stoddart has a beneficial interest in Railike Ltd of 25%.

5. Taxation on ordinary activities

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
<u>Current taxation</u>		
Loss on ordinary activities	(169,198)	(587,883)
Corporation tax relief at 30% thereon	50,759	176,365
<u>Effects of applying the standard rate and current charge:</u>		
Expenses not deductible for tax purposes	(84,619)	(103,711)
Capital allowances in excess of depreciation	–	(958)
Utilisation of tax losses	201,956	(71,926)
Provisions for impairment not allowable for tax purposes	(63,246)	–
Timing differences	(104,850)	–
<b>Total current taxation</b>	<b>–</b>	<b>(230)</b>

Notes to the Financial Statements (*continued*)

6. Earnings per share

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Retained loss for the year	(169,198)	(626,679)
Weighted average number of shares in issue	9,695,670	13,680,118
<b>Loss per share (pence)</b>	<b>(1.75p)</b>	<b>(4.58p)</b>

The calculation does not take account of the dilutive effect of any share options and warrants.

Reconciliation of loss per share to total recognised gains and losses per share	Year Ended 31 December 2004	Year Ended 31 December 2003
	p	p
Loss per share (as above)	(1.75)	(4.58)
Unrealised gains on investments revalued during year	5.75	26.83
<b>Total recognised gains and losses arising in the year</b>	<b>4.00</b>	<b>22.25</b>
Gain recognised in the previous year upon the change of accounting policy in valuation of investments	39.81	–
<b>Total recognised gains and losses per share since last annual report</b>	<b>43.81</b>	<b>22.25</b>

7. Losses of holding company

Of the losses for the financial year, a deficit of £12,733 is dealt with in the accounts of Bamboo Investments PLC. The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

Notes to the Financial Statements (*continued*)

8. Venture capital investments

	31 December 2004	31 December 2003 <i>(restated)</i>
	£	£
<b>Group</b>		
Venture capital portfolio b/f	6,862,346	3,031,189
Loan stock premium b/f	(29,563)	–
<b>Directors' valuation b/f</b>	<b>6,832,783</b>	<b>3,031,189</b>
Net unrealised depreciation	1,166,533	4,464,579
<b>Historic cost b/f</b>	<b>7,999,316</b>	<b>7,495,768</b>
Additions	1,147,842	559,475
Disposals	(1,654,470)	(55,927)
<b>Historic cost c/f</b>	<b>7,492,688</b>	<b>7,999,316</b>
Net unrealised depreciation	(3,655,578)	(1,166,533)
<b>Directors' valuation c/f</b>	<b>3,837,110</b>	<b>6,832,783</b>
Loan stock premium c/f	63,322	29,563
<b>Venture capital portfolio c/f</b>	<b>3,900,432</b>	<b>6,862,346</b>
	£	£
<b>Company</b>		
Venture capital portfolio b/f	6,862,346	3,031,189
Loan stock premium b/f	(29,563)	–
<b>Directors' valuation b/f</b>	<b>6,832,783</b>	<b>3,031,189</b>
Net unrealised depreciation	1,166,533	4,464,579
<b>Historic cost b/f</b>	<b>7,999,316</b>	<b>7,495,768</b>
Additions	1,145,862	559,475
Disposals	(5,992,951)	(55,927)
<b>Historic cost c/f</b>	<b>3,152,227</b>	<b>7,999,316</b>
Net unrealised appreciation/(depreciation)	285,567	(1,166,533)
<b>Directors' valuation c/f</b>	<b>3,437,794</b>	<b>6,832,783</b>
Loan stock premium c/f	63,322	29,563
<b>Venture capital portfolio c/f</b>	<b>3,501,116</b>	<b>6,862,346</b>

Notes to the Financial Statements (*continued*)

9. Investment in subsidiary

	31 December 2004	31 December 2003
	£	£
<b>Company</b>		
Cost	–	20,000
Additions	–	–
Disposal	–	(20,000)
<b>Net book cost</b>	<b>–</b>	<b>–</b>

The Company's subsidiary undertaking, Bamboo Investment Management Limited, was disposed of on 30 May 2003 to J R B Stoddart. In September 2004 the Company established a subsidiary undertaking, Bamboo (No 2) Limited, a company limited by guarantee.

Investment	Country of incorporation	Activity	Ordinary shares held
Bamboo (No 2) Limited	United Kingdom	Investment holding	100%

10. Debtors

	31 December 2004	31 December 2003
	£	£
<b>Group</b>		
Trade debtors	5,233	5,233
Other debtors	–	7,995
Prepayments and accrued income	30,557	14,026
<b>Total</b>	<b>35,790</b>	<b>27,254</b>
	£	£
<b>Company</b>		
Trade debtors	5,233	5,233
Other debtors	–	7,995
Prepayments and accrued income	30,557	14,026
Amounts due from subsidiary undertaking	641,168	–
<b>Total</b>	<b>676,958</b>	<b>27,254</b>

Notes to the Financial Statements (*continued*)

11. Creditors

	31 December 2004	31 December 2003
<b>Due within one year</b>		
	£	£
<b>Group</b>		
Trade creditors	3,410	3,410
Accruals and deferred income	65,482	143,268
<b>Total</b>	<b>68,892</b>	<b>146,678</b>
	£	£
<b>Company</b>		
Trade creditors	3,410	3,410
Accruals and deferred income	65,481	143,268
<b>Total</b>	<b>68,891</b>	<b>146,678</b>
<b>Due in more than one year</b>	£	£
<i>Due between three and five years</i>		
Provision for incentive fee	<b>349,500</b>	–

12. Share capital

	31 December 2004	31 December 2003
<b>Company</b>		
Authorised share capital	40,000,000	40,000,000
Nominal value £	2,000,000	2,000,000
Shares in issue	9,695,670	9,695,670
Nominal value £	484,784	484,784

All shares are Ordinary shares of 5 pence.

No options were granted in 2003 or 2004.

As at 31 December 2004 all share options had expired.

Pursuant to a warrant instrument dated 4 July 2000, the following warrants were outstanding at 31 December 2004. No warrants have been exercised.

Warrants	Subscription price (p)	Exercisable	Expiry
250,000	100	8 August 2000	8 August 2005

Notes to the Financial Statements (*continued*)

13. Reserves

	Capital Redemption Reserve	Special Reserve	Profit and Loss	Revaluation reserve
	£	£	£	£
<b>Group</b>				
At 1 January 2004	545,231	9,336,140	(4,476,250)	–
Prior year adjustment	–	–	30,108	3,830,294
Redemption of shares	–	–	–	–
Retained loss for the year	–	–	(169,198)	–
Unrealised gains in the year	–	–	–	557,486
Gains realised in the year	–	–	3,747,109	(3,747,109)
<b>At 31 December 2004</b>	<b>545,231</b>	<b>9,336,140</b>	<b>(868,231)</b>	<b>640,671</b>
	£	£	£	£
<b>Company</b>				
At 1 January 2004	545,231	9,336,140	(4,476,250)	–
Prior year adjustment	–	–	30,108	3,830,294
Redemption of shares	–	–	–	–
Retained loss for the year	–	–	(12,733)	–
Unrealised gains in the year	–	–	–	557,486
Gains realised in the year	–	–	3,747,109	(3,747,109)
<b>At 31 December 2004</b>	<b>545,231</b>	<b>9,336,140</b>	<b>(711,766)</b>	<b>640,671</b>

14. Reconciliation of movements in shareholders' funds

	Year Ended 31 December 2004	Year Ended 31 December 2003 <i>(restated)</i>
	£	£
Opening shareholders' funds (after adding prior year adjustment of £3.86 million)	9,750,307	13,687,609
Loss for the financial year	(169,198)	(626,679)
Unrealised gains	557,486	3,670,436
Redemption of shares	–	(6,946,249)
Stamp duty	–	(34,810)
<b>Closing shareholders' funds</b>	<b>10,138,595</b>	<b>9,750,307</b>

15. Capital commitments

The Company had no financial commitments at 31 December 2004 (2003: £Nil).

Notes to the Financial Statements (*continued*)

16. Reconciliation of operating income to net cash flow from operating activities

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Operating loss	(647,223)	(296,466)
Depreciation	–	2,027
Amortisation	–	8,672
Loan stock redemption premium	(33,760)	(29,563)
Other	(6,069)	4
Decrease in trade debtors and accrued income	(16,482)	173,636
Increase/(decrease) in creditors	285,729	(43,817)
<b>Net cash outflow from operating activities</b>	<b>(417,805)</b>	<b>(185,507)</b>

17. Reconciliation of net cash flow to movement in net funds

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Opening funds	3,007,385	7,560,790
Net changes in cash	3,613,379	(4,553,405)
<b>Closing funds</b>	<b>6,620,764</b>	<b>3,007,385</b>

18. Analysis of changes in net funds

	Year Ended 31 December 2004	Year Ended 31 December 2003
	£	£
Opening cash at bank	3,007,385	7,560,790
Net changes in cash	3,613,379	(4,553,405)
<b>Closing cash at bank</b>	<b>6,620,764</b>	<b>3,007,385</b>

19. Post balance sheet events

As at the date of this report, other than in the normal course of business there were no post balance sheet events to report.

20. Contingent assets

Following the sale of Active Hotels in September 2004, part of the total sale proceeds have been retained by the purchaser to cover certain liabilities. The additional amount of up to £265,705 payable will depend on the level of warranty claims made by 31 December 2005.

## Notice of Meeting

Notice is hereby given that the Annual General Meeting of Bamboo Investments PLC (“the Company”) will be held at 10 Crown Place, London, EC2A 4FT on 15 March 2005 at 4.30 p.m. (or as soon thereafter as the Extraordinary General Meeting of the Company convened for 4.15 p.m. on the same day shall have been concluded or adjourned) for the following purposes:

### Ordinary business

1. To receive the Directors’ report and the audited financial statements for the year ended 31 December 2004.
2. To re-elect S M D Oliver as a Director of the Company who retires by rotation in accordance with the Company’s Articles of Association.
3. To re-elect G Ross Russell as a Directors of the Company who retires by rotation in accordance with the Company’s Articles of Association.
4. That Deloitte & Touche LLP be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and their remuneration be fixed by the Directors.

### Special business

To consider and, if thought fit, to pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution.

5. THAT, in accordance with Section 80 of the Companies Act 1985 (“the Act”), the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £161,000, provided that this authority (unless previously revoked or renewed) shall expire on the earlier of the date fifteen months from the date of this resolution and the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement that would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
6. THAT, conditionally upon the passing of resolution 5 above, the Directors be and are hereby given power pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) as if Section 89 (1) of the Act did not apply to any such allotment, provided such power shall be limited:-
  - (i) to the allotment of equity securities for the purpose of or in connection with a rights issue or scrip dividend offer pursuant to the Articles of Association of the Company or any pre-emptive invitation in favour of the holders of ordinary shares (notwithstanding that by reason of any exclusions or other arrangements as the Directors may deem necessary or desirable by virtue of overseas regulations, with problems arising in any overseas territory, fractional entitlements, record dates or any other reason whatsoever, the equity securities to be allotted may not be offered to all of such holders in proportion to the number of ordinary shares held by each of them); and
  - (ii) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount equal to £24,000 provided that this power shall expire (unless previously revoked or renewed) shall expire on the earlier of the date fifteen months from the date of this resolution and the date of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement that would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

C Kinnear  
Company Secretary  
17 February 2005

**Registered Office**  
10 Crown Place  
London  
EC2A 4FT

# Bamboo Investments PLC

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## Notes

Every member entitled to attend and vote at the above meeting may appoint one or more proxy to attend and vote on his behalf. A proxy need not be a member of the Company. Forms of proxy and any power of attorney or other authority (if any) under which it is signed must be lodged not less than 48 hours before the meeting. Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting. Only those shareholders registered in the register of members of the Company at the close of business 48 hours before the meeting shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time.

The following documents will be available for inspection at the Company's registered office during business hours on any weekday (excluding Saturdays and public holidays) from the date of this Notice until the conclusion of the Annual General Meeting:

- (i) the Company's Articles of Association; and
- (ii) the register of Directors' interests in the share capital of the Company.



