

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2003



Registered Number 769039

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continued to be that of an investment company. The principal activity of the only trading subsidiary Albemarle Private Equity Limited continued to be that of an investment fund management company. Both the level of business and the year end financial position of the company and its subsidiaries remain satisfactory.

RESULTS

	2003 £	2002 £
Profit and loss account brought forward	569,240	95,981
Profit for the year after taxation	<u>342,955</u>	<u>473,259</u>
Profit and loss account carried forward	<u>912,195</u>	<u>569,240</u>

DIVIDEND

The directors do not recommend a final dividend for the year ended 31 December 2003.

DIRECTORS DURING THE YEAR

D J Wills	(Chairman)
G L Barnes	(Managing Director)
S K Sirisena	
T M Trowell	

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The directors who held office at 31 December 2003 had no direct or beneficial interests in the share capital of Albemarle General Partner Limited, the intermediate parent company.

Private Equity Limited is the ultimate parent company.

A director who held office at 31 December 2003 had a beneficial interest in the share capital of Private Equity Limited as follows:

	As at 31.12.03 Ordinary Shares of £1 each fully paid	As at 1.1.03 Ordinary Shares of £1 each fully paid
D J Wills	42,000	42,000

At 31 December 2003 a member of D J Wills's family had a beneficial interest in 4,667 Ordinary shares of £1 each in Private Equity Limited (2002: 4,667).

In addition, at 31 December 2003, the Albemarle Private Equity Pension Scheme, of which D J Wills and S K Sirisena are members, owned 24,000 Ordinary shares of £1 each in Private Equity Limited (2002: 24,000).

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to re-appoint Hall & Co (Iver) Limited as auditors to the company will be proposed at the annual general meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 1 Albemarle Street, London W1S 4HA at 11.00 a.m. on 26th May 2004.

By order of the Board

A handwritten signature in black ink, appearing to read 'S K Sirisena', is written over a horizontal line.

S K Sirisena
Company Secretary

1 Albemarle Street
London W1S 4HA

25 February 2004

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF ALBEMARLE GENERAL PARTNER LIMITED

We have audited the financial statements of Albemarle General Partner Limited for the year ended 31 December 2003 on pages 5 to 12. These financial statements have been prepared under the historical cost convention and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 on page 2 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 Report of the Directors 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 is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 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 mis-statement, 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 the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hall & Co (Iver) Ltd
Hall & Co (Iver) Limited

Chartered Accountants and Registered Auditor
Norwood Grange
Norwood Lane
Iver
Buckinghamshire SL0 0EW

16/3/2004

ALBEMARLE GENERAL PARTNER LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £	2002 £
INVESTMENT INCOME	2	925,587	1,199,769
INVESTMENT MANAGEMENT FEE		(506,683)	(703,284)
INVESTMENT PROFIT		418,904	496,485
ADMINISTRATIVE EXPENSES		(4,208)	(13,435)
OPERATING PROFIT		414,696	483,050
INTEREST RECEIVABLE		20,348	17,177
AMOUNTS WRITTEN OFF INVESTMENTS	3	(42,640)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	392,404	500,227
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	(49,449)	(26,968)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		342,955	473,259
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>569,240</u>	<u>95,981</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>912,195</u>	<u>569,240</u>

The Company has no recognised gains or losses for the current and preceding financial years other than those included in the profits above and, therefore, no separate statement of total recognised gains and losses has been prepared.

All items reflected in the above profit and loss account derive from continuing activities.

The notes on pages 7 to 12 form part of these accounts.

ALBEMARLE GENERAL PARTNER LIMITED

BALANCE SHEET



at 31 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	5	494,391	142,243
Investments in subsidiary undertakings	6	<u>4</u>	<u>4</u>
		<u>494,395</u>	<u>142,247</u>
CURRENT ASSETS			
Debtors	7	44,779	60,289
Cash at bank and in hand		<u>593,273</u>	<u>583,721</u>
		638,052	644,010
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(<u>20,252</u>)	(<u>17,017</u>)
NET CURRENT ASSETS		<u>617,800</u>	<u>626,993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,112,195</u>	<u>769,240</u>
NET ASSETS		<u>1,112,195</u>	<u>769,240</u>
CAPITAL AND RESERVES			
Called-up share capital	10	154,750	154,750
Capital reserve		45,250	45,250
Profit and loss account		<u>912,195</u>	<u>569,240</u>
TOTAL SHAREHOLDERS' FUNDS	11	<u>1,112,195</u>	<u>769,240</u>

The financial statements on pages 5 to 12 were approved by the Board on 25 February 2004 and were signed on its behalf by:

D J Wills)
S K Sirisena)

Directors

The notes on pages 7 to 12 form part of these financial statements.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company are prepared on the historical cost basis and in accordance with applicable accounting standards in the United Kingdom, with the exception of the treatment of investment income as described in paragraph (g) applied on a consistent basis.

(b) Profit and Loss Account

Income and expenses are accounted for in the profit and loss account on an accruals basis.

(c) Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred taxation assets are recognised only to the extent that it is more likely than not that there will be suitable profits from which future reversals of the underlying timing differences can be deducted.

(d) Investments

Unlisted investments are valued at cost less provisions for any permanent diminution in value. Listed investments are stated at cost.

(e) Limited Partnership funds and investments

As at 31 December 2003, the Albemarle group managed one venture capital Limited Partnership, for which it acts as the General Partner. Investments held through the Limited Partnership are made with the express intention of capital appreciation. The Limited Partnership technically falls within the definition of Subsidiaries of the General Partner under the Companies Act 1985 and Financial Reporting Standard ("FRS") No.2.

There are severe long term restrictions upon the ability of the General Partner to exercise control or dominant influence over the Limited Partnership other than for the interests of the Limited Partners. Accordingly the Limited Partnership has been excluded from the consolidation.

(f) Other

The Company does not produce a cash flow statement as it is a wholly owned subsidiary, as permitted by FRS No. 1.

(g) Investment income

Investment income represents the total amount receivable in the ordinary course of business. Franked investment income is disclosed inclusive of attributable tax credits. This is contrary to FRS16 Current Tax and is necessary in order to show a true and fair view. The company's investment management income, which is paid by way of distribution from the funds managed, is contractually set at the gross figure. The effect of this treatment is disclosed in notes 2 and 4.

ALBEMARLE GENERAL PARTNER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2003

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £	2002 £
Investment income:		
Income from fixed asset investments		
Franked (including management fees)	494,500	269,692
Income received under deduction of tax	191,345	291,841
Unfranked	<u>239,742</u>	<u>638,236</u>
	<u>925,587</u>	<u>1,199,769</u>

Franked investment income includes attributable tax credits of £49,449 (2002: £26,968).

Profit on ordinary activities before taxation is shown after charging:

Auditors' remuneration	<u>3,525</u>	<u>3,948</u>
Directors' remuneration	<u>-</u>	<u>-</u>

3. AMOUNTS WRITTEN OFF INVESTMENTS

	2003 £	2002 £
Net losses on disposal	22,640	-
Provision against unlisted investment	<u>20,000</u>	<u>-</u>
	<u>42,640</u>	<u>-</u>

4. TAXATION

	2003 £	2002 £
Analysis of the tax charge		
The tax charge on the profit on ordinary activities for the year was as follows:		
Current tax:		
UK Corporation Tax	-	-
Attributable to franked investment income	<u>49,449</u>	<u>26,968</u>
Tax on profit on ordinary activities	<u>49,449</u>	<u>26,968</u>

ALBEMARLE GENERAL PARTNER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2003

4. TAXATION (continued)

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

Profit on ordinary activities before tax	<u>392,404</u>	<u>500,227</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002:30%)	117,721	150,068
Effects of:		
Capital losses and provision not utilised	12,792	-
Group relief not paid for	17,820	-
Expenses not deductible for tax purposes	-	2,665
Income exempt for tax purposes	(695)	(639)
Utilisation of tax losses	711	(71,188)
Lower tax rate on franked investment income	<u>(98,900)</u>	<u>(53,938)</u>
Current tax charge	<u>49,449</u>	<u>26,968</u>

Factors that may affect future tax charges

There are unrelieved tax losses available to offset against future profits of approximately £791,500. The deferred tax asset arising therefrom amounting to £237,500 has not been recognised.

The company has available capital losses of £23,000 to off-set against future chargeable gains.

5. FIXED ASSET INVESTMENTS

	2003 £	2002 £
Shares in unlisted companies	330,816	91,530
Shares in listed companies	113,062	-
Share of Dalehead escrow account	50,513	50,513
The Albemarle Second Fund	-	200
	<u>494,391</u>	<u>142,243</u>

Albemarle General Partner Limited acts as the General Partner of the Third Private Equity Fund.

ALBEMARLE GENERAL PARTNER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2003

The investments listed above are shown at their net book value after eliminating any specific provisions against these investments.

The directors' valuation of unlisted investments was in excess of book value.

The market value of listed investments at the year end was £120,388.

The movement during the year was as follows:

	2003 £
At cost 1 January 2003	142,243
Additions	457,566
Disposals	(85,418)
At cost 31 December 2003	<u>514,391</u>
Provisions 1 January 2003	-
Charge for the period	(20,000)
Provisions 31 December 2003	<u>(20,000)</u>
Net book value at 31 December 2003	<u>494,391</u>
Net book value at 31 December 2002	<u>142,243</u>

The company holds 25% of the ordinary issued share capital (of £1 each) of Room2Spare Limited, a company registered in England and Wales. Room2Spare Limited rents storage space.

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£
At cost 1 January 2003 and at 31 December 2003	1,013,840
Provision at 1 January 2003 and at 31 December 2003	(1,013,836)
Net book value at 1 January 2003 and 31 December 2003	<u>4</u>

	<u>Country of Registration</u>	<u>Holding</u>	<u>% of Class</u>
Albemarle Private Equity Limited (Investment Fund Manager)	England and Wales	2,550 £1 'B' Ord Shares 2,450 £1 'A' Ord Shares	100% 100%
Albemarle Nominees Limited (Nominee Company)	England and Wales	2 £1 Ord Shares	100%
Albemarle Nominees (London) Limited (Nominee Company)	England and Wales	2 £1 Ord Shares	100%

All of the above companies operated in their country of registration. Albemarle Nominees Limited and Albemarle Nominees (London) Limited remained dormant during the year.

Consolidated accounts have not been prepared because the company is a wholly owned subsidiary of a company incorporated in the United Kingdom, Private Equity Limited. The accounts present information about the company as an individual undertaking and not about its group.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2003

7. DEBTORS

	2003	2002
	£	£
Income tax recoverable	38,269	58,371
Prepayments and accrued income	<u>6,510</u>	<u>1,918</u>
	<u>44,779</u>	<u>60,289</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts owed to parent undertaking	521	-
Amounts owed to subsidiary undertakings	2,774	2
Accruals	<u>16,957</u>	<u>17,015</u>
	<u>20,252</u>	<u>17,017</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

There is no deferred taxation to be provided for in the financial statements.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2003

10. CALLED UP, ALLOTTED AND FULLY PAID SHARE CAPITAL

	2003	2002
	£	£
Authorised:		
Equity Shares		
250,000 Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid:		
Equity Shares		
154,750 Ordinary Shares of £1 each	<u>154,750</u>	<u>154,750</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	342,955	473,259
Ordinary dividends	<u>-</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	342,955	473,259
Opening shareholders' funds	<u>769,240</u>	<u>295,981</u>
Closing shareholders' funds	<u>1,112,195</u>	<u>769,240</u>

12. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company is Private Equity Limited.

13. RELATED PARTY TRANSACTIONS

The controlling party is Private Equity Limited. The ultimate controlling party is D J Wills. The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 not to disclose intra group transactions which fall under the definition of related party transactions.