

**ALBEMARLE VENTURE PARTNER LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2005**



**Registered Number 769039**

# ALBEMARLE VENTURE PARTNER LIMITED

## DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 2005.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continued to be that of an investment company. The Company changed its name from Albemarle General Partner Limited to Albemarle Venture Partner Limited with effect from 4 January 2006.

### RESULTS

	2005 £	2004 £
Profit and loss account brought forward	743,806	912,195
Profit/(loss) for the year after taxation	<u>573,117</u>	<u>(168,389)</u>
Profit and loss account carried forward	<u>1,316,923</u>	<u>743,806</u>

### DIVIDEND

The directors do not recommend a final dividend for the year ended 31 December 2005.

### DIRECTORS DURING THE YEAR

D J Wills	(Chairman)
G L Barnes	(Managing Director)
S K Sirisena	(re-appointed 21.06.05)
T M Trowell	

# **ALBEMARLE VENTURE PARTNER LIMITED**

## **DIRECTORS' REPORT (continued)**

### **DIRECTORS' INTERESTS**

The directors who held office at 31 December 2005 had no direct or beneficial interests in the share capital of the Company.

Private Equity Limited is the ultimate parent Company.

A director who held office at 31 December 2005 had a beneficial interest in the share capital of Private Equity Limited as follows:

	<b>As at 31.12.05 Ordinary Shares of £1 each fully paid</b>	<b>As at 1.1.05 Ordinary Shares of £1 each fully paid</b>
D J Wills	42,000	42,000

At 31 December 2005 a member of D J Wills's family had a beneficial interest in 4,667 Ordinary shares of £1 each in Private Equity Limited (2004: 4,667).

In addition, at 31 December 2005, the Albemarle Private Equity Pension Scheme, of which D J Wills is a member, owned 24,000 Ordinary shares of £1 each in Private Equity Limited (2004: 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 2005. 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.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

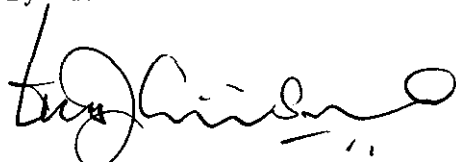
# ALBEMARLE VENTURE PARTNER LIMITED

## DIRECTORS' REPORT (continued)

### AUDITORS

On 23 November 2005 Hall & Co. (Iver) Limited resigned as auditors and with effect from the same day Thorne Lancaster Parker, Chartered Accountants were appointed as auditors of the Company. A resolution to formally appoint Thorne Lancaster Parker, Chartered Accountants as auditors of the company will be proposed at the next annual general meeting.

By order of the Board

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

S K Sirisena  
Company Secretary

15 Stratton Street  
London W1J 8LQ

12 June 2006

## REPORT OF THE INDEPENDENT AUDITORS

### TO THE SHAREHOLDERS OF ALBEMARLE VENTURE PARTNER LIMITED

We have audited the financial statements of Albemarle Venture Partner Limited for the year ended 31 December 2005 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 International Standards on Auditing (UK & Ireland).

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 International Standards on Auditing (UK & Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profits for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**Thorne Lancaster Parker**

Chartered Accountants and Registered Auditors  
8<sup>th</sup> floor, Aldwych House  
81 Aldwych  
London  
WC2B 4HN

31 October 2006

**ALBEMARLE VENTURE PARTNER LIMITED**

**PROFIT AND LOSS ACCOUNT**

**for the year ended 31 December 2005**

	Note	2005 £	2004 £
INVESTMENT INCOME	2	1,173,050	460,754
INVESTMENT MANAGEMENT FEE		( 698,000 )	( 578,299 )
INVESTMENT PROFIT/(LOSS)		475,050	(117,545)
ADMINISTRATIVE EXPENSES		( 4,543 )	( 8,751 )
OPERATING PROFIT/(LOSS)		470,507	(126,296 )
INTEREST RECEIVABLE		50,096	34,234
GAINS ON DISPOSALS/AMOUNTS WRITTEN OFF INVESTMENTS	3	<u>52,514</u>	(65,064 )
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	573,117	(157,126 )
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	4	_____ -	( 11,263 )
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		573,117	(168,389 )
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>743,806</u>	<u>912,195</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>1,316,923</u>	<u>743,806</u>

The Company has no recognised gains or losses for the current and preceding financial years other than those included in the results 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 VENTURE PARTNER LIMITED

## BALANCE SHEET

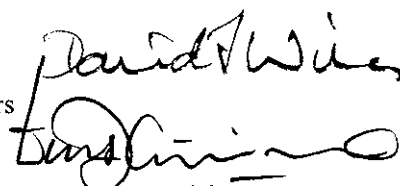
at 31 December 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	5	207,043	447,391
Investments in subsidiary undertakings	6	<u>150,004</u>	<u>4</u>
		<u>357,047</u>	<u>447,395</u>
<b>CURRENT ASSETS</b>			
Debtors	7	4,628	3,061
Cash at bank and in hand		<u>1,181,942</u>	<u>661,315</u>
		<u>1,186,570</u>	<u>664,376</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>( 26,694 )</u>	<u>( 167,965 )</u>
<b>NET CURRENT ASSETS</b>		<u>1,159,876</u>	<u>496,411</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,516,923</u>	<u>943,806</u>
<b>NET ASSETS</b>		<u>1,516,923</u>	<u>943,806</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	154,750	154,750
Capital reserve		45,250	45,250
Profit and loss account		<u>1,316,923</u>	<u>743,806</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	11	<u>1,516,923</u>	<u>943,806</u>

The financial statements on pages 5 to 12 were approved by the Board on 12 June 2006 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 VENTURE PARTNER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

### 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

Until 3 June 2004, the Albemarle group managed one venture capital Limited Partnership, for which it acted as the General Partner. Investments held through the Limited Partnership were 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 in 2004 and previously was disclosed inclusive of attributable tax credits. This was contrary to FRS16 Current Tax and was necessary in order to show a true and fair view. The company's investment management income, which was paid by way of distribution from the funds managed, was contractually set at the gross figure. The effect of this treatment is disclosed in notes 2 and 4.



**ALBEMARLE VENTURE PARTNER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**for the year ended 31 December 2005**

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Investment income:		
Income from fixed asset investments		
Franked (including management fees)	290,996	112,640
Income received under deduction of tax	19,549	7,283
Unfranked	<u>862,505</u>	<u>340,831</u>
	<u>1,173,050</u>	<u>460,754</u>

Franked investment income includes attributable tax credits of £ Nil (2004: £11,263).

Profit on ordinary activities before taxation is shown after charging:

Auditors' remuneration	<u>3,975</u>	<u>3,493</u>
Directors' remuneration	<u>-</u>	<u>-</u>

**3. GAINS ON DISPOSALS LESS AMOUNTS WRITTEN OFF INVESTMENTS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Net profits on disposal	487,726	3,936
Provision against investment in subsidiary and unlisted investments	<u>(435,212)</u>	<u>(69,000)</u>
	<u>52,514</u>	<u>(65,064)</u>

**4. TAXATION**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Analysis of the tax charge</b>		
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>-</u>	<u>11,263</u>
Tax on profit on ordinary activities	<u>-</u>	<u>11,263</u>

**ALBEMARLE VENTURE PARTNER LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2005**

**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/(loss) on ordinary activities before tax	<u>573,117</u>	<u>(157,126)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	171,935	(47,138)
Effects of:		
Losses not utilised	-	61,646
Expenses not deductible for tax purposes	130,564	20,700
Income exempt for tax purposes	(87,315)	( 236)
Utilisation of tax losses	(215,184)	(1,181)
Lower tax rate on franked investment income	-----	(22,528)
Current tax charge	<u>-----</u>	<u>11,263</u>

**Factors that may affect future tax charges**

There are unrelieved tax losses available to offset against future profits of approximately £298,254.

The deferred tax asset arising therefrom amounting to £89,476 has not been recognised.

**5. FIXED ASSET INVESTMENTS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Shares in unlisted companies	131,530	291,816
Shares in listed companies	25,000	105,062
Share of Dalehead escrow account	<u>50,513</u>	<u>50,513</u>
	<u>207,043</u>	<u>447,391</u>

**ALBEMARLE VENTURE PARTNER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**for the year ended 31 December 2005**

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 £18,750.

The movement during the year was as follows:

	<b>2005</b>
	<b>£</b>
At cost 1 January 2005	536,391
Additions	25,000
Transfer to investments in subsidiary undertakings	(69,000)
Disposals	<u>(270,348)</u>
At cost 31 December 2005	<u>222,043</u>
Provisions 1 January 2005	(89,000)
Transfer to investments in subsidiary undertakings	69,000
Disposals	20,000
Charge for the period	<u>(15,000)</u>
Provisions 31 December 2005	<u>(15,000)</u>
Net book value at 31 December 2005	<u>207,043</u>
Net book value at 31 December 2004	<u>447,391</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**

	<b>Shares</b>	<b>Loans</b>	<b>Secured Loan Notes</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 January 2005	1,013,840	-	-	1,013,840
Transfer from fixed asset investments	69,000	-	-	69,000
Additions	<u>70,212</u>	<u>370,000</u>	<u>150,000</u>	<u>590,212</u>
At 31 December 2005	<u>1,153,052</u>	<u>370,000</u>	<u>150,000</u>	<u>1,673,052</u>
<b>Provisions</b>				
At 1 January 2005	(1,013,836)	-	-	(1,013,836)
Transfer from fixed asset investments	(69,000)	-	-	(69,000)
Charge for the period	<u>(70,212)</u>	<u>(370,000)</u>	<u>-</u>	<u>(440,212)</u>
At 31 December 2005	<u>(1,153,048)</u>	<u>(370,000)</u>	<u>-</u>	<u>(1,523,048)</u>
<b>Net Book Value</b>				
At 31 December 2005	<u>4</u>	<u>-</u>	<u>150,000</u>	<u>150,004</u>
At 31 December 2004	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>

The loans are unsecured and interest free and have no fixed date for repayment. The Company has confirmed that it will not seek full or partial repayment within a year from the approval date of the financial statements.

# ALBEMARLE VENTURE PARTNER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2005

	<u>Country of Registration</u>	<u>Holding</u>	<u>% of Class</u>
Albemarle Private Equity Limited (Venture Capital Firm)	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%
Prosol Electronics Limited (Manufacturing Company)	England and Wales	1 £1 Ord Shares	89.6%

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.

### 7. DEBTORS

	<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
Income tax recoverable	-	1,457
Prepayments and accrued income	<u>4,628</u>	<u>1,604</u>
	<u>4,628</u>	<u>3,061</u>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
Amounts owed to parent undertaking	521	521
Amounts owed to subsidiary undertakings	21,723	103,664
Accruals and other creditors	<u>4,450</u>	<u>63,780</u>
	<u>26,694</u>	<u>167,965</u>

### 9. PROVISIONS FOR LIABILITIES AND CHARGES

#### Deferred Taxation

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

# ALBEMARLE VENTURE PARTNER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2005

### 10. CALLED UP, ALLOTTED AND FULLY PAID SHARE CAPITAL

	2005 £	2004 £
Authorised:		
<b>Equity Shares</b>		
250,000 Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid:		
<b>Equity Shares</b>		
154,750 Ordinary Shares of £1 each	<u>154,750</u>	<u>154,750</u>

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit/(loss) for the financial year	573,117	(168,389)
Ordinary dividends	<u>-</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	573,117	(168,389)
Opening shareholders' funds	<u>943,806</u>	<u>1,112,195</u>
Closing shareholders' funds	<u>1,516,923</u>	<u>943,806</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.

### 14. POST BALANCE SHEET EVENTS

Since the balance sheet date the company made an investment in Pet Brands Group Limited subscribing £721,500 for 49% of the equity, and capitalised a further £45,000 of introduction fees.