

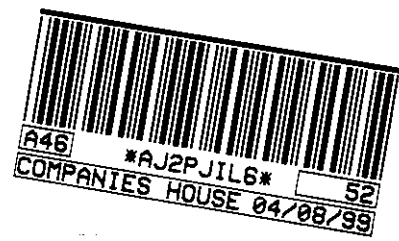
ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1998

Registered Number 769039



ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 1998 which were approved at a meeting on 24 February 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continued to be that of an investment company. No change is expected in this principal activity.

RESULTS

| | 1998 | 1997 |
|---|----------------|------------------|
| | £ | £ |
| Profit and loss account brought forward | 427,036 | 968 |
| Profit for the year after taxation | <u>358,330</u> | <u>901,193</u> |
| | 785,366 | 902,161 |
| Share buy back distribution | <u>-</u> | <u>(475,125)</u> |
| Profit and loss account carried forward | <u>785,366</u> | <u>427,036</u> |

DIVIDEND

No dividends were paid during the year.

DIRECTORS DURING THE YEAR

D J Wills (Chairman and Managing Director)
G L Barnes
M J Hallala
A D Moye
R D Parker

The directors received no remuneration from the Company during the year.

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The directors who held office at 31 December 1998 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.

The directors who held office at 31 December 1998 had direct or beneficial interests in the share capital of Private Equity Limited as follows:

| | As at 31.12.98 Ordinary Shares of £1 each fully paid | As at 1.1.98 Ordinary Shares of £1 each fully paid |
|-----------|---|---|
| D J Wills | 42,000 | 42,000 |

A member of D J Wills's family had a beneficial interest in 4,667 Ordinary shares of £1 each in Private Equity Limited (1997: 4,667).

In addition, at 31 December 1998, the Albemarle Private Equity Pension Scheme, of which the directors are members, owned 24,000 Ordinary shares of £1 each in Private Equity Limited (1997: 24,000).

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains a Directors' and Officers' Liability Insurance policy in respect of the directors and officers.

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 1998. 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)

YEAR 2000 COMPLIANCE

The Company and the Group has no business critical systems. As a financial institution, the Company is fully aware of the issues associated with the Year 2000. The Directors have obtained assurance from suppliers of computer systems that steps are being taken to ensure that the Company and the Group as a whole will not suffer any significant disruptions to its operations deriving from the use of computer systems. Albemarle Private Equity Limited, as part of an upgrade to the Group's computer systems, has incurred all costs in respect of Year 2000 compliance.

AUDITORS

The Company's auditors, Coopers and Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers and Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the Board



M J Hallala
Company Secretary

1 Albemarle Street
London W1X 3HF

24 February 1999

ALBEMARLE GENERAL PARTNER LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

| | Note | 1998 £ | 1997 £ |
|--|------|-----------------------|-----------------------|
| INCOME FROM FIXED ASSET INVESTMENTS | | | |
| Unlisted investments: | | | |
| Franked | | 1,344,544 | 1,243,114 |
| Income received under deduction of tax | | 177,511 | 351,396 |
| Unfranked | | 148,895 | 44,357 |
| Foreign income | | - | 45,993 |
| Inter company dividends | | <u>140,940</u> | <u>500,000</u> |
| | | 1,811,890 | 2,184,860 |
| Write-off of fixed asset investments | | (100,000) | - |
| ADMINISTRATIVE EXPENSES | | <u>(1,093,176)</u> | <u>(1,015,731)</u> |
| OPERATING PROFIT | | 618,714 | 1,169,129 |
| Bank interest receivable | | 13,936 | 5,456 |
| Interest payable | | <u>(5,413)</u> | <u>(17,404)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 627,237 | 1,157,181 |
| Taxation on profit on ordinary activities | 4 | <u>(268,907)</u> | <u>(255,988)</u> |
| PROFIT FOR THE YEAR | | 358,330 | 901,193 |
| Share buy back distribution | | - | (475,125) |
| Dividends | | <u>-</u> | <u>-</u> |
| PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR | | 358,330 | 426,068 |
| Profit and loss account brought forward | | <u>427,036</u> | <u>968</u> |
| PROFIT AND LOSS ACCOUNT CARRIED FORWARD | | <u><u>785,366</u></u> | <u><u>427,036</u></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.

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

The notes on pages 6 to 11 form part of these accounts.

ALBEMARLE GENERAL PARTNER LIMITED

BALANCE SHEET

at 31 December 1998

| | Note | 1998 £ | 1997 £ |
|--|------|-------------------|--------------------|
| FIXED ASSETS | | | |
| Investments | 5 | 8,637 | 8,637 |
| Investments in subsidiary undertakings | 6 | <u>1,013,840</u> | <u>1,113,840</u> |
| | | <u>1,022,477</u> | <u>1,122,477</u> |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due within one year | 7 | <u>175,730</u> | <u>708,535</u> |
| | | 175,730 | 708,535 |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 8 | <u>(258,091)</u> | <u>(1,249,225)</u> |
| NET CURRENT LIABILITIES | | <u>(82,361)</u> | <u>(540,690)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>940,116</u> | <u>581,787</u> |
| NET ASSETS | | <u>940,116</u> | <u>581,787</u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 10 | 154,750 | 154,751 |
| Capital reserve | | 45,250 | 45,250 |
| Profit and loss account | 11 | <u>740,116</u> | <u>381,786</u> |
| Equity shareholders' funds | | <u>940,116</u> | <u>581,786</u> |
| Non-equity shareholders' funds | | <u>-</u> | <u>1</u> |
| TOTAL SHAREHOLDERS' FUNDS | | <u>940,116</u> | <u>581,787</u> |

The financial statements on pages 4 to 11 were approved by the Board on 24 February 1999 and were signed on its behalf by:

D J Wills) *Daniel Wills*
) Directors
M J Hallala) *M. J. Hallala*

The notes on pages 6 to 11 form part of these financial statements.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

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, 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 calculated using the liability method to the extent that it is probable that a liability or asset will crystallise.

(d) Unlisted Investments

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

(e) Other

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

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is shown after charging:

| | 1998 | 1997 |
|------------------------|---------------------|---------------------|
| Auditors' remuneration | <u><u>4,965</u></u> | <u><u>4,377</u></u> |

3. EMPLOYEES' AND DIRECTORS' EMOLUMENTS

There were no employees of the company in the United Kingdom during the year (1997: Nil).

The directors received no remuneration from the company during the year.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

4. TAXATION

| | 1998 | 1997 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Tax credits on franked investment income | 268,907 | 136,151 |
| Overseas taxation | - | 1,056 |
| ACT payable | <u>-</u> | <u>118,781</u> |
| | <u>268,907</u> | <u>255,988</u> |

5. FIXED ASSET INVESTMENTS

| | 1998 | 1997 |
|--|---------------------|---------------------|
| | £ | £ |
| Shares in unlisted companies | 8,574 | 8,574 |
| Brown Shipley Development Capital Fund | 24 | 24 |
| The Second Brown Shipley Fund | <u>39</u> | <u>39</u> |
| | <u>8,637</u> | <u>8,637</u> |

Albemarle General Partner Limited acts as the General Partner of the Brown Shipley Development Capital Fund and the Second Brown Shipley Fund.

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, being an investment in Drallim Industries Limited, was in excess of book value.

The movement during the year was as follows:

| | 1998 | 1997 |
|----------------|---------------------|---------------------|
| | £ | £ |
| At 1 January | 8,637 | 8,637 |
| Provisions | <u>-</u> | <u>-</u> |
| At 31 December | <u>8,637</u> | <u>8,637</u> |

There are no holdings included in the unlisted investments in excess of 10% of the issued share capital of any class of the investee company.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

| | 1998 | 1997 |
|--|------------------|------------------|
| | £ | £ |
| Cost | | |
| At 1 January | 1,113,840 | 1,113,838 |
| Additions | - | 2 |
| Write-off of fixed asset investments | (100,000) | - |
| At 31 December | <u>1,013,840</u> | <u>1,113,840</u> |
| Net book value 31 December 1997 and 1998 | <u>1,013,840</u> | <u>1,113,840</u> |

The write down of investments was in respect of Private Equity Managers Limited, which was replaced by Albemarle General Partner Limited as general part of the Third Private Equity Fund with effect from 1 January 1998. Private Equity Managers Limited is expected to be dormant for the foreseeable future.

There are no other provisions against subsidiaries.

| | <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% |
| Private Equity Managers Limited (Investment Company) | England and Wales | 2,700 £1 Ord Shares | 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.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

7. DEBTORS

| | 1998 | 1997 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Amount due from subsidiary undertakings | 140,940 | 525,335 |
| Corporation tax recoverable | - | 112,471 |
| Income tax recoverable | 34,382 | 69,206 |
| Prepayments and accrued income | <u>408</u> | <u>1,523</u> |
| | <u><u>175,730</u></u> | <u><u>708,535</u></u> |

8. CREDITORS

| | 1998 | 1997 |
|---|-----------------------|-------------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Unsecured loan notes | - | 12,500 |
| Bank overdraft | 155,320 | 372,507 |
| Amounts owed to parent company | - | 650,375 |
| Amounts owed to subsidiary undertakings | 37,646 | 2 |
| ACT payable | - | 118,781 |
| Other creditors | 60,160 | 90,394 |
| Accruals | <u>4,965</u> | <u>4,666</u> |
| | <u><u>258,091</u></u> | <u><u>1,249,225</u></u> |

The remaining unsecured loan notes outstanding by the Company at 31 December 1997 of £12,500 were repaid on 30 April 1998 including the outstanding interest to that date.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

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

10. CALLED UP, ALLOTTED AND FULLY PAID SHARE CAPITAL

| | 1998 | 1997 |
|-------------------------------------|----------------|----------------|
| Authorised: | | |
| Equity Shares | | |
| 250,000 Ordinary Shares of £1 each | 250,000 | 250,000 |
| Non-equity Shares | | |
| 1 Preference Share of £1 each | — | 1 |
| | <u>250,000</u> | <u>250,001</u> |
| | | |
| Allotted, called up and fully paid: | | |
| Equity Shares | | |
| 154,750 Ordinary Shares of £1 each | <u>154,750</u> | <u>154,750</u> |

The preference share issued to Brown, Shipley and Co. Limited on 2 April 1996 was redeemed at par by the Company on 31 March 1998.

11. RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT

| | 1998 | 1997 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Profit for the financial year | 358,330 | 901,193 |
| Share buy back distribution | - | (475,125) |
| Transfer to capital reserve | - | (45,250) |
| Net addition to shareholders' funds | 358,330 | 380,818 |
| | | |
| Opening shareholders' funds | <u>381,786</u> | <u>968</u> |
| | | |
| Closing shareholders' funds | <u>740,116</u> | <u>381,786</u> |

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 1998

12. ULTIMATE PARENT UNDERTAKING

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

13. CHARGE ON ASSETS

The bank loans and overdrafts of the ultimate parent Company, Private Equity Limited, are secured by fixed and floating charges over the assets of the Company.

14. RELATED PARTY TRANSACTIONS

The Company's controlling party is Private Equity Limited.

The ultimate controlling party is D J Wills.

During the year, the outstanding unsecured loan notes of £12,500 were repaid.

REPORT OF THE AUDITORS

TO THE MEMBERS OF ALBEMARLE GENERAL PARTNER LIMITED

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the annual report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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 or if we have not received all the information and explanations we require for our audit.

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

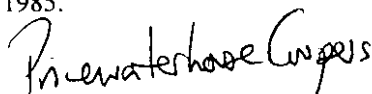
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts give a true and fair view of the state of the affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN

24 February 1999