

Coopers
& Lybrand

ALBEMARLE GENERAL PARTNER LIMITED
(formerly Brown Shipley Development Capital Limited)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1997



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ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 1997 which were approved at a meeting on 26 February 1998.

On 29 August 1997, the Company changed its name from Brown Shipley Development Capital Limited to Albemarle General Partner Limited.

The Company is now an intermediate parent company and is not required to prepare consolidated accounts.

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

	1997	1996	Consolidated 1996
	£	£	£
Profit and loss account brought forward	968	350,378	-
Profit for the year after taxation	<u>901,193</u>	<u>1,278,261</u>	<u>1,281,085</u>
	902,161	1,628,639	1,281,085
Minority interests	-	-	(3,792)
Share buy back distribution	(475,125)	-	-
Dividends paid	<u>-</u>	<u>(1,627,671)</u>	<u>(1,627,671)</u>
Profit and loss account carried forward	<u>£427,036</u>	<u>£ 968</u>	<u>£(350,378)</u>

DIVIDEND

No dividends were paid during the year.

SHARE BUY BACK DISTRIBUTION

On 20 June 1997, the Company made a distribution of £10.50 per share to acquire 45,250 Ordinary Shares of £1 each. The distribution totalled £475,125.

DIRECTORS DURING THE YEAR

D J Wills	(Chairman and Managing Director)
R D Parker	
M J Hallala	
A D Moye	
G L Barnes	(appointed 16 September 1997)
C R F Kemp	(resigned 13 June 1997)

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

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

On 20 June 1997, the entire issued share capital of the Company was acquired by Private Equity Limited. Private Equity Limited is therefore the ultimate parent company.

The directors who held office at 31 December 1997 had the following direct or beneficial interests in the share capital of Albemarle General Partner Limited (formerly Brown Shipley Development Capital Limited):

	As at 31.12.97	As at 31.12.96
	Ordinary Shares	Ordinary Shares
	of £1 each fully paid	of £1 each fully paid
D J Wills	-	48,000
R D Parker	-	30,000
M J Hallala	-	9,000
A D Moye	-	10,000
G L Barnes	-	-

The directors who held office at 31 December 1997 had direct or beneficial interests in the share capital of Private Equity Limited as follows:

	As at 31.12.97
	Ordinary Shares of
	of £1 each fully paid
D J Wills	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.

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

ALBEMARLE GENERAL PARTNER LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF 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 1997. 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.

REGISTERED OFFICE

On 1 September 1997, the Company's registered office became 1 Albemarle Street, London W1X 3HF.

AUDITORS

Coopers & Lybrand have expressed their willingness to continue in office as auditors.

By order of the Board



M J Hallala
Company Secretary

1 Albemarle Street
London W1X 3HF

26 February 1998

ALBEMARLE GENERAL PARTNER LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	NOTE	1997 £	1996 £	Consolidated 1996 £
INCOME FROM FIXED ASSET INVESTMENTS				
Unlisted investments:				
Franked		1,243,114	1,879,234	1,704,994
Income received under deduction of tax		351,396	-	-
Unfranked		44,357	-	634,398
Foreign income		45,993	77,937	77,936
Inter company dividends		500,000	52,892	-
Other fees and income		-	-	158,320
ADMINISTRATIVE EXPENSES		(1,015,731)	(1,049,840)	(1,653,152)
NET PROFIT ON SALE OF INVESTMENTS		<u>-</u>	<u>499,905</u>	<u>499,905</u>
OPERATING PROFIT		1,169,129	1,460,128	1,422,401
Bank interest receivable		5,456	2,778	20,049
Interest payable		(17,404)	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,157,181	1,462,906	1,442,450
Taxation on profit on ordinary activities	4	(255,988)	(184,645)	(161,365)
PROFIT FOR THE YEAR		901,193	1,278,261	1,281,085
Minority interests		-	-	(3,792)
Share buy back distribution		(475,125)	-	-
Dividends		<u>-</u>	<u>(1,627,671)</u>	<u>(1,627,671)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		426,068	(349,410)	(350,378)
Loss transferred to reserves		-	-	350,378
Profit and loss account brought forward		<u>968</u>	<u>350,378</u>	<u>-</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>£ 427,036</u>	<u>£ 968</u>	<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 1997

	NOTE	1997	1996
		£	£
FIXED ASSETS			
Investments	5	8,637	8,637
Investments in subsidiary undertakings	6	<u>1,113,838</u>	<u>1,113,838</u>
		<u>1,122,475</u>	<u>1,122,475</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	708,535	247,515
Cash at bank and in hand		<u>-</u>	<u>23,774</u>
		708,535	271,289
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	<u>(1,249,223)</u>	<u>(1,115,295)</u>
NET CURRENT LIABILITIES		<u>(540,688)</u>	<u>(844,006)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		581,787	278,469
Creditors: amounts falling due after one year	8	<u>-</u>	<u>(77,500)</u>
NET ASSETS		<u>£ 581,787</u>	<u>£ 200,969</u>
CAPITAL AND RESERVES			
Called-up share capital	10	154,751	200,001
Capital reserve		45,250	-
Profit and loss account	11	381,786	968
Equity shareholders' funds		<u>581,786</u>	<u>200,968</u>
Non-equity shareholders' funds		<u>1</u>	<u>1</u>
TOTAL SHAREHOLDERS' FUNDS		<u>£ 581,787</u>	<u>£ 200,969</u>

The financial statements on pages 4 to 11 were approved by the Board on 26 February 1998 and were signed on its behalf by:

D J Wills)	Directors	<i>David Wills</i>
M J Hallala)		
			<i>M. J. Hallala</i>

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

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 1997

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.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is shown after charging:

	1997	1996	Consolidated 1996
Auditor's remuneration	<u>£4,377</u>	<u>£6,169</u>	<u>£16,267</u>

3. EMPLOYEES' AND DIRECTORS' EMOLUMENTS

There were no employees of the company in the United Kingdom during the year (1996: Nil).

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

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 1997

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996	Consolidated 1996
	£	£	£
Tax credits on franked investment income	136,151	184,645	180,306
Overseas taxation	1,056	-	-
ACT payable	118,781	-	-
UK Corporation Tax at effective rate of 24%	-	-	(9,568)
Prior year adjustment	-	-	(24,000)
Transfer to deferred taxation	<u>-</u>	<u>-</u>	<u>14,627</u>
	<u>£255,988</u>	<u>£184,645</u>	<u>£161,365</u>

Corporation tax on profit for the year represents unrecovered tax credits on franked investment income.

The company has no capital losses remaining to carry forward (1996: nil).

5. FIXED ASSET INVESTMENTS

	1997	1996
	£	£
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>

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:

	1997	1996
	£	£
At 1 January 1997	8,637	8,764
Provisions	<u>-</u>	<u>(127)</u>
At 31 December 1997	<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 ACCOUNTS (continued)

for the year ended 31 December 1997

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	1997	1996
	£	£
Cost		
At 1 January	1,113,838	2,552
Additions	<u>-</u>	<u>1,111,286</u>
At 31 December	<u>1,113,838</u>	<u>1,113,838</u>
Net book value 31 December 1996 and 1997	<u>£1,113,838</u>	<u>£1,113,838</u>

	<u>Country of Registration</u>	<u>Holding</u>	<u>% of Class</u>
Albemarle Private Equity Limited (formerly Brown Shipley Venture Managers 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%
PEM Management Limited (Investment Fund Manager)	England and Wales	5,000 £1 Ord Shares	100%
Albemarle Nominees Limited (formerly BSD Nominees Limited) (Nominee Company)	England and Wales	2 £1 Ord Shares	100%

All of the above companies operated in their country of registration. PEM Management Limited and Albemarle Nominees 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 ACCOUNTS (continued)

for the year ended 31 December 1997

7. DEBTORS

	1997	1996
	£	£
Amounts falling due within one year:		
Amount due from subsidiary undertakings	525,335	52,892
Corporation tax recoverable	112,471	193,935
Income tax recoverable	69,206	-
Prepayments and accrued income	<u>1,523</u>	<u>688</u>
	<u>£ 708,535</u>	<u>£ 247,515</u>

8. CREDITORS

	1997	1996
	£	£
Amounts falling due within one year:		
Unsecured loan notes	12,500	77,500
Bank overdraft	372,507	-
Amounts owed to parent company	650,375	-
Amounts owed to subsidiary undertakings	-	40,000
ACT payable	118,781	-
Other creditors	90,394	930,953
Accruals	4,666	17,454
Dividends payable	<u>-</u>	<u>49,388</u>
	<u>£1,249,223</u>	<u>£1,115,295</u>

Amounts falling due after one year:

Unsecured loan notes	<u>£ -</u>	<u>£ 77,500</u>
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The unsecured loan notes were issued on 20 December 1996 in connection with the acquisition of shares in Albemarle Private Equity Limited (formerly Brown Shipley Venture Managers Limited).

Following the acquisition of the Company by Private Equity Limited (see note 12), £130,000 of the unsecured loan notes were exchanged for guaranteed loan notes issued by the purchaser.

The remaining unsecured loan notes issued by the Company are repayable on 30 April 1998 and are entitled to quarterly interest at a rate of 6% per annum.

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 1997

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

	1997	1996
Authorised:		
Equity Shares		
250,000 Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
Non-equity Shares		
1 Preference Share of £1 each	<u>1</u>	<u>1</u>
	<u>£250,001</u>	<u>£250,001</u>
Allotted, called up and fully paid:		
Equity Shares		
154,750 Ordinary Shares of £1 each	154,750	200,000
Non-equity Shares		
1 Preference Share of £1 each	<u>1</u>	<u>1</u>
	<u>£154,751</u>	<u>£200,001</u>

The preference share was issued to Brown, Shipley and Co. Limited on 2 April 1996 and shall be redeemed at par by the Company on the business day immediately following the sale of the Company's investment in Drallim Industries Limited or, if no sale occurs, 31 March 1998. The share is entitled to a dividend of 50% of any profit made on the sale of the Company's investment in Drallim industries Limited.

11. RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT

	1997	1996
	£	£
Profit for the financial year	901,193	1,278,261
Share buy back distribution	(475,125)	-
Dividend paid	-	(1,627,671)
Transfer to capital reserve	(45,250)	-
Net addition/(reduction) to shareholders' funds	380,818	(349,410)
Opening shareholders' funds	<u>968</u>	<u>350,378</u>
Closing shareholders' funds	<u>£381,786</u>	<u>£ 968</u>

ALBEMARLE GENERAL PARTNER LIMITED

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 1997

12. ULTIMATE PARENT UNDERTAKING

On 20 June 1997, the entire share capital of Albemarle General Partner Limited (formerly Brown Shipley Development Capital Limited) was acquired by Private Equity Limited, a company incorporated in England and Wales.

With effect from 20 June 1997, therefore, 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 there were the following related party transactions:

- (a) the receipt of distribution of income and capital gains as payment for the general partner's management charge from the Brown Shipley Development Capital Fund, The Second Brown Shipley Fund, The Second Brown Shipley Fund II. The amount received in the period is £1,681,110.
- (b) the executive directors of the Company and their related party interests as defined by Financial Reporting Standard No 8 have limited partner interests and founder partner interests in the Brown Shipley Development Capital Fund, The Second Brown Shipley Fund, The Second Brown Shipley Fund II. Distributions in respect of such interests are governed by individual limited partnership agreements.
- (c) the Company's economic interests in the Brown Shipley Development Capital Fund, The Second Brown Shipley Fund, and The Second Brown Shipley Fund II have been assigned to certain of the executive directors and their interests.
- (d) during the year, the Company paid £705,204 to certain directors following the acquisition of Albemarle Private Equity Limited on 20 December 1996.
- (e) included within the creditors falling due within one year is an amount of £89,976 representing deferred consideration payable to D J Wills following the acquisition of Albemarle Private Equity Limited.
- (f) the £155,000 unsecured loan notes relating to the acquisition of Albemarle Private Equity Limited were issued to certain directors and their related interests. During the year, £12,500 was repaid and £130,000 was exchanged for guaranteed loan notes issued by Private Equity Limited.

REPORT OF THE AUDITORS

TO THE MEMBERS OF ALBEMARLE GENERAL PARTNER LIMITED (formerly Brown Shipley Development Capital Limited)

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

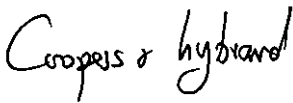
BASIS OF OPINION

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 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 affairs of the Company as at 31 December 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

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

~~26 February~~ 1998
16 March