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ALBEMARLE PRIVATE EQUITY LIMITED**DIRECTORS' REPORT**

The Directors present their report and audited financial statements 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 Venture Managers Limited to Albemarle Private Equity Limited.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company continues to be that of an investment fund manager. During the year under review this business has been maintained on a similar pattern and scale, and will continue to do so in the foreseeable future.

RESULTS

	Year to 31 December 1997	Nine months 31 December 1996
	£	£
Profit and loss account brought forward	-	2,932
Profit for the year after taxation	112,940	24,000
Dividend proposed	(100,000)	(26,932)
Profit and loss account carried forward	<u>12,940</u>	<u>-</u>

DIVIDEND

No dividends were paid during the year (1996: £10.99 per 'A' Ordinary share) but a dividend of £100,000 is proposed, (1996: Nil).

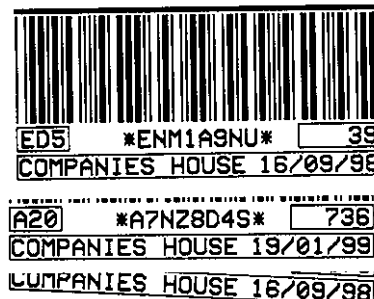
FIXED ASSETS

Significant changes in fixed assets are detailed in note 7 to the accounts.

DIRECTORS

The directors during the year were:

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)

**DIRECTORS' AND OFFICERS LIABILITY INSURANCE**

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

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ALBEMARLE PRIVATE EQUITY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

On 20 June 1997, the entire issued share capital of Albemarle General Partner Limited, the intermediate parent 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), the intermediate parent company:

	As at 31.12.97 Ordinary Shares of £1 each fully paid	As at 31.12.96 Ordinary Shares 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	-	-

At 31 December 1997, D J Wills had a direct or beneficial interest in 42,000 and 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' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that 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.

ALBEMARLE PRIVATE EQUITY LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

REGISTERED OFFICE

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

ANNUAL GENERAL MEETING

The eighth Annual General Meeting of the Company will be held at 1 Albemarle Street, London W1X 3HF at 2.10pm on 13 May 1998.

By order of the Board



M J Hallala
Company Secretary

1 Albemarle Street
London W1X 3HF

26 February 1998

ALBEMARLE PRIVATE EQUITY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	Note	31 December 1997	Nine months to 31 December 1996
		£	£
TURNOVER	2	1,357,607	1,295,557
ADMINISTRATIVE EXPENSES	2	(1,228,594)	(1,299,667)
OPERATING PROFIT/(LOSS)		129,013	(4,110)
INTEREST RECEIVABLE AND SIMILAR INCOME			
Bank interest		3,331	10,277
OTHER INCOME			
Profit on disposal of fixed asset		<u>660</u>	<u>2,220</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		133,004	8,387
Taxation	5	(<u>20,064</u>)	<u>15,613</u>
PROFIT AFTER TAXATION FOR THE FINANCIAL PERIOD		112,940	24,000
RETAINED PROFIT BROUGHT FORWARD		<u>-</u>	<u>2,932</u>
		112,940	26,932
Dividends (including non-equity)	6	(<u>100,000</u>)	<u>(26,932)</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>12,940</u></u>	<u><u>-</u></u>

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

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 profit for the year above arises solely from continuing operations.

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

ALBEMARLE PRIVATE EQUITY LIMITED

BALANCE SHEET

at 31 December 1997

	Note	1997	1996
		£	£
FIXED ASSETS			
Tangible fixed assets	7	<u>88,894</u>	<u>107,414</u>
CURRENT ASSETS			
Other debtors: amounts falling due within one year	8	145,877	103,374
Cash at bank and in hand		<u>29,053</u>	<u>183,681</u>
		174,930	287,055
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	9	(<u>245,884</u>)	(<u>389,469</u>)
NET CURRENT LIABILITIES		(70,954)	(102,414)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,940</u>	<u>5,000</u>
NET ASSETS		<u>17,940</u>	<u>5,000</u>
CAPITAL AND RESERVES			
Called up share capital	10	5,000	5,000
Profit and loss account		<u>12,940</u>	<u>-</u>
Equity Shareholders' Funds		15,390	2,450
Non-equity Shareholders' Funds		2,550	2,550
TOTAL SHAREHOLDERS' FUNDS		<u>17,940</u>	<u>5,000</u>

Approved by the Board on 26 February 1998

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

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

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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) **Fixed assets**

Fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight line basis at the following rates:

Motor cars - 25% per annum

Furniture and equipment - 20% per annum

(d) **Operating lease**

The annual rentals are charged to operating profit on a straight line basis over the lease term.

(e) **Deferred taxation**

Deferred taxation is provided using the liability method to the extent that it is probable a liability or asset will crystallise.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover consists entirely of fees earned in the United Kingdom and comprises:

	Nine months to 31 December	
	1997	1996
	£	£
Directors' fees	148,956	119,517
Fund management fees	<u>1,208,651</u>	<u>1,176,040</u>
	<u>1,357,607</u>	<u>1,295,557</u>

Administrative expenses include:

	Nine months to 31 December	
	1997	1996
	£	£
Auditors' remuneration	6,825	9,475
Other fees to auditors	11,273	7,500
Depreciation	<u>42,510</u>	<u>31,726</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1997

3. EMPLOYEES

Staff costs, including directors' emoluments, were:

	Nine months to 31 December	
	1997	1996
	£	£
Salaries	655,266	841,394
Social security costs	64,308	88,739
Other pension costs	<u>94,554</u>	<u>74,400</u>
Aggregate remuneration	<u>814,128</u>	<u>1,004,533</u>

The average number of persons employed by the Company in the United Kingdom during the year was 8 (1996 : 8).

The Company operates a defined contribution pension scheme, Albemarle Private Equity Pension Scheme, for the benefit of all directors and employees, subject to eligibility. The Company contributes 15% of gross salary to the scheme.

4. DIRECTORS' EMOLUMENTS

	Nine months to 31 December	
	1997	1996
	£	£
Aggregate remuneration including benefits in kind	572,095	780,677
Pension contributions	<u>79,752</u>	<u>65,138</u>
	<u>651,847</u>	<u>845,815</u>
Included in aggregate remuneration above (excluding pension contributions):		
Remuneration of highest paid director	<u>157,430</u>	<u>196,135</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1997

5. TAXATION

Taxation based on the profit for the year:

	1997	Nine months to 31 December 1996
	£	£
Corporation tax at effective rate of 23.25% (31.12.96 : 24%)	(20,064)	(8,387)
Prior year adjustment	<u>—</u>	<u>24,000</u>
	<u>(20,064)</u>	<u>15,613</u>

6. DIVIDENDS

	1997	Nine months to 31 December 1996
	£	£
Dividends on equity shares:		
'A' Ordinary		
Interim paid	—	26,932
Final proposed	100,000	—
Dividends on non-equity shares:		
'B' Ordinary		
Final proposed	<u>—</u>	<u>—</u>
	<u>100,000</u>	<u>26,932</u>

7. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Furniture & Equipment £	Total £
At cost 1 January 1997	143,013	52,186	195,199
Additions during the period	26,613	7,568	34,181
Disposals	<u>(20,468)</u>	<u>(3,108)</u>	<u>(23,576)</u>
At cost 31 December 1997	<u>149,158</u>	<u>56,646</u>	<u>205,804</u>
Depreciation 1 January 1997	(47,260)	(40,525)	(87,785)
Charge for the period	(35,413)	(7,097)	(42,510)
Disposals	<u>10,660</u>	<u>2,725</u>	<u>13,385</u>
Depreciation 31 December 1997	<u>(72,013)</u>	<u>(44,897)</u>	<u>(116,910)</u>
Net book value 31 December 1997	<u>77,145</u>	<u>11,749</u>	<u>88,894</u>
Net book value 31 December 1996	<u>95,753</u>	<u>11,661</u>	<u>107,414</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1997

8. DEBTORS

	1997	1996
	£	£
Amounts falling due within one year:		
Amount due from fellow subsidiaries	37,165	-
Other debtors	59,838	57,093
Prepayments and accrued income	<u>48,874</u>	<u>46,281</u>
	<u>145,877</u>	<u>103,374</u>

9. CREDITORS

	1997	1996
	£	£
Corporation tax	20,064	1,654
ACT payable	-	6,733
Amounts owed to parent company	25,335	-
Amounts owed to fellow subsidiaries	-	10,969
Trade creditors	46,936	81,963
Other taxation and social security	6,439	2,550
Accruals	47,110	285,600
Dividends payable	<u>100,000</u>	<u>-</u>
	<u>245,884</u>	<u>389,469</u>

10. CALLED UP SHARE CAPITAL

	31 December 1997	31 December 1996
	£	£
Authorised:		
Equity shares		
2,450 'A' Ordinary Shares of £1 each	2,450	2,450
Non-equity shares		
2,550 'B' Ordinary Shares of £1 each	<u>2,550</u>	<u>2,550</u>
	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid:		
Equity shares		
2,450 'A' Ordinary Shares of £1 each	2,450	2,450
Non-equity shares		
2,550 'B' Ordinary Shares of £1 each	<u>2,550</u>	<u>2,550</u>
	<u>5,000</u>	<u>5,000</u>

These shares have different voting and dividend rights.

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1997

11. COMMITMENTS UNDER OPERATING LEASES

The total rentals under operating leases, charged as an expense in the profit and loss account, are disclosed below:

	Nine months to 31 December	
	1997	1996
	£	£
Other assets	<u>107,175</u>	<u>101,588</u>

Commitments under leases to pay rentals during the year following these accounts are given in the table below, analysed according to the year in which each lease expires.

Obligations under operating leases comprise:

	1997	1996
	£	£
Other assets:		
Expiring in one year or less	37,500	124,162
Expiring in two to three years	<u>75,000</u>	<u>-</u>
	<u>112,500</u>	<u>124,162</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Nine months to 31 December	
	1997	1996
	£	£
Profit for the financial year	112,940	24,000
Ordinary dividends	(100,000)	(26,932)
Net addition/(reduction) to shareholders' funds	12,940	(2,932)
Opening shareholders' funds	<u>5,000</u>	<u>7,932</u>
Shareholders' funds at 31 December 1997	<u>17,940</u>	<u>5,000</u>

13. 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.

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1997

14. 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.

15. RELATED PARTY TRANSACTIONS

The controlling party is Albemarle General Partner Limited (formerly Brown Shipley Development Capital 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.

The Company receives management fees from Albemarle General Partner Limited and Private Equity Managers Limited as disclosed in note 2, for the management of funds, in which the directors of the Company or parties related to them have limited partner and founder partners' interests.

REPORT OF THE AUDITORS

TO THE MEMBERS OF ALBEMARLE PRIVATE EQUITY LIMITED (formerly Brown Shipley Venture Managers Limited)

We have audited the financial statements on pages 4 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 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.

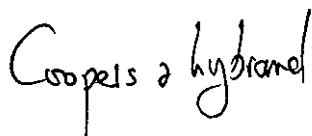
BASIS OF OPINION

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 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 the Company's affairs at 31 December 1997 and of its profit 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