

ALBEMARLE PRIVATE EQUITY LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1998**

Registered Number 2469265



ALBEMARLE PRIVATE EQUITY LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements 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 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

	1998 £	1997 £
Profit and loss account brought forward	12,940	-
Profit for the year after taxation	111,568	112,940
Dividend proposed	(100,000)	(100,000)
Profit and loss account carried forward	<u>24,508</u>	<u>12,940</u>

DIVIDEND

The directors recommend the payment of a dividend of £100,000 for the year ended 31 December 1998.

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)
G L Barnes
M J Hallala
A D Moye
R D Parker

ALBEMARLE PRIVATE EQUITY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' AND OFFICERS LIABILITY INSURANCE

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

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	As at 1.1.98
	Ordinary Shares	Ordinary Shares
	of £1 each fully paid	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' 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 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 PRIVATE EQUITY LIMITED

DIRECTORS' REPORT (continued)

YEAR 2000 COMPLIANCE

The Company 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.

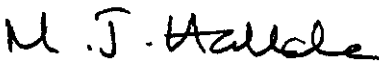
AUDITORS

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

ANNUAL GENERAL MEETING

The ninth Annual General Meeting of the Company will be held at 1 Albemarle Street, London W1X 3HF at 2.10pm on 19 May 1999.

By order of the Board



M J Hallala
Company Secretary

1 Albemarle Street
London W1X 3HF

24 February 1999

ALBEMARLE PRIVATE EQUITY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER	2	1,259,396	1,357,607
ADMINISTRATIVE EXPENSES	2	(1,164,796)	(1,228,594)
OPERATING PROFIT		94,600	129,013
INTEREST RECEIVABLE AND SIMILAR INCOME			
Bank interest		(339)	3,331
OTHER INCOME			
Profit on disposal of fixed assets		<u>8,372</u>	<u>660</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		102,633	133,004
Taxation	5	<u>8,935</u>	<u>(20,064)</u>
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		111,568	112,940
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>12,940</u>	<u>-</u>
		124,508	112,940
Dividends (including non-equity)	6	<u>(100,000)</u>	<u>(100,000)</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u><u>24,508</u></u>	<u><u>12,940</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 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible fixed assets	7	<u>82,022</u>	<u>88,894</u>
CURRENT ASSETS			
Other debtors: amounts falling due within one year	8	217,228	145,877
Cash at bank and in hand		<u>-</u>	<u>29,053</u>
		217,228	174,930
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	9	<u>(269,742)</u>	<u>(245,884)</u>
NET CURRENT LIABILITIES		(52,514)	(70,954)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,508</u>	<u>17,940</u>
NET ASSETS		<u>29,508</u>	<u>17,940</u>
CAPITAL AND RESERVES			
Called up share capital	11	5,000	5,000
Profit and loss account		<u>24,508</u>	<u>12,940</u>
Equity Shareholders' Funds		<u>26,958</u>	<u>15,390</u>
Non-equity Shareholders' Funds		<u>2,550</u>	<u>2,550</u>
TOTAL SHAREHOLDERS' FUNDS		<u>29,508</u>	<u>17,940</u>

Approved by the Board on 24 February 1999

D J Wills

)

David Wills

)

Directors

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 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) **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.

(f) **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

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

	1998 £	1997 £
Directors' fees	177,152	148,956
Fund management fees	<u>1,082,244</u>	<u>1,208,651</u>
	<u>1,259,396</u>	<u>1,357,607</u>

Administrative expenses include:

	1998 £	1997 £
Auditors' remuneration	7,450	6,825
Other fees to auditors	14,590	11,273
Depreciation	<u>41,113</u>	<u>42,510</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

3. EMPLOYEES' AND DIRECTORS' EMOLUMENTS

Staff costs, including directors' emoluments, were:

	1998 £	1997 £
Salaries	683,643	655,266
Social security costs	72,303	64,308
Other pension costs	<u>99,096</u>	<u>94,554</u>
Aggregate remuneration	<u>855,042</u>	<u>814,128</u>

The average number of persons employed by the Company in the United Kingdom during the year was 8 (1997 : 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

	1998 £	1997 £
Aggregate remuneration including benefits in kind	600,537	572,095
Pension contributions	<u>83,160</u>	<u>79,752</u>
	<u>683,697</u>	<u>651,847</u>
Included in aggregate remuneration above (excluding pension contributions):		
Remuneration of highest paid director	<u>153,349</u>	<u>157,430</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

5. TAXATION

Taxation based on the profit for the year:

	1998 £	1997 £
Corporation tax at effective rate of 21% (1997 : 23.25%)	-	(20,064)
Over-provision in respect of prior years	<u>8,935</u>	<u>-</u>
	<u><u>8,935</u></u>	<u><u>(20,064)</u></u>

6. DIVIDENDS

	1998 £	1997 £
Dividends on equity shares:		
'A' Ordinary		
Final proposed	<u>100,000</u>	<u>100,000</u>
	<u><u>100,000</u></u>	<u><u>100,000</u></u>

7. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Furniture & Equipment £	Total £
At cost 1 January 1998	149,158	56,646	205,804
Additions during the period	26,500	8,619	35,119
Disposals	(18,844)	(1,506)	(20,350)
At cost 31 December 1998	<u>156,814</u>	<u>63,759</u>	<u>220,573</u>
Depreciation 1 January 1998	(72,013)	(44,897)	(116,910)
Charge for the period	(36,995)	(4,118)	(41,113)
Disposals	<u>18,844</u>	<u>628</u>	<u>19,472</u>
Depreciation 31 December 1998	(90,164)	(48,387)	(138,551)
Net book value 31 December 1998	<u><u>66,650</u></u>	<u><u>15,372</u></u>	<u><u>82,022</u></u>
Net book value 31 December 1997	<u><u>77,145</u></u>	<u><u>11,749</u></u>	<u><u>88,894</u></u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

8. DEBTORS

	1998	1997
	£	£
Amounts falling due within one year:		
Amount due from group companies	94,000	37,165
Other debtors	42,959	59,838
Prepayments and accrued income	<u>80,269</u>	<u>48,874</u>
	<u>217,228</u>	<u>145,877</u>

9. CREDITORS

	1998	1997
	£	£
Corporation tax	-	20,064
Amounts owed to parent company	-	25,335
Trade creditors	33,342	46,936
Other taxation and social security	2,156	6,439
Accruals	58,226	47,110
Dividends payable	100,000	100,000
Bank overdraft	<u>76,018</u>	<u>-</u>
	<u>269,742</u>	<u>245,884</u>

These shares have different voting and dividend rights.

10. COMMITMENTS UNDER OPERATING LEASES

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

	1998	1997
	£	£
Other assets	<u>62,063</u>	<u>107,175</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:

	1998	1997
	£	£
Other assets:		
Expiring in one year or less	37,500	37,500
Expiring in two to three years	<u>37,500</u>	<u>75,000</u>
	<u>75,000</u>	<u>112,500</u>

ALBEMARLE PRIVATE EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 1998

11. CALLED UP, ALLOTTED AND FULLY PAID SHARE CAPITAL

	1998 £	1997 £
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>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	111,568	112,940
Ordinary dividends	<u>(100,000)</u>	<u>(100,000)</u>
Net addition to shareholders' funds	11,568	12,940
Opening shareholders' funds	<u>17,940</u>	<u>5,000</u>
Shareholders' funds at 31 December	<u>29,508</u>	<u>17,940</u>

13. ULTIMATE PARENT UNDERTAKING

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 1998

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. 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 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

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.

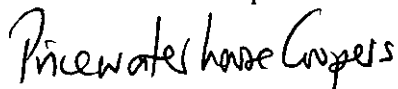
BASIS OF OPINION

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