

DUKE STREET CAPITAL IV LIMITED

Annual report & consolidated financial statements
For the year ended 31 December 2001



Company No: 3565673

Report of the directors

The directors herewith submit their annual report, together with the audited financial statements of the company for the year ended 31 December 2001.

Business review and results:

These financial statements are consolidated on the basis set out on page 9 and include the activities of Duke Street Capital IV Limited ('DSCIV'), a wholly owned subsidiary of Penguin Holdings Limited, a Guernsey incorporated company.

DSCIV has continued to act as the general partner and manager of the EUR 650 million private equity fund, Duke Street Capital IV Fund. For the purposes of these consolidated financial statements the economic combination of DSC IV and Duke Street Capital IV Fund is defined as the Group, although Duke Street Capital IV Fund is financed by a range of independent investors via their financial commitments as limited partners. Duke Street Capital IV Fund, comprising the Duke Street Capital IV UK No 1 Limited Partnership, the Duke Street Capital IV UK No 2 Limited Partnership, the Duke Street Capital IV UK No 3 Limited Partnership, the Duke Street Capital IV US No 1 Limited Partnership and Duke Street Capital IV US No 2 Limited Partnership, was established in 1999 for the purposes of achieving long term growth by investment in management buy-outs, development capital and other securities, including underwriting, both in the United Kingdom and in other European countries.

During the year DSC IV continued to act as manager to the Duke Street Capital IV Limited Partnerships' businesses and the application of their assets into such investments, which the company identified, acquired, realised and managed. Both DSC IV and Duke Street Capital IV Fund continued to make progress with good profitable returns being realised and expected for shareholders and investors.

The company is regulated by the Financial Services Authority.

The results for the current year are set out on page 6.

Suppliers:

We are committed to establishing mutually beneficial relationships with our suppliers and it is our policy to pay them within 30 days of the invoice date, or as otherwise agreed. The aggregate amount owed to trade creditors at 31 December 2001 represented 22 days of purchases.

Dividends:

No dividends have been paid or proposed during the year. (2000 dividend - nil)

Report of the directors continued

Directors:

The Directors who held office during the year are shown below:

E G I F Truell	
G W Lee	Resigned on the 30 March 2001
P L Taylor	
F J F Chauffier	
J R C Weir	
J C M Hudson	
T J B Scott	
P Maxwell	
J Brock	Appointed on the 24 January 2001
T Lebus	Appointed on the 18 June 2001
J Belkin	Appointed on the 28 January 2002
I Kennedy	Appointed on the 14 February 2002
G Cheek	Appointed on the 14 February 2002

Directors' Interests:

According to the register of directors' interests, no director holding office at 31 December 2001 had any beneficial interest in the shares of the company during the period.

The other beneficial interests in shares, debentures and options in group companies at 31 December 2001, were as follows:

Penguin Holdings Limited £1 Ordinary Shares:

	2001	2000
E G I F Truell	5,000	5,000
P L Taylor	5,000	5,000
F J F Chauffier	5,000	5,000
J R C Weir	5,000	5,000

Report of the directors continued

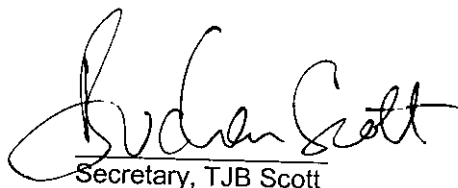
Appointment of Auditors

The company has passed an Elective Resolution to dispense with the annual appointment of Auditors; accordingly KPMG Audit Plc remains in office.

Annual General Meeting:

An Elective Resolution of the shareholders of the company pursuant to Section 366A of the Companies Act 1985 is in force, which dispenses with the obligation for the company to hold annual general meetings.

By order of the board



Secretary, TJB Scott

Dated 19 April 2002

Registered Office:

Dukes Court
32 Duke Street St James's
London SW1Y 6DF

Registered in England No: 3565673

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the Report of the Independent Auditors, is made to distinguish the responsibilities of the Directors for the financial statements from those of the Auditors.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the results for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors have responsibility for ensuring adequate accounting records which disclose with reasonable accuracy the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have a general responsibility for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the financial statements, note that the Auditors are responsible for forming an independent opinion on those financial statements and for reporting their opinions to the members.

Report of the Independent Auditors

Independent auditors' report to the members of Duke Street Capital IV Limited

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors.

The directors are responsible for preparing the directors' report and, as described on page 4 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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, 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 group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 group'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 affairs of the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants, 1 Canada Square, London E14 5AG
Registered Auditors
19 April 2002

Consolidated Profit & loss account
For the year ended 31 December 2001

Group & Company

	Note	Year ended 31 December 2001	Year ended 31 December 2000
Continuing operations		£'000	£'000
Turnover	1	4,347	4,433
Administration expenses	1	(4,350)	(4,360)
Operating (loss) / profit	3	(3)	73
Interest receivable	2	128	140
Profit on ordinary activities before taxation		125	213
Tax on profit on ordinary activities	5	(19)	(49)
Profit on ordinary activities after taxation	9	106	164

The company has no recognised gains or losses other than those included in the result for the year, and therefore no statement of total recognised gains or losses is presented.

The notes on pages 9 to 12 form part of these consolidated financial statements.

Consolidated Balance sheet

At 31 December 2001

Group & Company

	Note	31 December 2001	31 December 2000
		£'000	£'000
Current Assets			
Debtors*			
Cash at Bank	6	1,191 643	2,983 5,026
		<u>1,834</u>	<u>8,009</u>
Creditors: amounts falling due within one year	7	(1,488)	(7,769)
Net current assets		346	240
Net Assets		<u>346</u>	<u>240</u>
Capital & Reserves			
Called up share capital	8	55	55
Profit and loss account	9	291	185
Equity shareholders' funds		<u>346</u>	<u>240</u>

* Debtors of £1.191 million include £200,000 due after more than 1 year

The notes on pages 9 to 12 form part of these financial statements. The group and company's balance sheet are identical, as explained in note 1 b), since the company's financial interests as general partner do not include any share in the net assets of the Duke Street Capital IV Fund.

Approved by the Board of Directors at a meeting on 19 April 2002 and signed on its behalf by



J Belkin
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2001

	<u>Group & Company</u>	
	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Cash flows from operating activities		
Operating (Loss) / Profit	(3)	73
Decrease / (increase) in debtors	1,998	(2,129)
(Decrease) / increase in creditors	(6,247)	5,135
	<hr/>	<hr/>
<i>Net cash (outflow) / inflow from operating activities</i>	(4,252)	3,079
Returns on investment and servicing of finance		
Interest received	122	140
	<hr/>	<hr/>
<i>Net cash from investing activities</i>	122	140
Taxation	(53)	(7)
Capital expenditure and financial investment		
Loan to fellow subsidiary company	(200)	-
	<hr/>	<hr/>
(Decrease) / increase in cash	(4,383)	3,212
Cash at bank and in hand at beginning of year	5,026	1,814
	<hr/>	<hr/>
Cash at bank and in hand at end of year	643	5,026
	<hr/>	<hr/>

The notes on pages 9 to 12 form part of these consolidated financial statements.

Notes to the financial statements

At 31 December 2001

1. Accounting policies

The following accounting policies have been consistently applied in the financial statements.

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost accounting convention and applicable accounting standards.

b) Basis of consolidation

The company consolidates its attributable proportion of the assets and income of the venture capital limited partnerships which it manages as general partner and in which it has a minority interest. These partnerships are subsidiary undertakings and under the terms of the Companies Act 1985 should be consolidated in full. However, the directors consider the accounts would not give a true and fair view if the assets and income as a whole were to be consolidated since the company's interest in these assets is, except to the extent that they are proportionally consolidated, merely that of investment managers. The effect of this departure is to decrease both profit after tax and the minority interest in the profit for the year by £60.6m (2000 - £37.2m), and to reduce fixed asset investments by £322.5m (2000 - £277.5), other net assets by £8.8m (2000 - £10.6m), and the minority interest in the balance sheet by £331.4m (2000 - £288.2m).

Under Section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company's profit for the financial year was £106,000 (2000: £164,000).

c) Turnover

Turnover represents fees earned during the year and the management profit share arising from the company's role as general partner of the Duke Street Capital IV Limited Partnerships.

d) Employees' Share Ownership Plan ('ESOP')

Contributions to the ESOP are included in the charge for administration expenses as these payments are for the benefit of all persons who are necessary for the work of the company (note 10). As these contributions are non-binding and solely based on the company's audited annual profits, the costs are charged as incurred and approved by the directors.

e) Taxation

The charge for taxation is based on the result for the year and includes deferred taxation. Deferred taxation is calculated using the liability method on timing differences between the treatment of certain items for accounts and taxation purposes where a liability may be expected to arise within the foreseeable future.

f) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account.

Notes to the financial statements continued
At 31 December 2001

2. Interest

	2001 £'000	2000 £'000
Bank interest receivable	122	140
Other interest receivable	6	-
	<u>128</u>	<u>140</u>

3. Operating profit

	2001 £'000	2000 £'000
Operating profit has been arrived at after deducting:		
Auditors' remuneration - audit	9	6
- other	5	-
	<u>14</u>	<u>6</u>

4. Employees and directors

The company's employees continue to be seconded from Duke Street Capital Management Services Limited, a fellow subsidiary (note 10).

No directors are remunerated for serving in the office of a director of the company. Payments were made to directors by Duke Street Capital Management Services Limited for their services in the employment of various companies controlled by Penguin Holdings Limited. All directors of the company were included in the members accruing benefits from the Duke Street Capital Money Purchase Scheme.

5. Tax on profits on ordinary activities

	2001 £'000	2000 £'000
UK Corporation tax at 30% (2000: 30%)	(19)	(53)
Adjustment re: tax over accrued 2000	-	4
	<u>(19)</u>	<u>(49)</u>

6. Debtors

	2001 £'000	2000 £'000
Amount owed by fellow subsidiary undertaking	1,008	452
Amount owed by DSC funds	81	-
Other Debtors	102	2,461
Accrued Income and Prepayments	-	70
	<u>1,191</u>	<u>2,983</u>

Notes to the financial statements continued
At 31 December 2001

7. Creditors

	2001 £'000	2000 £'000
Amounts owed to fellow subsidiary undertaking	(301)	(193)
Other Creditors	-	(6,978)
Accruals	(1,168)	(545)
UK corporation tax payable	(19)	(53)
	<u>(1,488)</u>	<u>(7,769)</u>

8. Share Capital

	2001 £'000	2000 £'000
Authorised 1,000,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 55,000 Ordinary shares of £1 each	55	55

9. Reserves – Group & Company

	2001 £'000	2000 £'000
At 1 January	185	21
Profit for the financial year	106	164
At 31 December	<u>291</u>	<u>185</u>

Notes to the financial statements continued
At 31 December 2001

10. Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	106	164
Increase in shareholder funds	----- 106	----- 164
Opening shareholders' funds	240	76
Closing shareholders' funds	----- 346	----- 240

11. Related party transactions

The company is the general partner of five Limited partnerships for whom it manages investments. The company received Priority Profit Share from the Limited partnerships, which amounted to £4,347,275.

In order for the company to perform its role as general partner of Duke Street Capital IV Fund, a services agreement is in operation whereby a fellow subsidiary, Duke Street Capital Management Services Limited, provides services and seconds employees to the company (note 4). The company has been charged £2,798,086 by Duke Street Capital Management Services Limited for its share of expenses incurred during 2001. Duke Street Capital Management Services Limited holds the employment contracts of all persons who were necessary for the work of the company in 2001 as the company does not have any employees other than via this secondment arrangement.

Penguin Holdings Limited (note 12) is 92% owned by The Penguin Holdings Limited Employee Share Ownership Trust ('ESOP'). The ESOP is operated for the benefit of all employees and former employees of companies owned by Penguin Holdings Limited. Contributions to the ESOP are made on a non-binding but continuing basis by the company and its fellow subsidiaries in recognition of services provided by employees of Duke Street Management Services Limited. In the opinion of the company's directors, payments to the ESOP of £1,145,000 (2000: £890,000) enhanced the loyalty and motivation of those staff necessary for the company's business.

12. Ultimate parent company

The company's ultimate parent company is Penguin Holdings Limited, which is incorporated in Guernsey.