

INDUSTRI KAPITAL LIMITED

**Directors' report and financial statements
for the year ended 31 December 2003**

Registered number: 2763049



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Industri Kapital Limited

Directors' report and financial statements

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Industri Kapital Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company provides advisory services in connection with private equity investments and buy-outs to other entities within the Industri Kapital group (particularly Industri Kapital 1994 Limited, Industri Kapital 1997 Limited and Industri Kapital 2000 Limited).

The company is regulated by the Financial Services Authority.

Business review

The company made a loss after taxation and dividend of £1,059,230 (2002: profit of £8,208) for the year ended 31 December 2003.

Dividends and transfer to reserves

The company has not paid interim ordinary dividends and has not proposed a final dividend (2002: no interim dividend and £3,400,000 final dividend) in respect of the year.

The retained profit carried forward is £4,216,920 made up as follows:

	2003	2002
	£	£
Retained profit brought forward	5,276,150	5,267,942
(Loss)/profit for the year	(1,059,230)	3,408,208
Final dividend	-	(3,400,000)
Retained profit carried forward	<u>4,216,920</u>	<u>5,276,150</u>

Significant changes in fixed assets

Details of expenditure on fixed assets are shown in note 7 to the financial statements.

Industri Kapital Limited

Directors and directors' interests

The directors who held office during the year were as follows:

Detlef Dinsel
Mads Ryum Larsen
Christopher Masek
Gustav Öhman
Anne Holm Rannaleet
Michael Rosenlew
Hannu Ryöppönen
Christian Salamon
Björn Savén
Kim Wahl

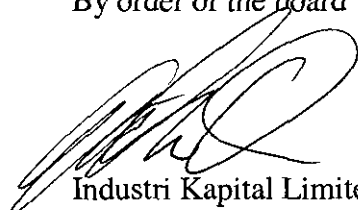
Resigned 15 August 2003

The interests of Björn Savén and Kim Wahl in the shares of the ultimate parent company are disclosed in the directors' report of that company, Industri Kapital BV (formerly Industri Kapital NV).

The interests of Gustav Öhman, Michael Rosenlew and Kim Wahl in the shares of the parent company are disclosed in the directors' report of that company, Industri Kapital Europa BV.

None of the other directors who held office at the end of the financial year had any disclosable interest in the share capital of the company.

By order of the board



Industri Kapital Limited
Gustav Öhman
Director

Brettenham House
5 Lancaster Place
London WC2E 7EN

Date: 29 March 2004

Statement of directors' responsibilities

Company law requires the directors 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 profit or loss of the company for that year. In preparing those 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Industri Kapital Limited

Independent Auditors' report to the members of Industri Kapital Limited

We have audited the financial statements on pages 7 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report, and, as described on page 5, 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 company is not disclosed.

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 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 as at 31 December 2003 and of its loss 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
Registered Auditor

Date: *29 March 2004*

Industri Kapital Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Fee income	1 vi	24,976,669	28,704,815
Operating and administration costs		<u>(26,313,668)</u>	<u>(24,170,157)</u>
Operating (loss)/profit		(1,336,999)	4,534,658
Interest received and similar income	3	368,050	977,714
Interest paid and similar charges	4	<u>(187,300)</u>	<u>(483,604)</u>
(Loss)/profit on ordinary activities before taxation	2	(1,156,249)	5,028,768
Relief/(taxation) on (loss)/profit on ordinary activities	5	<u>97,019</u>	<u>(1,620,560)</u>
(Loss)/profit on ordinary activities after taxation		(1,059,230)	3,408,208
Final dividend	6	<u>-</u>	<u>(3,400,000)</u>
Retained (loss)/profit for the financial year		(1,059,230)	8,208
Retained profit brought forward		<u>5,276,150</u>	<u>5,267,942</u>
Carried forward profit		<u>4,216,920</u>	<u>5,276,150</u>

The notes on pages 9 to 17 form part of these financial statements.

There were no gains or losses other than those included in the loss for the year. There were no differences between the historic profit and the reported loss for the year. During the year there were no discontinued operations providing profit or loss.

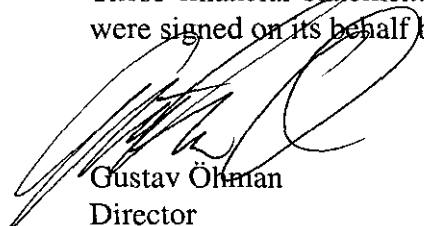
Industri Kapital Limited

Balance sheet at 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	7	<u>1,758,580</u>	<u>1,981,213</u>
Current assets			
Debtors	8	16,164,304	22,636,795
Cash at bank and in hand		<u>7,218</u>	<u>5,286</u>
		16,171,522	22,642,081
Creditors: amounts falling due within one year	9	<u>10,186,089</u>	<u>15,794,842</u>
Net current assets		<u>5,985,433</u>	<u>6,847,239</u>
Total assets less current liabilities		<u>7,744,013</u>	<u>8,828,452</u>
Creditors: amounts falling due after more than one year	10	<u>1,000,000</u>	<u>1,000,000</u>
Provisions for liabilities and charges			
Deferred taxation liability	11	<u>27,093</u>	<u>52,302</u>
Net assets		<u>6,716,920</u>	<u>7,776,150</u>
Capital and reserves			
Called up share capital	12	2,500,000	2,500,000
Retained profit		<u>4,216,920</u>	<u>5,276,150</u>
	15	<u>6,716,920</u>	<u>7,776,150</u>

The notes on pages 9 to 17 form part of these financial statements.

These financial statements were approved by the board of directors on 29 March 2004 and were signed on its behalf by:



Gustav Öhman
Director

Industri Kapital Limited

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

i. Basis of preparation

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

ii. Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment	5 years
Computer & Telecommunications equipment	3 years
Leasehold Improvements	10 years

iii. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling 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 the gains and losses on translation are included in the profit and loss account.

iv. Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

v. Turnover and cost of sales

The directors are of the opinion that turnover and cost of sales do not have meaningful equivalents in the company's business and therefore these items are not included in the profit and loss account.

vi. Fee income

Fee income and gross profit represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

Industri Kapital Limited

2. (Loss)/profit on ordinary activities before taxation

	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration - audit	66,830	52,200
Auditor's remuneration - non-audit	9,500	22,450
Depreciation	388,438	189,267
Profit on currency translation	(1,068,469)	(501,160)
Operating leases	673,432	499,195

	2003 £	2002 £
Remuneration of directors		
Directors' emoluments:		
Remuneration as executives	1,722,012	2,109,423
Directors' pensions	188,141	174,292
	<u>1,910,153</u>	<u>2,283,715</u>

The emoluments, including pension contribution, of the highest paid director was £336,067 whereof the pension contribution amounts to £18,000 (2002: £528,362 whereof the pension contribution amounts to £14,985).

Staff numbers and costs

The average number of full-time persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Numbers of employees	
	2003	2002
Investment professionals	11	12
Administration	19	16
	<u>30</u>	<u>28</u>

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The aggregate payroll costs of these persons (including directors) were as follows:

	2003	2002
	£	£
Salaries	4,140,262	4,697,370
Social security cost	390,998	404,444
Other pension costs (see note 13)	358,855	322,797
	<u>4,890,115</u>	<u>5,424,611</u>
3. Interest received and similar income		
	2003	2002
	£	£
Interest on deposits	<u>368,050</u>	<u>977,714</u>
4. Interest paid and similar charges		
	2003	2002
	£	£
On sub-ordinated loan from IK Europa BV	37,643	40,749
On overdrafts	9,531	249,663
On fees payable	140,126	193,192
	<u>187,300</u>	<u>483,604</u>
5. Taxation		
	2003	2002
	£	£
UK corporation tax	(138,741)	1,580,923
Adjustment in respect of previous years	<u>66,931</u>	<u>(12,665)</u>
Total current tax	(71,810)	1,568,258
Deferred tax – origination/reversal of timing differences	(25,209)	52,302
Tax on profit on ordinary activities	<u>(97,019)</u>	<u>1,620,560</u>

The current tax charge for the year is higher than the standard rate of corporation tax in the UK for the following reasons:

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Current tax reconciliation

Profit on ordinary activities before tax	(1,156,249)	5,028,768
Tax at 30%	(346,875)	1,508,630
Effects of:		
Expenses not deductible for tax purposes	182,925	124,595
Capital allowances for period in excess of depreciation	(4,484)	(89,828)
Other timing differences	29,693	37,526
Adjustment in respect of previous years	66,931	(12,665)
Total current tax charge	<u>(71,810)</u>	<u>1,568,258</u>

6. Dividends

	2003 £	2002 £
Ordinary shares:		
Final dividend proposed on ordinary shares	-	3,400,000
	<u>-</u>	<u>3,400,000</u>

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7. Tangible fixed assets

	Other £	Leasehold Improvements £	Computer Equipment £	Office Equipment £	Total £
Cost					
At 1 January 2003	11,549	1,244,642	294,098	742,382	2,292,671
Addition	-	-	47,746	119,802	167,548
Disposals	-	-	(16,396)	-	(16,396)
At 31 December 2003	11,549	1,244,642	325,448	862,184	2,443,823
Depreciation and diminution in value					
At 1 January 2003	-	31,116	119,072	161,270	311,458
Charge for the year	-	124,464	99,926	164,048	388,438
On disposals	-	-	(14,653)	-	(14,653)
At 31 December 2003	-	155,580	204,345	325,318	685,243
Net book value					
At 31 December 2003	11,549	1,089,062	121,103	536,866	1,758,580
At 31 December 2002	11,549	1,213,526	175,026	581,112	1,981,213

8. Debtors

	2003 £	2002 £
Trade debtors	318,770	425,282
Amounts owed by fellow group undertakings	11,182,478	19,964,911
Recharges	1,243,667	908,730
IK V Fundraising	1,811,094	732,760
Other debtors	92,643	215,988
Prepayments and accrued income	484,421	346,026
Corporation tax receivable	1,031,231	43,098
	<u>16,164,304</u>	<u>22,636,795</u>

Industri Kapital Limited

9. Creditors

	2003 £	2002 £
Amounts falling due within one year:		
Amounts owed to fellow group undertakings	3,798,686	5,159,896
Other taxes and social security	750,356	870,003
Accruals and deferred income	4,536,445	5,068,927
Final dividend proposed	-	3,400,000
Trade Creditors	1,066,333	1,243,898
Other creditors	34,269	52,118
	<u>10,186,089</u>	<u>15,794,842</u>

10. Sub-ordinated loan

	2003 £	2002 £
Sub-ordinated loan from IK Europa BV	<u>1,000,000</u>	<u>1,000,000</u>

The sub-ordinated loan is a term loan repayable upon expiry of a period of not less than two years written notice with interest payable quarterly at the LIBOR rate.

11. Provisions for liabilities and charges

	2003 £	2002 £
Deferred tax		
Opening deferred tax liability	52,302	-
Capital allowances for year in excess of depreciation	4,484	89,828
Other timing differences	(29,693)	(37,526)
Closing deferred tax (asset)/liability	<u>(27,093)</u>	<u>52,302</u>

12. Called up share capital

	2003 £	2002 £
Authorised ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>
Alotted called up, and fully paid ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>

13. Pension scheme

During the year the company contributed £358,855 (2002: £322,797) to the personal pension plans of employees.

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14. Cashflow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that the parent company includes the company in its own published consolidated financial statements, which are publicly available.

15. Reconciliation of movement in shareholders' funds for the year ended 31 December 2003

	2003 £	2001 £
(Loss)/profit for the financial year	(1,059,230)	3,408,208
Final dividend	-	(3,400,000)
Net (deduction)/addition to shareholders' funds	(1,059,230)	8,208
Opening shareholders' funds	7,776,150	7,767,942
Closing shareholder's funds	<u>6,716,920</u>	<u>7,776,150</u>

16. Ultimate holding company

The ultimate holding company is Industri Kapital BV (formerly Industri Kapital NV), a company incorporated in the Netherlands. The only group in which the results of the company are consolidated is that headed by Industri Kapital BV. A copy of the accounts maybe obtained from The Chamber of Commerce of Amsterdam at Kamer van Koophandel Amsterdam, PO Box 2852, 1000 CW Amsterdam, The Netherlands.

17. Commitments

The company has lease commitments for the year ending 31 December 2004 under non-cancellable operating leases expiring as follows:

	£
Operating lease which expires in more than five years	<u>889,310</u>

Rental costs under operating leases are charged to the profit and loss account equally over the period of the lease.

As a result of the refurbishment works carried out in 2002, Industri Kapital Ltd received rent relief in the form of a significant rent free period. The value of that rent free period has been accrued in the profit statement and amortised over a period of five years, which is the period until the first rent review of the lease.

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18. Related party transactions

The company forms part of the Industri Kapital Group of companies whose ultimate holding company is Industri Kapital BV. Under Financial Reporting Standard 8, details of related party transactions within the Group are set out below:

Advisory Fees received

Company	Relationship	2003 £	2002 £
Industri Kapital 1994 Ltd	Fellow subsidiary	866,158	381,196
Industri Kapital 1997 Ltd	Fellow subsidiary	5,394,102	5,508,473
Industri Kapital 2000 Ltd	Fellow subsidiary	17,312,347	18,212,321
		<u>23,572,607</u>	<u>24,101,990</u>

Advisory Fees paid

Company	Relationship	2003 £	2002 £
Industri Kapital AB	Fellow subsidiary	8,353,817	6,484,066
Industri Kapital AS	Fellow subsidiary	532,422	421,580
Industri Kapital SRL	Fellow subsidiary	420,787	390,551
Industri Kapital (Deutschland) GmbH	Fellow subsidiary	1,671,443	2,209,994
		<u>10,978,469</u>	<u>9,506,191</u>

Industri Kapital Limited

Amounts owed by group undertakings at 31 December 2003

Company	2003 £	2002 £
Industri Kapital International Ltd	17,163	6,399
Industri Kapital 1994 Ltd	249,558	177,421
Industri Kapital 2003 Ltd	4,549	1,533
Industri Kapital Europa BV	50,389	64,798
Industri Kapital Investment AB	-	3,271,460
IK Britain Ltd	10,734,391	16,351,308
Industri Kapital AS	-	24,061
Industri Kapital BV	123,098	39,548
Industri Kapital ApS	3,330	3,330
Industri Kapital SRL	-	25,053
	<u>11,182,478</u>	<u>19,964,911</u>

Amounts owed to group undertakings at 31 December 2003

Company	2003 £	2002 £
Industri Kapital (Deutschland) GmbH	186,908	239,351
Industri Kapital AS	127,356	-
Industri Kapital AB	2,830,907	2,813,547
Industri Kapital SRL	46,773	-
Industri Kapital 1997 Ltd	134,648	954,539
Industri Kapital 2000 Ltd	472,094	1,152,459
	<u>3,798,686</u>	<u>5,159,896</u>