

INDUSTRI KAPITAL LIMITED

Directors' report and financial statements

for the year ended 31 December 1997

Registered number: 2763049



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 1997.

Principal activities

The company provides advisory services in connection with private equity investments and buy-outs both to other entities within the Industri Kapital group (particularly Industri Kapital 1989 Limited, Industri Kapital 1994 Limited and Industri Kapital 1997 Limited) and to clients of the group.

The company is a member of The Securities and Futures Authority.

Business review

The company made a profit after taxation of £471,514 for the year ended 31 December 1997.

Dividends and transfer to reserves

The company proposes to pay an ordinary dividend of £471,514 in respect of the year.

After deducting the ordinary dividends, profit for the year retained in the company is nil.

Significant changes in fixed assets

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

Directors and directors' interests

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

Björn Savén
Kim Wahl
Harald Mix
Christian Lorenzen
Gustav Öhman
Michael Rosenlew
Detlef Dinsel appointed 27th March 1997
Mads Ryum Larsen appointed 27th June 1997
Christian Salamon appointed 27th June 1997

Industri Kapital Limited

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

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

Liability insurance

During the year the company purchased liability insurance for its officers.

By order of the board



Industri Kapital Limited
Björn Savén
Chairman and Chief Executive

Brettenham House
5 Lancaster Place
London WC2E 7EN

Date: 30 March 1998

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.



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Report of the Auditors to the Members of Industri Kapital Limited

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

Respective responsibilities of directors and auditors

As described on page 5 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 these 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.

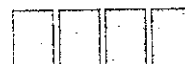
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity of 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 company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Company Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 30 March 1998



Industri Kapital Limited

Profit and loss account for the year ended 31 December 1997

	Note	1997 £	1996 £
Fee Income	1vii	5,417,595	7,223,084
Operating and administration costs		<u>(4,788,866)</u>	<u>(3,821,745)</u>
Operating profit		628,729	3,401,339
Interest received and similar income	3	139,603	125,749
Interest paid and similar charges	4	<u>(958)</u>	<u>(12,843)</u>
Profit on ordinary activities before taxation	2	767,374	3,514,245
Tax on profit on ordinary activities	5	<u>(295,860)</u>	<u>(1,263,132)</u>
Profit on ordinary activities after taxation		471,514	2,251,113
Dividend proposed	6	<u>(471,514)</u>	<u>(1,650,000)</u>
Retained profit for the financial year		<u><u>-</u></u>	<u><u>601,113</u></u>

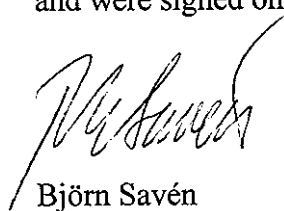
There were no gains or losses other than those included in the profit for the year. There were no differences between the historic profit and the reported profit for the year. During the year there were no discontinued operations providing profit or loss.

Industri Kapital Limited

Balance sheet at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	7	<u>125,296</u>	<u>120,021</u>
Current assets			
Debtors	8	6,014,276	1,524,101
Cash at bank and in hand		<u>1,462,684</u>	<u>3,647,739</u>
		7,476,960	5,171,840
Creditors: amounts falling due within one year	9	<u>4,980,011</u>	<u>2,669,616</u>
Net current assets		<u>2,496,949</u>	<u>2,502,224</u>
Total assets less current liabilities		<u>2,622,245</u>	<u>2,622,245</u>
Net assets		<u>2,622,245</u>	<u>2,622,245</u>
Capital and reserves			
Called up share capital	10	250,000	250,000
Retained profit		<u>2,372,245</u>	<u>2,372,245</u>
		<u>2,622,245</u>	<u>2,622,245</u>

These financial statements were approved by the board of directors on 30 March 1998 and were signed on its behalf by:



Björn Savén
Chairman and Chief Executive

Industri Kapital Limited

Cash flow statement for the year to 31 December 1997

	Note	1997 £	1996 £
Net cash (outflow)/inflow from operating activities	12	(1,430,328)	4,113,223
Returns on investments and servicing of finance			
Interest received		139,603	125,749
Interest paid		<u>(958)</u>	<u>(12,843)</u>
Net cash (outflow) /inflow from returns on investments and servicing of finance		(1,291,683)	4,226,129
Taxation			
Advance Corporation tax paid		-	(763,645)
Corporation tax paid		<u>(847,285)</u>	<u>(720,779)</u>
Tax paid		(847,285)	(1,484,424)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(63,413)	(42,282)
Sale of tangible fixed assets		<u>17,325</u>	<u>5,000</u>
Net cash outflow from capital expenditure and financial investment		(46,088)	(37,282)
Equity dividends paid			
Dividend paid		-	(1,650,000)
Net cash (outflow)/inflow before financing		<u>(2,185,056)</u>	<u>1,054,423</u>
Financing			
Repayment of subordinated loan		<u>-</u>	<u>(420,000)</u>
Net cash inflow/(outflow) from financing		<u>-</u>	<u>(420,000)</u>
(Decrease)/Increase in cash	13	<u>(2,185,056)</u>	<u>634,423</u>

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:

Motor vehicles	4 years
Computer and office equipment	5 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. Pensions and other post-retirement benefits

The company contributes to various employee owned defined benefit schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

v. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is, in the directors' opinion, probable that an actual asset or liability will crystallise.

vi. 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.

vii. 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.

2. **Profit on ordinary activities before taxation**

	1997 £	1996 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration	27,000	18,400
Depreciation	54,873	42,609
Loss on currency translation	147,845	87,997
Hire of equipment - rentals payable under operating leases	-	2,677
Other leases	78,922	51,620
Profit on disposal of assets	(14,061)	(5,000)
Remuneration of directors		
Directors' emoluments:		
Remuneration as executives	534,826	629,643
Directors' pensions	<u>95,949</u>	<u>105,465</u>
	<u>630,775</u>	<u>735,108</u>

The emoluments including pension contribution, of the highest paid director was £210,125, whereof the pension contribution amounts to £34,500 (1996: director £254,000 whereof the pension contribution amounts to £16,750).

Industri Kapital Limited

Staff numbers and costs

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

	Number of employees
Investment professionals	11
Administration	3

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

	1997 £	1996 £
Salaries	977,256	1,352,949
Social security cost	73,958	105,596
Other pension costs (see note 11)	<u>105,416</u>	<u>129,252</u>
	<u>1,156,630</u>	<u>1,587,797</u>

3. Interest received and similar income

	1997 £	1996 £
Interest on deposits	<u>139,603</u>	<u>125,749</u>

4. Interest paid and similar charges

	1997 £	1996 £
On overdrafts / sub-ordinated loan	<u>958</u>	<u>12,843</u>

5. Taxation

	1997 £	1996 £
UK corporation tax at 31.5 % (1996:33%) on the profit for the year on ordinary activities	295,860	1,259,752
Prior year adjustment	<u>-</u>	<u>3,380</u>
	<u>295,860</u>	<u>1,263,132</u>

6. Dividends

	1997 £	1996 £
Ordinary shares:		
Dividends paid and proposed on ordinary shares	<u>471,514</u>	<u>1,650,000</u>

7. Tangible fixed assets

	Motor Vehicles £	Computer Equipment £	Office Equipment £	Total £
Cost				
At 1 January	23,500	99,697	115,953	239,150
Additions	-	21,544	41,869	63,413
Disposals	(23,500)	(59,585)	(30,675)	(113,760)
At 31 December	=	<u>61,656</u>	<u>127,147</u>	<u>188,803</u>
Depreciation and diminution in value				
At 1 January	16,319	48,222	54,588	119,129
Charge for the year	3,917	28,137	22,819	54,873
On disposals	(20,236)	(59,585)	(30,675)	(110,496)
At 31 December	=	<u>16,774</u>	<u>46,732</u>	<u>63,506</u>
Net book value				
At 31 December 1997	=	<u>44,882</u>	<u>80,414</u>	<u>125,296</u>
At 31 December 1996	<u>7,181</u>	<u>51,475</u>	<u>61,365</u>	<u>120,021</u>

8. Debtors

	1997 £	1996 £
Trade debtors	2,742,620	99,056
Amounts owed by fellow group undertakings	1,617,871	1,216,154
Other debtors	1,551,766	132,373
Prepayments and accrued income	<u>102,019</u>	<u>76,518</u>
	<u>6,014,276</u>	<u>1,524,101</u>

Industri Kapital Limited

9. Creditors

	1997 £	1996 £
Due within one year		
Amounts owed to fellow group undertakings	2,136,513	387,834
Other creditors including taxation and social security:		
Corporation tax	367,568	918,993
Other taxes and social security	117,677	160,270
Accruals and deferred income	713,727	947,538
Other creditors	<u>1,644,526</u>	<u>254,981</u>
	<u>4,980,011</u>	<u>2,669,616</u>

10. Called up share capital

	1997 £	1996 £
Authorised ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted called up, and fully paid ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

11. Pension scheme

The company contributes to various employee owned defined benefit schemes. The pensions cost charge for the year represents contributions payable by the company to the funds and amounted to £105,416 (1996:£129,252).

12. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1997 £	1996 £
Operating profit	628,729	3,401,339
Depreciation charge	54,873	42,609
Profit on sale of tangible fixed assets	(14,061)	(5,000)
Increase in debtors	(4,490,175)	(315,716)
Increase in creditors	<u>2,390,306</u>	<u>989,991</u>
Net cash (outflow)/inflow from operating activities	<u>(1,430,328)</u>	<u>4,113,223</u>

13. Net Funds

	At 1.1.1997	Cash flow	Exchange movement	At 31.12.1997
	£	£	£	£
Cash at bank and in hand	3,647,739	(2,188,063)	3,008	1,462,684

14. Reconciliation of movement in shareholders' funds
for the year ended 31 December 1997

	1997	1996
	£	£
Profit for the financial year	471,514	2,251,113
Dividends	(471,514)	(1,650,000)
Net addition to shareholders' funds	-	601,113
Opening shareholders' fund	<u>2,622,245</u>	<u>2,021,132</u>
Closing shareholders' funds'	<u>2,622,245</u>	<u>2,622,245</u>

15. Ultimate holding company

The ultimate holding company is 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 NV.

16. Commitments

The company has lease commitments for the year ending 31 December 1998 under non-cancellable operating leases expiring as follows:

	£
Operating lease which expires in more than five years	100,807

Industri Kapital Limited

17. Related party transactions

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

Fees received

Company	Relationship	Nature of Transaction	Amount	
			1997 £	1996 £
Industri Kapital 1989 Ltd	Fellow subsidiary	Advisory Fees	702,598	942,449
Industri Kapital 1994 Ltd	Fellow subsidiary	Advisory Fees	2,994,677	3,440,528
Industri Kapital 1997 Ltd	Fellow subsidiary	Advisory Fees	747,824	-
			<u>4,445,099</u>	<u>4,382,977</u>

Fees paid

Company	Relationship	Nature of Transaction	Amount	
			1997 £	1996 £
Industri Kapital AB	Fellow subsidiary	Advisory Fees	2,797,303	1,672,553
Industri Kapital AS	Fellow subsidiary	Advisory Fees	214,998	260,891
Industri Kapital (Deutschland) GmbH	Fellow subsidiary	Advisory Fees	487,694	86,585
Industri Kapital NV	Ultimate Holding Company	Service Fees	49,999	29,999
			<u>3,549,994</u>	<u>2,050,028</u>

Amounts owed by group undertakings at 31 December 1997

Company	Amount	
	1997 £	1996 £
Industri Kapital 1989 Ltd	-	18,808
Industri Kapital 1994 Ltd	36,072	639,535
Industri Kapital 1997 Ltd	480,124	-
Industri Kapital AS	47,152	66,880
Industri Kapital (Deutschland) GmbH	223,864	63,532
Industri Kapital NV	67,659	107,659
Industri Kapital AB	763,000	309,782
Industri Kapital Norden B.V.	-	9,958
	<u>1,617,871</u>	<u>1,216,154</u>

Industri Kapital Limited

Amounts owed to group undertakings at 31 December 1997

Company	1997 £	1996 £
Industri Kapital 1989 Ltd	4,336	94,077
Industri Kapital 1994 Ltd	-	4,302
Industri Kapital 1997 Ltd	1,042,541	-
Industri Kapital AS	64,771	305
Industri Kapital (Deutschland) GmbH	75,893	86,585
Industri Kapital AB	948,972	202,565
	<u>2,136,513</u>	<u>387,834</u>