

INDUSTRI KAPITAL LIMITED

**Directors' report and financial statements
for the year ended 31 December 1996**

Registered number: 2763049



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 1996.

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 and Industri Kapital 1994 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 £2,251,113 for the year ended 31 December 1996.

Dividends and transfer to reserves

The company paid ordinary dividends of £1,650,000 during the year.

After deducting the ordinary dividends, profit for the year retained in the company is £601,113.

Significant changes in fixed assets

Details of expenditure on fixed assets are shown in note 9 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 appointed 25 March 1996

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.

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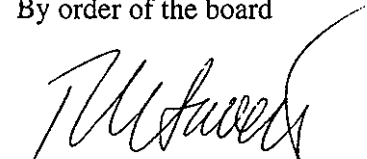
Political and charitable contributions

The company has made a provision for a charitable donation of £ 172,100.

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: 26 March 1997

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

Report of the Auditors to the Members of Industri Kapital Limited

We have audited the financial statements on pages 7 to 16.

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 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 affairs of the company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 26 March 1997



Industri Kapital Limited

Profit and loss account for the year ended 31 December 1996

	Note	1996	1995 £
Fee Income	1	7,223,084	7,182,108
Operating and administration costs		<u>(3,821,745)</u>	<u>(3,762,322)</u>
Operating profit		3,401,339	3,419,786
Interest received and similar income	5	125,749	98,113
Interest paid and similar charges	6	<u>(12,843)</u>	<u>(255)</u>
Profit on ordinary activities before taxation	2	3,514,245	3,517,644
Tax on profit on ordinary activities	7	<u>(1,263,132)</u>	<u>(1,198,094)</u>
Profit on ordinary activities after taxation		2,251,113	2,319,550
Dividends paid	8	<u>(1,650,000)</u>	<u>(1,554,575)</u>
Retained profit for the financial year		<u>601,113</u>	<u>764,975</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 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	9	<u>120,021</u>	<u>120,348</u>
Current assets			
Debtors	10	1,524,101	1,208,385
Cash at bank and in hand		<u>3,647,739</u>	<u>3,013,316</u>
		5,171,840	4,221,701
Creditors: amounts falling due within one year	11	<u>2,669,616</u>	<u>2,320,917</u>
Net current assets		<u>2,502,224</u>	<u>1,900,784</u>
Total assets less current liabilities		<u>2,622,245</u>	<u>2,021,132</u>
Net assets		<u>2,622,245</u>	<u>2,021,132</u>
Capital and reserves			
Called up share capital	13	250,000	250,000
Retained profit		<u>2,372,245</u>	<u>1,771,132</u>
		<u>2,622,245</u>	<u>2,021,132</u>

These financial statements were approved by the board of directors on 26 March 1997 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 1996

	Note	1996 £	1995 £
Net cash inflow from operating activities	15	4,113,223	3,448,370
Return on investments and servicing of finance			
Interest received		125,749	98,113
Interest paid		(12,843)	(255)
Dividends paid		<u>(1,650,000)</u>	<u>(1,554,575)</u>
Net cash outflow from returns on investments and servicing of finance		(1,537,094)	(1,456,717)
Taxation			
Advance Corporation tax paid		(763,645)	(37,500)
Corporation tax paid		<u>(720,779)</u>	<u>(577,678)</u>
Tax paid		(1,484,424)	(615,178)
Investing activities			
Purchase of tangible fixed assets		(42,282)	(52,142)
Sale of tangible fixed assets		<u>5,000</u>	<u>27,700</u>
Net cash outflow from investing activities		<u>(37,282)</u>	<u>(24,442)</u>
Net cash inflow before financing		<u>1,054,423</u>	<u>1,352,033</u>
Financing activities			
(Repayment)/Issue of subordinated loan		<u>(420,000)</u>	<u>420,000</u>
Net cash inflow/(outflow) from financing		<u>(420,000)</u>	<u>420,000</u>
Increase in cash and cash equivalents	16	<u>634,423</u>	<u>1,772,033</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.

Basis of preparation

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

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

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.

Pensions and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

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.

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 amounts are not included in the profit and loss account.

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**

	1996 £	1995 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration		
audit	18,400	14,000
non-audit		
Depreciation	42,609	39,810
Loss on currency translation	87,997	88,328
Hire of equipment - rentals payable		
under operating leases	2,677	2,677
Other leases	51,620	51,620
Profit on disposal of assets	(5,000)	(16,622)

3. **Remuneration of directors**

Directors' emoluments:		
Remuneration as executives	629,643	362,697
Directors' pensions	<u>105,465</u>	<u>26,386</u>
	<u>735,108</u>	<u>389,083</u>

The emoluments, excluding pension contribution, of the chairman was £127,586 and highest paid director was £237,250 (1995: chairman £87,250, director £83,936).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of Directors	
	1996	1995
£0 - £10,000	1	-
£50,001 - £60,000	-	2
£80,001 - £90,000	2	3
£100,001 - £150,000	2	-
£200,001 - £250,000	1	-

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4. 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	9
Administration	3

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

	1996	1995
	£	£
Salaries	1,352,949	647,153
Social security cost	105,596	57,648
Other pension costs (see note 14)	<u>129,252</u>	<u>37,916</u>
	<u>1,587,797</u>	<u>742,717</u>

5. Interest receivable and similar income

	1996	1995
	£	£
Interest on deposits	<u>125,749</u>	<u>98,113</u>

6. Interest payable and similar charges

	1996	1995
	£	£
On overdrafts / sub-ordinated loan	<u>12,843</u>	<u>255</u>

7. Taxation

	1996	1995
	£	£
UK corporation tax at 33 % (1995:33%) on the profit for the year on ordinary activities	1,259,752	1,177,785
Prior year adjustment	3,380	3,295
Deferred taxation	=	<u>17,014</u>
	<u>1,263,132</u>	<u>1,198,094</u>

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8. Dividends

	1996 £	1995 £
Ordinary shares:		
Dividends paid on ordinary shares	<u>1,650,000</u>	<u>1,554,575</u>

9. Tangible fixed assets

	Motor Vehicles £	Computer Equipment £	Office Equipment £	Total £
<i>Cost</i>				
At 1 January	30,496	73,637	99,731	203,864
Additions	--	26,060	16,222	42,282
Disposals	<u>(6,996)</u>	<u>--</u>	<u>--</u>	<u>(6,996)</u>
At 31 December	<u>23,500</u>	<u>99,697</u>	<u>115,953</u>	<u>239,150</u>
<i>Depreciation and diminution in value</i>				
At 1 January	17,440	31,566	34,510	83,516
Charge for the year	5,875	16,656	20,078	42,609
On disposals	<u>(6,996)</u>	<u>--</u>	<u>--</u>	<u>(6,996)</u>
At 31 December	<u>16,319</u>	<u>48,222</u>	<u>54,588</u>	<u>119,129</u>
<i>Net book value</i>				
At 31 December 1996	<u>7,181</u>	<u>51,475</u>	<u>61,365</u>	<u>120,021</u>
At 31 December 1995	<u>13,056</u>	<u>42,071</u>	<u>65,221</u>	<u>120,348</u>

10. Debtors

	1996 £	1995 £
Trade debtors	99,056	396,207
Amounts owed by fellow group undertakings	1,216,154	622,229
Other debtors	132,373	126,917
Prepayments and accrued income	<u>76,518</u>	<u>63,032</u>
	<u>1,524,101</u>	<u>1,208,385</u>

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11. Creditors

	1996 £	1995 £
Due within one year		
Amounts owed to fellow group undertakings	387,834	130,043
Other creditors including taxation and social security:		
Corporation tax	918,993	1,140,285
Other taxes and social security	160,270	102,351
Accruals and deferred income	947,538	196,546
Subordinated loan	-	420,000
Other creditors	<u>254,981</u>	<u>331,692</u>
	<u>2,669,616</u>	<u>2,320,917</u>

12. Provisions for liabilities and charges

Deferred taxation

	1996 £	1995 £
At the beginning of the year	-	(17,014)
Debit for the year in the profit and loss account	-	<u>17,014</u>
At end of the year	=	=

13. Called up share capital

	1996 £	1995 £
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>

14. Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £129,252 (1995:£37,916).

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15. Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	3,401,339	3,419,786
Depreciation charge	42,609	39,810
Profit on sale of tangible fixed assets	(5,000)	(16,621)
Increase in debtors	(315,716)	(319,708)
Increase in creditors	<u>989,991</u>	<u>325,103</u>
Net cash inflow from operating activities	<u>4,113,223</u>	<u>3,448,370</u>

16. Analysis of the balances of cash and cash equivalents as shown in the balance sheet.

	1996 £	1995 £	Change in year £
Cash at bank and in hand	3,647,739	3,013,316	634,423

17. Reconciliation of movement in shareholders' funds for the year ended 31 December 1996

	1996 £	1995 £
Profit for the financial year	2,251,113	2,319,550
Dividends	<u>(1,650,000)</u>	<u>(1,554,575)</u>
Net addition to shareholders' funds	601,113	764,975
Opening shareholders' fund	<u>2,021,132</u>	<u>1,256,157</u>
Closing shareholders' funds'	<u>2,622,245</u>	<u>2,021,132</u>

18. 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. The consolidated financial statements of this group are available to the public and may be obtained from Industri Kapital NV, Herengracht 466, 1017CA Amsterdam.

19. Commitments

The company has lease commitments under non-cancellable operating leases expiring as follows:

	1996 £	1995 £
Operating leases which expire in the second to fourth years inclusive	2,677	2,677
Other lease which expires in the second to fourth years inclusive	51,620	51,620