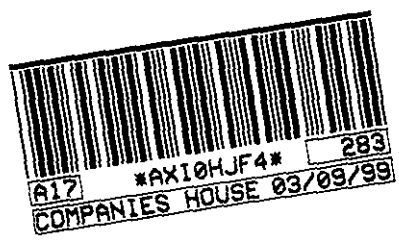


Registration number: 1899316

NATWEST EQUITY PARTNERS GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1998



NATWEST EQUITY PARTNERS GROUP LIMITED.

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is that of an investment holding company for the National Westminster Bank Plc private equity subsidiary undertakings.

RESULTS AND DIVIDENDS

There was £82,350,000 profit for the year on ordinary activities before taxation (1997: Nil). There was a taxation charge of £7,338,000 (1997: £85,000). Interim dividends of £75,000,000 were declared during the year (1997: Nil). The directors do not recommend the payment of a final dividend (1997: Nil).

DIRECTORS

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

P Myners	(Chairman)
M I Cameron	(alternate to H A Shaw)
K H Churchman	
G Dewhurst	
G P Jones	(alternate to P Myners - resigned 5 May 1998)
C C McCann	
J J Rogerson	(alternate to P Myners - appointed 5 May 1998)
D R Shaw	
H A Shaw	

NATWEST EQUITY PARTNERS GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS

The interests, all beneficial, of those who were directors at 31 December 1998 in the Ordinary Shares of National Westminster Bank Plc were:

Ordinary Shares of £1 each

	SHARE OPTIONS							
	As at 1st	As at 31st	As at 1st	Granted during		Exercised		As at
	January	December	January	the year		during		31st
	1998	1998	1998	(exercisable		the year		December
	or date of		or date of	between 2001				r
	appointment		appointment	and 2008)				1998
	if later		if later	Options	Price	Options	Price	
					(p)		(p)	
M I Cameron	5,348	5,496	39,257	6,600	1101	518	399	45,546
				207	941			
K H Churchman	-	-	578	219	941	-	-	797
G Dewhurst	9,992	9,982	1,634	207	941	-	-	1,841
C C McCann	1,936	2,798	2,331	207	941	862	261	1,676
J J Rogerson	3,044	5,512	40,916	207	941	4,796	503	36,327
D R Shaw	5,693	5,786	932	207	941	-	-	1,139
H A Shaw	16,519	18,858	48,709	207	941	363	399	48,553

Mr Myners is a director of National Westminster Bank Plc and his interest in the share and loan capital of National Westminster Bank Plc are disclosed in the Report of the Remuneration Committee of that company contained in its Annual Report and Accounts for 1998.

Options outstanding are exercisable at share prices between 399p and 1101p per share. Options granted under the National Westminster Bank Plc Executive Share Option Schemes are exercisable subject to the achievement of stretching performance conditions.

None of the directors in office during the year ended 31 December 1998 held any interest in the share or loan capital of the Company.

NATWEST EQUITY PARTNERS GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS (continued)

MEDIUM TERM EQUITY PLAN

During 1998, certain NatWest Group employees were granted potential awards under the Medium Term Equity Plan. This is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to stretching performance criteria.

As at 31 December 1998, 1,487,592 (1997: 1,411,552) shares were held by the independent trustee for the Plan and, in the terms of the trust deed setting up the Plan, all employees and directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST)

In October 1997 the Bank established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the Bank's Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly owned subsidiary.

As at 31 December 1998 604,627 (1997: 1,566,065) ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

PAYMENT OF SUPPLIERS

The company has no suppliers. If they did, they would be paid through the fellow subsidiary undertaking, NatWest Equity Partners Limited, and its policy is as follows:

"The Company's suppliers are vital to its success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that must apply to all our dealings. It is the Company's policy:

- a) wherever appropriate, to settle the terms of payment when agreeing the terms of each transaction;
- b) to ensure the supplier is aware of the terms; and
- c) to abide by them.

In all other circumstances, NatWest Equity Partners Limited is committed to paying suppliers within 30 days of receipt of a valid invoice

NATWEST EQUITY PARTNERS GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

YEAR 2000

In common with other businesses in the financial service industry, the Company uses computer systems which may be affected by problems resulting from the use of only two digits to identify the year in date fields (Year 2000 problem).

Full disclosure of the NatWest Equity Partners Group's approach to the Year 2000 problem is made in the Report and Financial Statements of NatWest Equity Partners Limited.

AUDITORS

The Company has passed an Elective Resolution to dispense with the annual appointment of auditors; accordingly KPMG Audit Plc remain in office.

By Order of the Board



R M Robertson
Secretary

Date: 22 February 1999

NATWEST EQUITY PARTNERS GROUP LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR FINANCIAL REPORTING

The following statement, which should be read in conjunction with the Report of the Auditors on page 6, is made to enable shareholders to distinguish the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare, for each financial year, financial statements which 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 results for that financial year.

The directors confirm that the financial statements set out on pages 7 to 13 have been prepared on the going concern basis and consider that in preparing those financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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


The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial control which includes procedures such as physical controls, segregation of duties, credit, trading and other authorisation limits throughout the company, is designed to provide reasonable, but not absolute, assurance

- as to the reliability and integrity of the accounts;
- that assets are safeguarded and only authorised transactions are entered into; and
- that fraud and other irregularities are prevented and detected.

In devising internal financial controls, the Board has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the costs of the control.

The system of internal control is subject to close scrutiny by management and internal audit.

For and on behalf of the Board of Directors

 Director

D R Shaw

22 February 1999

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
NATWEST EQUITY PARTNERS GROUP LIMITED**

We have audited the financial statements on pages 7 to 13.

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 the Company's affairs 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

22 February 1999

NATWEST EQUITY PARTNERS GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £000	1997 £000
Income from Investment in Group Undertaking	2	82,350	-
Profit on ordinary activities before taxation	3	82,350	-
Taxation	4	(7,338)	(85)
Profit / (Loss) on ordinary activities after taxation		75,012	(85)
Dividends	5	(75,000)	-
Retained Profit / (Loss) for the financial year		12	(85)

The results above relate to continuing operations. The Company has no recognised gains or losses other than those included in the profit and loss account above. Therefore, no statement of recognised gains or losses is included.

STATEMENT OF REVENUE RESERVES

	1998 £000	1997 £000
Balance brought forward at 1st January	(81)	4
Retained Profit / (Loss) for the financial year	12	(85)
Balance carried forward at 31st December	(69)	(81)

NATWEST EQUITY PARTNERS GROUP LIMITED

BALANCE SHEET AS AT 31st DECEMBER 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Investments	8	48,906	48,041
CURRENT ASSETS			
Debtors	9	12	-
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	10	(13,987)	(13,122)
NET CURRENT LIABILITIES		(13,975)	(13,122)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,931</u>	<u>34,919</u>
CAPITAL AND RESERVES			
Called-up share capital	11	35,000	35,000
Profit and loss account		(69)	(81)
EQUITY SHAREHOLDERS' FUNDS	13	<u>34,931</u>	<u>34,919</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on 22 February 1999 and signed on its behalf by

 Director

D R Shaw

22 February 1999

The notes on pages 9 to 13 form part of these financial statements.

NATWEST EQUITY PARTNERS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 1998

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Group Accounts

Group accounts have not been prepared. The Company is a wholly-owned subsidiary of another company incorporated in Great Britain and is therefore exempt from the requirement to prepare group accounts by virtue of S228 of the Companies Act 1985. Consolidated accounts are prepared by the ultimate parent company.

(c) Cash Flow Statement

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow is included in the ultimate parent company's financial statements which are publicly available.

(d) Related Party Transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent company are publicly available.

(e) Investments

Investments in subsidiary undertakings are stated at cost less amounts written off. Provisions are only made where in the opinion of the Directors there is a permanent diminution in value.

Only dividends received and receivable from subsidiary undertakings are credited to the Company's profit and loss account.

(f) Taxation

Corporation tax is provided on taxable profits at the current rate of UK Corporation Tax.

NATWEST EQUITY PARTNERS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st DECEMBER 1998

2 INCOME FROM INVESTMENT IN GROUP UNDERTAKING

	1998 £000	1997 £000
Dividends Received - Unlisted investments	82,350	-

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Audit fees are borne by the company's subsidiary undertaking NatWest Equity Partners Limited and are disclosed in that company's Financial Statements for the year ended 31 December 1998.

4 TAXATION

	1998 £000	1997 £000
Group Relief @ 31% (1997 : 31.5%)	(12)	49
Adjustment to prior years	-	36
Tax credits on UK dividends received	7,350	-
	<u>7,338</u>	<u>85</u>

5 DIVIDENDS

	1998 £000	1997 £000
Interim Dividends Paid - £2.14 per share (1997 : nil)	75,000	-

6 DIRECTORS' REMUNERATION

None of the Directors received any remuneration for their services to the company during the year. (1997: nil)

7 EMPLOYEES

The Company did not employ any personnel during the year (1997: nil).

NATWEST EQUITY PARTNERS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31st DECEMBER 1998

8 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company owns 100% of the ordinary share capital of the following subsidiary undertakings:

Company	Country of Incorporation	Activity
NatWest Equity Partners (GP) Limited (Registered in England & Wales)	UK	General Partner to UK Limited Partnerships
NatWest Ventures (Nominees) Limited (Registered in England & Wales)	UK	Dormant
NatWest Equity Partners Limited (Registered in England & Wales)	UK	Venture capital management
NatWest Ventures Investments Limited (Registered in England & Wales)	UK	Provision of venture capital
NatWest Equity Partners SA (Registered in Spain)	Spain	Venture capital management
NatWest Equity Partners Italia SpA (Registered in Italy)	Italy	Venture capital advisory
NatWest Private Equity Limited (Registered in England & Wales)	UK	Venture capital management
NatWest Finance Limited (Registered in England & Wales)	UK	Provision of venture capital
NatWest Equity Partners GmbH (Registered in Germany)	Germany	Venture Capital advisory
NWEP Managerial Company Limited (Registered in England & Wales)	UK	Dormant
NatWest Equity Partners Scottish GP Limited (Registered in Scotland)	UK	General Partner to UK Limited Partnership
NatWest Equity Partners Trustee Limited (Registered in England & Wales)	UK	Trustee Company

Investments in subsidiary undertakings are stated at cost and in the opinion of the Directors the value of the investment in subsidiary undertakings is not less than the amount at which they are included in the accounts.

NATWEST EQUITY PARTNERS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st DECEMBER 1998

9 DEBTORS

	1998 £000	1997 £000
Amounts owed by parent and fellow subsidiary undertakings.	12	-

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £000	1997 £000
Amounts owed to parent and fellow subsidiary undertaking	13,987	215
Amounts owed to subsidiary undertakings	-	12,907
	<u>13,987</u>	<u>13,122</u>

11 CALLED-UP SHARE CAPITAL

	1998 £000	1997 £000
Authorised:		
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>
Issued and fully paid:		
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>

12 CONTINGENT LIABILITIES

The Company is registered with H M Customs and Excise as a member of the National Westminster Bank Plc group for VAT purposes and consequently is jointly and severally liable on a continuing basis for amounts owing by other members of the group in respect of unpaid VAT.

NATWEST EQUITY PARTNERS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st DECEMBER 1998

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £000	Profit & Loss Account £000	Total Share- holders funds £000
Balance at 1 st January 1998	35,000	(81)	34,919
Retained profit for the year	-	12	12
	<hr/>	<hr/>	<hr/>
Balance at 31 st December 1998	35,000	69	34,931
	<hr/>	<hr/>	<hr/>

14 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales. The results of NatWest Equity Partners Group Limited are consolidated in the group financial statements of National Westminster Bank Plc. These are the largest group of undertakings and smallest group of undertakings which include the results of NatWest Equity Partners Group Limited in their consolidated financial statements.

Copies of the financial statements of National Westminster Bank Plc are available at their registered office at 41 Lothbury, London, EC2P 2BP.