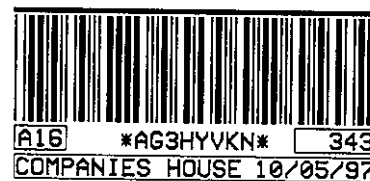


2512083

HANCOCK INTERNATIONAL PRIVATE  
EQUITY MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 1996



**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

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**FOR THE YEAR ENDED 31 DECEMBER 1996**

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**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**OFFICERS AND ADVISERS**

**DIRECTORS:** Edward W. Kane (U.S.A.)  
D. Brooks Zug (U.S.A.)

**SECRETARY:** Martha D. Vorlicek

**REGISTERED OFFICE:** 1-11 Hay Hill,  
Berkeley Square,  
London,  
W1X 7LF

**REGISTERED NUMBER:** 2512083

**REGISTERED AUDITOR:** Ernst & Young,  
Rolls House,  
7 Rolls Buildings,  
Fetter Lane,  
London,  
EC4A 1NH

**BANKERS:** National Westminster Bank p.l.c.,  
P.O. Box 4ND,  
18A Curzon Street,  
London,  
W1A 4ND

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

The directors present their report and audited accounts for the year ended 31 December 1996.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENT**

The company has continued to be engaged by Hancock Venture Partners Inc. as its representative in the United Kingdom, Continental Europe and the Pacific Rim countries through a consulting agreement. Acting as a representative, the company performs various advisory and liaison functions for Hancock Venture Partners Inc. With effect from 28 January 1997, the company will be providing similar services to HVP Partners LLC following a change of beneficial ownership, but will continue to provide services under run-off arrangements to Hancock Venture Partners Inc.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation amounts to £54,531 and has been transferred to reserves.

The directors do not recommend the payment of a dividend.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

Edward W. Kane  
D. Brooks Zug

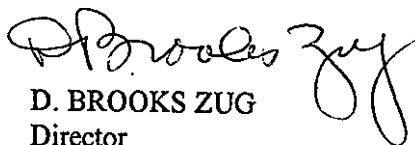
The directors' interests in the share capital of the company were as follows:

	At 31 December 1996 <u>Ordinary Shares</u>	At 1 January 1996 <u>Ordinary Shares</u>
Edward W. Kane (as nominee)	1	1
D. Brooks Zug (as nominee)	1	1

**FIXED ASSETS**

Additions to fixed assets are shown in note 7 to the accounts.

By Order of the Board

  
D. BROOKS ZUG  
Director

28 April 1997

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1996**

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective Responsibilities of Directors and Auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

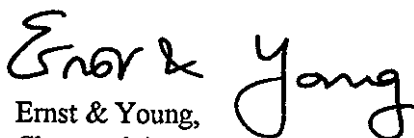
Basis of Opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs 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.

  
Ernst & Young,  
Chartered Accountants,  
Registered Auditor,  
London.

28 April 1997

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

		<u>1996</u>	<u>1995</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
TURNOVER	2	912,429	560,094
Operating Costs		<u>829,481</u>	<u>509,176</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	82,948	50,918
Taxation	6	<u>28,417</u>	<u>19,561</u>
RETAINED PROFIT FOR THE YEAR		54,531	31,357
RETAINED PROFIT BROUGHT FORWARD		<u>141,016</u>	<u>109,659</u>
RETAINED PROFIT CARRIED FORWARD		<u>£195,547</u>	<u>£141,016</u>

All the above amounts relate to continuing activities.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 8 to 13 form an integral part of these accounts

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 1996**

		<u>1996</u>		<u>1995</u>	
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>FIXED ASSETS</b>					
Tangible Assets	7		62,075		29,040
<b>CURRENT ASSETS</b>					
Debtors	8	545,253		368,364	
Cash at Bank and in Hand		<u>750</u>		<u>-</u>	
		546,003		368,364	
<b>CREDITORS: Amounts falling due within one year</b>					
	9	<u>407,531</u>		<u>251,388</u>	
<b>NET CURRENT ASSETS</b>			<u>138,472</u>		<u>116,976</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>£200,547</u>		<u>£146,016</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		5,000		5,000
Profit and Loss Account			<u>195,547</u>		<u>141,016</u>
<b>EQUITY</b>					
<b>SHAREHOLDERS' FUNDS</b>	11		<u>£200,547</u>		<u>£146,016</u>

Approved by the Board of Directors on 28 April 1997 and signed on their behalf by

  
Edward W. Kane )

  
D. Brooks Zug ) Directors

The notes on pages 8 to 13 form an integral part of these accounts



**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

		<u>1996</u>		<u>1995</u>	
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Net cash inflow from operating activities	1		29,167		10,841
Returns on investments and servicing of finance					
Interest paid		<u>—</u>		<u>—</u>	
Net cash outflow from servicing of finance			-		-
Taxation					
Corporation Tax paid		<u>19,561</u>	(19,561)	<u>12,665</u>	(12,665)
Investing activities					
Payments to acquire tangible fixed assets		<u>50,333</u>		<u>3,805</u>	
Net cash outflow from investing activities			(50,333)		(3,805)
Decrease in cash and cash equivalents	2		£(40,727)		£(5,629)

The notes on pages 8 to 13 form an integral part of these accounts.

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**NOTES TO THE CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>£</u>	<u>£</u>
Profit before tax	82,948	50,918
Depreciation charges	17,298	12,289
Increase in debtors	(176,889)	(68,393)
Increase in creditors	<u>105,810</u>	<u>16,027</u>
	<u>£29,167</u>	<u>£10,841</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>£</u>	<u>£</u>
Balance at 1 January	(3,656)	1,973
Net cash outflow	<u>(40,727)</u>	<u>(5,629)</u>
Balance at 31 December	<u>£(44,383)</u>	<u>£(3,656)</u>

	<u>1996</u>	<u>Change in year</u>	<u>1995</u>	<u>Change in year</u>	<u>1994</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank and in hand	750	750	-	(1,973)	1,973
Bank loan and overdrafts	<u>(45,133)</u>	<u>(41,477)</u>	<u>(3,656)</u>	<u>(3,656)</u>	<u>-</u>
	<u>£(44,383)</u>	<u>£(40,727)</u>	<u>£(3,656)</u>	<u>£(5,629)</u>	<u>£1,973</u>

# HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

AT 31 DECEMBER 1996

### 1. ACCOUNTING POLICIES

(a) Accounting Convention

These accounts have been prepared under the historical cost convention.

(b) Basis of Preparation

The accounts have been prepared in accordance with applicable accounting standards.

(c) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computer Software	3 years
Computer Hardware	4 years
Motor Vehicle	4 years
Furniture and Fittings	4 years
Leasehold Improvements	Over the term of the lease
Artworks	10 years

(d) Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. All exchange differences are taken to the profit and loss account.

(e) Hire Purchase and Leasing Commitments and Operating Leases

Assets held under hire purchase or finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the hire purchase installations or rental obligations is charged to the profit and loss account over the period of the relevant agreement and represents a constant proportion of the balance of capital repayments outstanding.

Costs in respect of operating leases are charged on a straight line basis over the lease term.

(f) Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, and is calculated at the rate at which it is estimated that taxation will be payable.

(g) Pensions

The company operates a defined contribution pension scheme and charges all contributions to the profit and loss account as they fall due.

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 1996**

**2. TURNOVER**

Turnover is attributable to the one principal activity, the provision of consulting services in the U.K.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Depreciation of tangible fixed assets	17,298	12,289
Auditors' remuneration	2,000	2,000
Office and equipment rental	<u>49,720</u>	<u>26,222</u>

The amount of £2,000 for auditors' remuneration is entirely in respect of audit services.

**4. STAFF COSTS**

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Wages and salaries	555,774	171,197
Social Security costs	57,113	16,801
Other pension costs	27,182	13,900
Other employee benefits	<u>7,512</u>	<u>205,337</u>
	<u>£647,581</u>	<u>£407,235</u>

Four people were employed by the company during the year (1995 - 4). The directors received no remuneration in respect of services to the company.

**5. PENSIONS**

The company operates a defined contribution pension scheme and charges all contributions to the profit and loss account as they fall due. No contributions were outstanding at 31 December 1996.

**6. TAXATION**

	<u>1996</u>	<u>1995</u>
U.K. Corporation Tax at 33% (1995 - 33%)	<u>£28,417</u>	<u>£19,561</u>

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 1996**

**7. TANGIBLE FIXED ASSETS**

	<u>Computer Hardware and Software</u>	<u>Motor Vehicles</u>	<u>Furniture and Fittings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>COST:</b>					
At 1 January 1996	21,768	29,935	15,559	-	67,262
Additions	<u>12,839</u>	<u>-</u>	<u>15,277</u>	<u>22,217</u>	<u>50,333</u>
At 31 December 1996	<u>£34,607</u>	<u>£29,935</u>	<u>£30,836</u>	<u>£22,217</u>	<u>£117,595</u>
<b>DEPRECIATION:</b>					
At 1 January 1996	12,834	9,978	15,410	-	38,222
Charge for Year	<u>5,684</u>	<u>7,484</u>	<u>1,970</u>	<u>2,160</u>	<u>17,298</u>
At 31 December 1996	<u>£18,518</u>	<u>£17,462</u>	<u>£17,380</u>	<u>£2,160</u>	<u>£55,520</u>
<b>NET BOOK VALUE:</b>					
At 31 December 1996	<u>£16,089</u>	<u>£12,473</u>	<u>£13,456</u>	<u>£20,057</u>	<u>£62,075</u>
At 31 December 1995	<u>£8,934</u>	<u>£19,957</u>	<u>£149</u>	<u>£-</u>	<u>£29,040</u>

**8. DEBTORS**

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amounts owed by parent undertaking	484,475	313,418
Other debtors	46,650	54,946
Prepayments and accrued income	<u>14,128</u>	<u>-</u>
	<u>£545,253</u>	<u>£368,364</u>

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 1996**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Bank overdraft	45,133	3,656
Trade creditors	7,597	3,506
Amounts owed to fellow subsidiary undertakings	118	8,725
Corporation tax	28,417	19,561
Other taxes and social security	29,470	4,089
Accruals	<u>296,796</u>	<u>211,851</u>
	<u>£407,531</u>	<u>£251,388</u>

**10. CALLED UP SHARE CAPITAL**

	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>
Ordinary Shares of £1 each at 31 December 1995 and 1996	<u>£20,000</u>	<u>£5,000</u>

**11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	<u>Share Capital</u>	<u>Profit &amp; Loss Account</u>	<u>Total Shareholders' Funds</u>
At 1 January 1995	5,000	109,659	114,659
Profit for the year	-	<u>31,357</u>	<u>31,357</u>
At 31 December 1995	5,000	141,016	146,016
Profit for the year	-	<u>54,531</u>	<u>54,531</u>
At 31 December 1996	<u>£5,000</u>	<u>£195,547</u>	<u>£200,547</u>

**12. FUTURE OBLIGATIONS UNDER OPERATING LEASES**

The company has the following obligations to make payments within one year from the balance sheet date under an operating lease which expires as stated.

	<u>1996</u>	<u>1995</u>
Leasehold premises		
Expiring within two to five years	<u>£42,500</u>	<u>£-</u>

**HANCOCK INTERNATIONAL PRIVATE EQUITY MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 1996**

**13. RELATED PARTY DISCLOSURE**

The company has taken advantage of the exemption given by Financial Reporting Standard 8 ("FRS8") to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

**14. ULTIMATE PARENT COMPANY**

The parent company of the largest group of which Hancock International Private Equity Management Limited is a member and for which group accounts are prepared is John Hancock Mutual Life Insurance Company, incorporated in the U.S.A. These group accounts may be obtained from 200 Clarendon Street, Boston, Massachusetts, U.S.A.

The parent company of the smallest group of which the company is a member and for which group accounts are prepared is Hancock Venture Partners Inc., incorporated in the U.S.A. These group accounts may be obtained from 44th Floor, 1 Financial Center, Boston, Massachusetts, U.S.A.