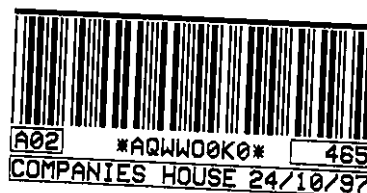


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Grosvenor Ventures Limited

Registered No. 2513741

DIRECTORS

I Armitage
S P Edwards

SECRETARY

H M Perkins

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

33 King William Street
London EC4R 9AS

DIRECTORS' REPORT

The directors submit their report and the group accounts for the financial year ended 31 December 1996.

ACTIVITIES

The principal activity of the company is to act as a holding company. The activities of the company's trading subsidiaries are set out in note 6.

REVIEW OF THE BUSINESS

The results for the year are set out on page 6. The group profit for the year was £269,000 (1995 - profit £577,000). No ordinary or preference dividends were paid during the year (1995 - ordinary £1,500,000, preference £nil). The directors recommend that an interim dividend of £300,000 be paid for the year ended 31 December 1996 and that the loss on the profit and loss account of £31,000 be deducted from retained reserves.

The directors expect the business of the company to continue without significant change.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were:

I Armitage
F C Jacob (resigned 5 July 1996)
S P Edwards (appointed 24 April 1996)

As at 31 December 1996, no director had any interest in the share capital of the company and Mr Edwards had no interest in the share capital of the ultimate parent company. The interests of Mr Armitage in the shares of the ultimate parent company, Mercury Asset Management Group plc, are set out below:

<i>Ordinary shares of 5p each</i>		
	<i>31 December 1996</i>	<i>31 December 1995</i>
I Armitage	91,548	19,403

At 31 December 1996, I Armitage also held options to subscribe for ordinary shares of 5p in Mercury Asset Management Group plc as follows:

	<i>31 December 1996</i>	<i>31 December 1995</i>	<i>Option price</i>	<i>Exercisable not later than</i>
I Armitage	31,250	31,250	186p	22 June 1999

No options were granted or exercised during the year.

HOLDING COMPANY

The company was a wholly owned subsidiary of Mercury Asset Management plc until 27 March 1996 when Mercury Asset Management plc sold its entire holding of ordinary and redeemable preference shares to Mercury Asset Management Group plc, the ultimate parent company.

DIRECTORS' REPORT

AUDITORS

The company has adopted the elective regime and Ernst & Young will continue as the appointed auditors of the company.

By order of the Board

Helen Perkins

Secretary

15 OCTOBER 1997

33 King William Street
London EC4R 9AS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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 group and of the profit or loss of the group 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Grosvenor Ventures Limited

We have audited the accounts on pages 6 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

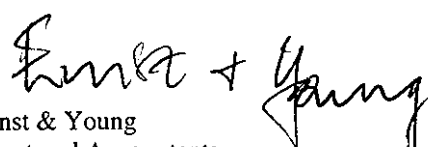
Basis of opinion

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


Ernst & Young
Chartered Accountants
Registered Auditor
London

22-x.97

Grosvenor Ventures Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	<i>Notes</i>	<i>1996 £000</i>	<i>1995 £000</i>
Share of partnership profits		1,184	1,510
Other income		90	3
Administrative expenses		(998)	(773)
Interest receivable		61	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	337	740
Taxation	4	(68)	(163)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		269	577
Dividend	5	(300)	(1,500)
RETAINED LOSS FOR THE YEAR		(31)	(923)
Retained profit brought forward		1,019	1,942
RETAINED PROFIT CARRIED FORWARD		988	1,019

There are no recognised gains or losses for the year other than the profit attributable to shareholders of the company of £269,000 (1995 £577,000).

Grosvenor Ventures Limited

BALANCE SHEETS at 31 December 1996

			Group		Company
	Notes	1996 £000	1995 £000	1996 £000	1995 £000
FIXED ASSETS					
Investments	6	331	432	2,973	2,973
		<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS					
Debtors	7	488	323	638	340
Cash at bank		1,117	1,246	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,605	1,569	638	340
CREDITORS: amounts falling due within one year	8	(2,064)	(2,084)	(1,801)	(1,502)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT LIABILITIES		(459)	(515)	(1,163)	(1,162)
		<hr/>	<hr/>	<hr/>	<hr/>
PROVISION FOR LIABILITIES AND CHARGES		(77)	(91)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(205)	(174)	1,810	1,811
		<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES					
Equity shareholders' funds - ordinary shares:					
Called up share capital	10	41	41	41	41
Share premium	11	241	241	241	241
Capital redemption reserve	11	105	105	105	105
Merger reserve	11	(1,606)	(1,606)	1,253	1,253
Profit and loss account	11	988	1,019	144	145
Non-equity shareholders' funds - redeemable preference shares:					
Called up share capital	10	26	26	26	26
		<hr/>	<hr/>	<hr/>	<hr/>
		(205)	(174)	1,810	1,811
		<hr/>	<hr/>	<hr/>	<hr/>

The accounts were approved by the board of directors and signed on its behalf by:

I. Dunitay

Director

on 15 OCTOBER 1997

Grosvenor Ventures Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES

Basis of preparation

These accounts have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

Group accounts

The group accounts consolidate the accounts of Grosvenor Ventures Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Grosvenor Ventures Limited as permitted by Section 230 of the Companies Act 1985.

Certain group companies act as a general partner of venture capital limited partnerships. The limited partnerships are deemed to be subsidiary undertakings of the group under the Companies Act 1985 by virtue of the role of the general partners in the partnerships and under Companies Act 1985 requirements should be consolidated in full. However, the directors consider that the accounts would not give a true and fair view if any of the assets or income were consolidated since the group companies have no interest in these assets and their role is simply that of investment managers. Accordingly, the group proportionally consolidates its nil share of the assets and income of the limited partnerships. This departure from the Companies Act 1985 has no effect on the results for the year or on the net assets at 31 December 1996 as more fully explained in note 6.

Goodwill

Goodwill arising in the consolidated accounts from the acquisition of subsidiary undertakings is taken to reserves.

Income

Income from the share of partnership profits is credited on an accruals basis.

Deferred taxation

Deferred taxation is provided in respect of all material timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

Investments

Investments are stated at cost unless the directors consider that they have suffered permanent diminution in value in which case provision is made. Investments with a defined useful life are amortised over that period.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1996 £000	1995 £000
Amortisation of investments	3	3
Profit on disposal of fixed asset investments	72	16
Auditors' remuneration	4	4

3. DIRECTORS' EMOLUMENTS

No amounts were payable in respect of the services of the directors of the company to the group in the year or the prior year.

Grosvenor Ventures Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

4. TAXATION

	1996 £000	1995 £000
Based on the profit for the year:		
UK corporation tax at 33%	51	(13)
Prior year adjustment - current tax	8	34
Tax credits on franked investment income	24	150
Deferred taxation	(15)	(8)
	<u>68</u>	<u>163</u>

5. DIVIDENDS

	1996 £000	1995 £000
Paid and proposed		
- Preference dividends	-	-
- Ordinary dividends	300	1,500
	<u>300</u>	<u>1,500</u>

Mercury Asset Management plc waived the right to receive dividends for the years ended 31 December 1996 and 31 December 1995 on the preference shareholding. There are no arrears in payment of the preference dividend.

6. FIXED ASSET INVESTMENTS

	1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Unlisted investments:				
Subsidiary undertakings	-	-	2,972	2,972
Other investment at cost	331	432	1	1
	<u>331</u>	<u>432</u>	<u>2,973</u>	<u>2,973</u>

The company has interests in the issued share capital of the following companies, all of which are incorporated in Great Britain and registered in England and Wales:

	Ordinary	Preference
Grosvenor Venture Managers Limited	100%	-
Grosvenor General Partner Limited	100%	100%
Third Grosvenor Limited	100%	100%
Grosvenor Alternate Partner Limited	100%	-

Grosvenor Ventures Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

6. FIXED ASSET INVESTMENTS (continued)

Grosvenor Venture Managers Limited (GVM) is directly owned by the company. The other subsidiaries are wholly owned by GVM. GVM acts as investment advisor to its three wholly owned subsidiaries. Grosvenor General Partner Limited is the general partner of two limited partnerships - Grosvenor Technology Fund and Grosvenor International Investors Fund, and Third Grosvenor Limited is the general partner of the limited partnership Third Grosvenor Fund. Grosvenor Alternate Partner Limited is the general partner of the limited partnership Fifth Grosvenor Fund. The registered office of the limited partnerships is 33 King William Street, London EC4R 9AS.

The general partners are entitled to share in the profits of the partnerships.

As explained in note 1, the group proportionally consolidates its nil share of the assets and income of the limited partnerships. Had full consolidation been adopted, investments would have increased by £18,835,000 (1995 - £20,325,000) and other net assets by £2,043,000 (1995 - £5,506,000). A minority interest of £20,878,000 (1995 - £25,831,000) would have been created and there would have been no effect on the result for the year or retained profits.

In addition, advantage has been taken of the exemption conferred by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 and accordingly accounts in accordance with Companies Act 1985 have not been prepared for each of the limited partnerships.

7. DEBTORS

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Due from group undertakings	-	-	636	336
Tax recoverable	302	281	2	4
Other debtors	186	42	-	-
	<u>488</u>	<u>323</u>	<u>638</u>	<u>340</u>

8. CREDITORS: amounts falling due within one year

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Due to group	1,800	1,500	1,800	1,500
Tax payable	136	50	-	-
Accruals	21	16	1	2
Other creditors	107	518	-	-
	<u>2,064</u>	<u>2,084</u>	<u>1,801</u>	<u>1,502</u>

9. PROVISION FOR LIABILITIES AND CHARGES

Full provision is made for deferred taxation as follows:

	1996 £000	1995 £000
Rolled over chargeable gain	77	77
Short term timing differences	-	14
	<u>77</u>	<u>91</u>

Grosvenor Ventures Limited

NOTES TO THE ACCOUNTS at 31 December 1996

10. CALLED UP SHARE CAPITAL

	1996	Authorised 1995	Allotted, called up and fully paid 1996	1995
	£	£	£	£
Ordinary shares of 10p each	447,600	447,600	40,600	40,600
Redeemable preference shares of 10p each	450,143	450,143	26,328	26,328
"A" Redeemable preference shares of 10p each	20,000	20,000	-	-
"B" Redeemable preference shares of 10p each	29,857	29,857	-	-
	<u>947,600</u>	<u>947,600</u>	<u>66,928</u>	<u>66,928</u>

The redeemable preference shares are entitled to a cumulative dividend of 9p per share per annum. They carry no voting rights and take priority over ordinary shares in the event of a winding up. The company may redeem any or all of the preference shares at £1 per share at any time, but shall to the extent not already redeemed, redeem all of the shares in three equal tranches on 31 December 1998, 1999 and 2000. Mercury Asset Management Group plc has waived its entitlement to dividends on 263,282 redeemable preference shares of 10p each for the year ended 31 December 1996.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Total £000
At 1 January 1995	67	241	105	1,253	145	1,811
Profit for the year	-	-	-	-	1,500	1,500
Dividend	-	-	-	-	(1,500)	(1,500)
At 31 December 1995	<u>67</u>	<u>241</u>	<u>105</u>	<u>1,253</u>	<u>145</u>	<u>1,811</u>
Profit for the year	-	-	-	-	299	299
Dividend	-	-	-	-	(300)	(300)
At 31 December 1996	<u>67</u>	<u>241</u>	<u>105</u>	<u>1,253</u>	<u>144</u>	<u>1,810</u>

Grosvenor Ventures Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (continued)

Group

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Capital redemption reserve £000</i>	<i>Merger reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 1995	67	241	105	(1,606)	1,942	749
Profit for the year	-	-	-	-	577	577
Dividend	-	-	-	-	(1,500)	(1,500)
At 31 December 1995	67	241	105	(1,606)	1,019	(174)
Profit for the year	-	-	-	-	269	269
Dividend	-	-	-	-	(300)	(300)
At 31 December 1996	67	241	105	(1,606)	988	(205)

12. PARENT COMPANY

The ultimate holding company is Mercury Asset Management Group plc, a company which is registered in England and Wales.

The smallest and largest group of which this company is a member and which has included the company in group accounts is Mercury Asset Management Group plc. Accounts for Mercury Asset Management Group plc may be obtained from 33 King William Street, London EC4R 9AS.

Separate disclosure of related party transactions with group entities has not been made as they are included in the consolidated accounts.