1525583

OBJECTIVES AND INVESTMENT POLICY

The principal activity of the company is to maximise capital appreciation through the provision of development capital to companies which are perceived to have above-average potential for growth.

Investments are usually made to finance management buy-ins and buy-outs or to provide expansion capital, either alone or together with replacement capital.

In all cases emphasis is placed on the careful selection, close monitoring and optimum realisation of the investment. The listed portfolio consists predominantly of holdings which originate from investments in private companies.

INVESTMENT ADVISER

Grosvenor Development Capital plc (GDC) is advised by Grosvenor Venture Managers Limited (GVM), which is ultimately wholly owned by its management. GVM advises three other development capital funds with similar investment policies to GDC. The total assets committed to funds advised by GVM exceed £60 million. GVM is a member of the Investment Management Regulatory Organisation.

SECRETARY

Sinclair Henderson Limited provides company secretarial and administrative services for the company. It provides similar services for a number of other investment trusts whose assets total approximately £400 million.

Grosvenor Development Capital plc is an Investment Company as defined under Section 266 of the Companies Act 1985 and is registered in England as No. 1525583.

The company is a member of the Association of Investment Trust Companies.

CONTENTS

BOARD OF DIRECTORS

***John Davidson Oakley, CBE, DFC, FRSA**, aged 70, has been Chairman since the company's inception in 1981. After a career in the motor industry with Ford and Standard Triumph he was appointed industrial adviser to Ionian Bank, undertaking a number of turn-arounds on their behalf. In addition, he has been Chairman of the ANZAC Trade Advisory Committee and a director of a number of quoted companies.

***Timothy John Amies**, aged 53, is a chartered accountant with 32 years experience of working in the City. He was a partner of Laurie Milbank & Co, Stockbrokers for 16 years prior to its acquisition by the Chase Manhattan Bank where he was a director of Chase Investment Bank involved in mergers and acquisitions. He is a member of The London Stock Exchange.

***David Bucks**, aged 57, is a chartered accountant with 23 years experience of working in the City. He has recently retired as Deputy Chairman of Hill Samuel Bank and is a non-executive director of First Leisure Corporation plc and Dobson Park Industries plc.

Anthony Dudley Vincent Crook, aged 55, joined the board in 1989. He joined GDC in 1982 from the National Enterprise Board ("NEB"). Prior to joining NEB in 1980, he had worked in the venture capital industry since 1973 following a career in marketing with IBM, Crown Cork and Seal and Cape Industries. He is also a director of GVM.

Robert Malcolm Drummond, aged 46, joined the board in 1990, when he was appointed Managing Director of GVM. He had previously worked in the venture capital industry for 18 years for 3i, County NatWest Ventures and Electra.

***Peter Gale**, aged 36, was a Junior Fellow at Oxford. Upon leaving, he joined National Westminster Bank in 1982 and has worked in many of its divisions, specialising in investment management. He is currently investment manager responsible for National Westminster Bank Group Pension Funds.

Michael John Glover, aged 53, joined GVM in 1985, having previously worked in the electronics industry in the UK, Far East and North America. His experience encompasses more than 10 years at Chief Executive level.

***Paul Rupert Judge**, aged 42, joined Cadbury Schweppes in 1973 and in 1985 initiated the buy-out of Premier Brands for £97 million. Under his Chairmanship the company grew and was sold to Hillsdown Holdings for £310 million. He is a non-executive director of a number of quoted and unquoted companies, a member of the Milk Marketing Board and Chairman of Food from Britain.

Space for Directors

Standing left to right : A D V Crook, T J Amies, P R Judge.
Seated left to right : R M Drummond, J D Oakley (Chairman), M J Glover.
Absent : P Gale, D Bucks.

David Wilson Beattie, was appointed Managing Director in 1982 after six years in various senior positions with the British Technology Group and its forerunner, NEB. Prior to joining NEB he had industrial management experience with Cadbury Schweppes and Johnson & Johnson. He died, aged 53, on 13 August 1991.

***Richard Stephen Cutler**, aged 55, joined the board in 1986. He was a Senior Assistant Director at County NatWest Investment Management, which he joined in 1974, after 13 years with Phillips & Drew. He resigned as a director of the company on 30 April 1991.

***David George Rawdon Wansbrough**, aged 49, joined the board in 1983. He is Managing Partner of ECI Ventures, whom he joined in 1981, after four years venture capital experience with 3i and a career in industrial management. He resigned as a director of the company on 30 September 1991.

*Non-executive directors

CHAIRMAN'S STATEMENT

J D Oakley CBE

I am pleased to report that the undiluted net asset value increased during the year from 119.4p to 130.1p which exceeds that at the time of the company's flotation in December 1989. This has been achieved during a year in which many venture capital portfolios declined in value. On a fully diluted basis, the increase is from 122.7p to 127.3p.

Your company's profit for the year was £233,000 (1990 : £254,000). This has been achieved despite the increased management fees payable as a result of higher new investment activity.

1991 has been the worst year faced by the smaller company sector since the 1970's. A continuing recession, high real rates of interest and tight credit have put pressures on all but the most conservatively financed businesses.

For venture capital backed companies, with fragile balance sheets that are often changing rapidly, the conditions have been severe. However, while the economic climate has been unhelpful to the portfolio, it has thrown up an increasing number of worthwhile investment opportunities, particularly in areas where Grosvenor's skills match the needs of the investee companies. As a result your company increased its rate of investment in 1991.

The tragic death of David Beattie, who had been involved since the formation of the group, did not affect the management changes that had already taken place. The decision to recruit a new Managing Director for the investment adviser in 1990 ensured a smooth management handover. Robert Drummond has since strengthened the investment adviser with three new executive appointments and a promotion to its board. I am confident that he will provide the strong leadership that will successfully ensure the future growth of the business.

Prior to the untimely death of David Beattie, I had already decided to retire. This meant that a new Chairman needed to be appointed. In view of the circumstances, I decided to remain for the intervening period. I am pleased to inform you that David Bucks has been appointed to the board with the intention that he will become Chairman on my retirement at the Annual General Meeting.

David Bucks has a long and distinguished career in the City. I am sure he will guide Grosvenor Development Capital into its second decade with great skill during a period which may prove difficult, but with an organisation better attuned to success than ever.

J D Oakley — *10 March 1992*

INVESTMENT ADVISER'S REVIEW

Introduction

R M Drummond

Your Chairman has already referred to the effect of the economic climate on venture capital backed companies. Its influence on your company and on the investment adviser has generally been positive in 1991, resulting in a record number of good quality proposals being received and a record number of new investments made by the Grosvenor funds. The results of a quiet year during 1990, when much of our management resources had to be directed towards the existing portfolio, meant that, despite a few failures, the portfolio showed a considerable degree of resilience in an increasingly difficult economic period.

During the year we adopted a selective but aggressive investment policy, taking advantage of opportunities that reflected low entry prices and the prospects of significant growth. We found that companies approached us with a recognition of the need for more conservative funding structures and lower short term growth forecasts, which coincided with our view of their prospects.

The investment adviser has now completed its tenth year as a venture capital fund manager and adviser. This experience makes your adviser particularly able to continue to provide effective advice during the second recession of its existence and to continue to give above-average performance.

Results for the year to 30 November 1991

The net assets per share of your company have increased by an encouraging 9%, to 130.1p per share, with net assets now exceeding £10 million.

Your company's investment portfolio is now valued at over £20 million and the company has liquid resources of approximately £8 million.

Profit before tax was steady at £294,000 as higher income, the result of the larger portfolio, was offset by higher expenses and a full year's interest charge on the loan stock.

New investments

The flow of new investment proposals was higher than it has ever been. This was partly as a result of the higher activity level of the investment adviser, at a time when some City-based institutions were reducing their new investment activity and partly due to our higher profile resulting from an increased number of syndicated transactions led by the investment adviser. During the early part of the year we made our first investment in the now fashionable area of providing unquoted finance to publicly listed companies. This was followed in mid-1991 with a second investment of this type. Other notable trends in the year included a number of acquisitions from Receivers, including two out of the failed ILG. We continue to monitor economic trends to take advantage of changing opportunities in different types of transactions.

Your company has made new investments totalling £8,099,000, in 17 different companies and a further £553,000 in existing portfolio companies. Of the new investments, sales of shares in post-investment sell-downs totalled £487,000. The major new investments were as follows :

Pepe Group PLC has its head office in North London and is a designer and distributor of clothing, principally denim jeans. GDC has unlisted, convertible redeemable shares totalling £1 million out of a total £3 million invested by Grosvenor funds.

Enterprise Inns Ltd was an acquisition from Bass plc of 370 public houses located in the West and East Midlands. GDC has an investment of £972,000 in this company out of a total £2.4 million from Grosvenor funds.

Novo Group plc (previously EMC Group plc) specialises in inventory management for the media industry. GDC has an investment of £800,000 out of a total £2 million from Grosvenor funds.

Sterry Communications Ltd (previously Dial-A-Phone) supplies, installs and services key telephone systems. GDC has an investment of £800,000 out of a total of £1.6 million from Grosvenor funds.

Elmbridge Village Holdings Ltd manages the sale and repurchase of residential units in a large retirement village. GDC has an investment of £786,000 out of a total £2 million from Grosvenor funds.

Realisations

During the year, your company sold some quoted shares in portfolio companies realising significant gains. It also sold some shares in companies immediately post-investment as part of the normal syndication process. Realisations were at a very low level in a year which proved to be a difficult selling market for most industry sectors.

Portfolio

Your company took a prudent view and has only made minor increases in valuations except where market forces determine price. Sage Group plc remains a strong performer and among the unquoted companies we believe that **Vega Space Systems Engineering Ltd** will continue to be an excellent investment.

Management

Two new directors were appointed to GDC during the year, each with relevant backgrounds who your company believes will contribute to the management of the portfolio and new investments. Since the year end two further appointments have been made, M J Glover on 18 December 1991and D Bucks on 10 March 1992.

The year also included the greatly regretted death of David Beattie, Managing Director of GDC and Executive Chairman of the investment adviser. However, his decision to appoint me as Managing Director to the investment adviser a year earlier helped strengthen its management to continue developing the company.

The investment adviser also appointed two new investment executives to complement an already strong team. A secondee from a major firm of accountants also joined the team to provide additional expertise.

Outlook

We look forward to 1992 as a year which, despite the uncertainties of being an election year, should offer many further opportunities for investment at attractive prices. We also expect the results of careful investment in 1991 to be evident once our investee companies have had time to consolidate and position themselves for an upturn in the economic cycle.

We are hopeful that this will be reflected in further growth in your company's net assets per share.

R M Drummond
Grosvenor Venture Managers Ltd

10 March 1992

INVESTMENT ADVISER

GVM is the adviser to four venture capital funds and has £60 million under management. Since 1982 it has made more than 100 investments on behalf of the funds. At the year end, the adviser had approximately £17 million available for investment, in the form of cash and short-term securities. GVM has been adviser to your company since 1985. Prior to that, three of the directors of GVM were employees of the company. GVM is a wholly-owned subsidiary of Grosvenor Ventures Ltd ("GVL"), whose shareholders include Robert Drummond, Tony Crook, William Edge and Michael Glover.

The directors and executives of GVM are :

Robert Drummond, Managing Director aged 46, who joined GVM with a distinguished record in the venture capital industry. A graduate of St Andrew's University in law and a Chartered Accountant, he gained a Masters Degree in Business Administration at Manchester before joining ICFC (now 3i). He became local director of ICFC in Leeds in 1976 and was director of the London Region of 3i from 1982 to 1984. He joined County NatWest Ventures and, as Managing Director, saw the portfolio increase from under £20 million (largely in quasi-equity investments) to over £100 million (almost wholly equity investments) in the space of four years. He joined GVM in August 1990 after a brief spell with Electra Investments;

William Edge, Director aged 55, who joined GDC in 1981. His business experience has covered ma.., areas of health-care and applied bio-science. He worked initially in his family business, which became part of Reckitt & Colman and more recently for PA Management Consultants, Wyeth Laboratories and S & W Berisford;

Tony Crook, Director aged 55, who joined GDC in 1982 from NEB where he initially managed some of its smaller investments. Prior to joining NEB in 1980, he had worked in the venture capital industry since 1973 with Development Capital Group and had spent the previous thirteen years in marketing with IBM, Crown Cork and Seal and Cape Industries;

Michael Glover, Director aged 53, joined GVM in 1985 having previously worked in the electronics industry in the UK, Far East and North America. His experience encompasses more than 10 years at Chief Executive level;

Janis Anderson, Director aged 32, who joined GVM in 1989 is the director responsible for appraising new investments with additional responsibility for marketing. She was previously a manager in the venture capital division of Robson Rhodes and has worked in the international banking sector. She has a degree in Economics from Manchester University;

Jonathan Portal, Finance Director aged 39, who joined GVM in 1992 from Henderson Administration PLC where he was Group Financial Controller. Jonathan qualified as a Chartered Accountant prior to various positions with International Press Distributors, City Business Machines and Cavenham PLC;

Trevor Bayley, Investment Executive aged 30, who joined GVM in 1991 from Morgan Crucible, where he was a senior financial analyst for the group's acquisition programme. Trevor qualified as a Chartered Accountant with Deloitte Haskins and Sells prior to spending two years in Hong Kong with KPMG Peat Marwick;

Lance Phillips, Investment Executive aged 27, who joined GVM in 1991 from Harvard Business School, where he completed his MBA. With a degree in Engineering Science, Lance worked as a consultant with Bain and Company before joining a small manufacturing business as Financial Controller.

Space for Manager Photograph

Standing : L Phillips.
Seated left to right : W Edge, J Anderson, T Bayley.
Absent : J Portal.

REVIEW OF PRINCIPAL INVESTMENTS

***The Sage Group plc ("Sage")**
Cost : £68,000 Valuation : £2,225,000

Sage is a leading supplier of accounting software packages in the UK for small and medium sized businesses. The investment was made in 1984 to provide Sage with the necessary funds for its initial expansion programme. Sage also derives significant revenues from network systems, maintenance contracts, sales of stationery and customer training. During the year, Sage made its first acquisition since flotation, buying a US company also in accounting software. In the year ended 30 September 1991, when net assets were £2.28 million, the pre-tax profit of Sage was £6.64 million, up from £4.73 million in the previous year. Earnings per share grew by 37% to 25.5p. Your company has taken advantage of the increase in the share price to reduce its holding.

Pepe Group PLC ("Pepe")
Cost : £1,000,000 Valuation : £1,000,000

Pepe, an Unlisted Securities Market ("USM") quoted company, designs, sources and wholesales leisure wear, principally denim jeans. The group was established in the early 1970's and your company acquired its unlisted equity stake in 1991. Pepe spent 1991 concentrating on improving quality and maintaining margins in a difficult market, retaining the upmarket position of their brands. The company made a pre-tax profit of £4.8 million in the year ended 31 March 1991. Net assets of the company were £34.6 million.

Enterprise Inns Ltd ("EIL")
Cost : £972,000 Valuation : £972,000

This recent investment was made alongside other major institutions in a new company formed to purchase some 370 public houses from Bass plc which are located primarily in the West and East Midlands. The company's revenue is derived from rental income and beer sales. EIL is performing satisfactorily in a difficult trading climate. The company has not yet completed an accounting period.

Great Portland Hotels Ltd ("GPH")
Cost : £412,000 Valuation : £938,000

GPH owns and manages the Grand Hotel, Torquay and, through a subsidiary, manages the Ship Hotel in Chichester. Your company made its investment in 1984 to replace a corporate investor and provide additional expansion finance. In the year ended 6 January 1991, the pre-tax profit of GPH was £351,722, only 5% less than the previous year. Net assets amounted to £2 million. Although 1991 was a very difficult year for the industry, the company still enjoyed significant profitability.

***Electron House PLC ("Electron House")**
Cost : £1,444,000 Valuation : £888,000

Electron House distributes electronic components and computer products through autonomous trading companies in the UK, Australia and New Zealand. Electron House was formed in 1983 as a vehicle for a management buy-out, led by your company. In April 1985, Electron House was floated on the USM and gained a full Stock Exchange listing in September 1988. In the year ended 31 May 1991, the pre-tax profit of Electron House was £968,000 and net assets were £11.2 million.

Novo Group plc (formerly EMC Group plc) ("Novo")
Cost : £800,000 Valuation : £800,000

This investment was made in April 1991, to enable the group to purchase the largest company in the industry, Novo Communications Inc., a private US company. The prime business of both companies is inventory management for the media industry. Locations are in London, New Jersey, Los Angeles, Toronto, Amsterdam and Hong Kong. The group also has interests in general data storage. Net liabilities at 31 March 1991, were £1.21 million. Trading results for the 6 months to 30 September 1991 show a pre-tax profit of £529,485 and earnings per share of 4.62p. This compares with £122,254 and 1.17p for the corresponding period to 30 September 1990. Novo is listed on The London Stock Exchange.

Sterry Communications Ltd ("Sterry")
Cost : £800,000 Valuation : £800,000

Sterry supplies, installs and services key telephone systems to business users who utilise up to 400 extensions within their premises and who require a comprehensive telephone and traffic management system. GDC holds 19% of the ordinary share capital of the company which was formed as a result of a management buy-in in July 1991. The company is, therefore, in its first year of trading and has not yet produced any audited accounts. The unaudited value attributed to the net assets on completion of the investment was £1.86 million. No dividends were paid prior to 30 November 1991.

Elmbridge Village Holdings Ltd ("Elmbridge")
Cost : £786,000 Valuation : £786,000

Elmbridge owns an estate of 222 houses and flats in Surrey which are leased to the elderly with a buy-back clause. Your company acquired its equity stake in 1991. Elmbridge has traded profitably during the year and the management has instigated a number of improvements to the housing estate since the investment. Sales have stood up well in a difficult housing market primarily due to the added value of the services offered to the elderly on this estate. In the year ended 31 March 1991, the company generated a pre-tax profit of £305,392. Net assets of the company at that date were £782,499.

Vega Space Systems Engineering Ltd ("Vega")
Cost : £337,000 Valuation : £479,000

Vega is based in Harpenden and its principal business is in systems engineering and software for satellites. Major customers include the systems manufacturers and sub-system suppliers, such as the European Space Agency, GEC-Marconi, Aeritalia and Fokker. Trading was very satisfactory in the year ended 30 April 1991, when Vega made a pre-tax profit of £1.29 million on sales of £4.9 million and had net assets of £949,000.

Central Industries PLC ("Central")
Cost : £339,000 Valuation : £339,000

Central is a holding company with two subsidiaries. They are Hiatt & Co., whose activities are the manufacture of police, security and agricultural equipment and Needferry, a property investment company. During the year a few shares were sold to management to reduce your company's holding to under 50%. A third subsidiary of Central, EM Exhausts, went into receivership. In the year ended 30 June 1991, based on draft audited accounts, the pre-tax profit of Central was £28,000 and net assets amounted to approximately £586,000.

All the principal investments are registered in the UK.

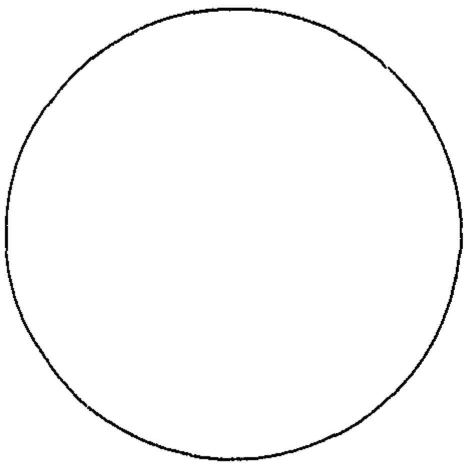
*Listed securities

THE TEN LARGEST EQUITY INVESTMENTS

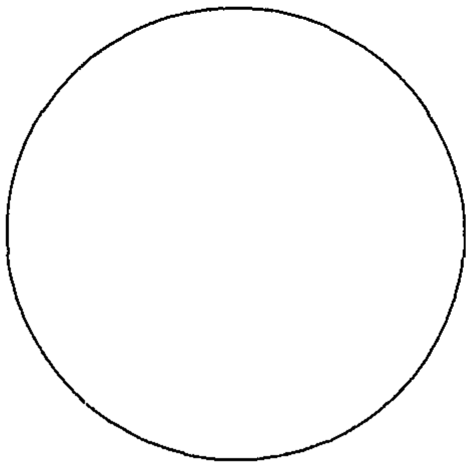
	Cost £'000	Valuation £'000
The Sage Group plc*	68	2,225
Pepe Group PLC	1,000	1,000
Enterprise Inns Ltd	972	972
Great Portland Hotels Ltd	412	938
Electron House PLC*	1,444	888
Novo Group plc	800	800
Sterry Communications Ltd	800	800
Elmbridge Village Holdings Ltd	786	786
Vega Space Systems Engineering Ltd	337	479
Central Industries PLC	339	339
Ten largest equity investments	6,958	9,227
30 other equity investments	5,985	5,050
Total equity investments	12,943	14,277

* Listed securities

TOTAL EQUITY INVESTMENTS
BY INDUSTRY SECTOR
(by value)



TOTAL EQUITY INVESTMENTS
BY GEOGRAPHICAL AREA
(by value)



REPORT OF THE AUDITOR TO THE MEMBERS OF GROSVENOR DEVELOPMENT CAPITAL plc

REPORT OF THE AUDITOR
KPMG PEAT MARWICK
TO THE MEMBERS OF GROSVENOR DEVELOPMENT CAPITAL plc

We have audited the financial statements on pages 16 to 27 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 November 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditor
Exeter

10 March 1992

REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 30 November 1991.

Principal activity and business reviews

The principal activity of the company is to carry on business as an investment trust providing capital for industrial and commercial companies operating in the UK. A review of the business is given in the Chairman's statement on page 4 and in the investment adviser's review on pages 5 to 7.

Status

The company has been recognised by the Inland Revenue as an authorised investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year to 30 November 1990 and in continuing to seek such approval will direct its affairs accordingly. In accordance with the provisions of sections 265 and 266 of the Companies Act 1985 the company is an investment company. The company is not a close company.

Directors' Authority to Issue Shares

At an Extraordinary General Meeting held on 5 December 1989, a resolution was passed giving the directors a general authority to allot unissued shares of the company having a nominal value not exceeding £3,335,738 expiring on 31 March 1991 and giving a limited power to the directors to issue equity shares, notwithstanding the pre-emption provisions of section 89 of the Companies Act 1985. It is proposed that this authority be renewed and a special resolution for this purpose is set out in the Notice of Annual General Meeting on pages 29 and 30.

Dividend

The directors are recommending a final dividend of 0.95p. If approved, the dividend will be paid on 24 April 1992 to shareholders on the register at the close of business on 2 April 1992 (ex-dividend 23 March 1992).

Profit and loss account

The profit and loss account on page 16 gives details of the profit for the year and of the appropriations.

Directors and their interests

The directors who served during the year are shown on page 2. J D Oakley will retire at the forthcoming Annual General Meeting and will not be seeking re-election. T J Amies and P Gale were appointed directors on 30 April 1991, M J Glover was appointed on 18 December 1991 and D Bucks was appointed on 10 March 1992. All retire at the forthcoming Annual General Meeting in accordance with the Articles of Association. They, together with A D V Crook and P R Judge, who retire by rotation, being eligible, offer themselves for re-election. The interests of the directors and their families in the issued share capital of the company (all of which, unless otherwise stated, are beneficial) are as follows :

	1991 25p ordinary shares	1990 25p ordinary shares
A D V Crook	421,585	421,585
M J Glover	54,122	54,122
P R Judge	20,000	20,000

D W Beattie was a director during the year and died on 13 August 1991. He and his family were beneficially interested in 386,556 ordinary shares. He also had an interest in 64,971 ordinary shares held in a non-beneficial trust and was also deemed to have an interest in GVM's shareholding in the company (representing 264,560 ordinary shares, or 3.3 per cent. of the issued share capital).

Under the option scheme described in note 16(b) to the financial statements, the following directors have been granted options to subscribe for ordinary shares:

	Number of options	Exercise price
A D V Crook	60,000	125.0p
M J Glover	(100,000	125.0p
	(50,000	130.5p
R M Drummond	200,000	130.5p

Save as disclosed overleaf, no other director had any interest in the share capital of the company or of its subsidiary. As at the date of this report, by virtue of their shareholdings in GVL which owns the whole of the share capital of GVM, Mr Crook, Mr Drummond and Mr Glover are interested in the advisory agreement. Mr Crook and his family are interested in 22.0%, Mr Drummond in 43.2% and Mr Glover and his family in 22.3% of GVL. Mr Gale is a director of Pensman Nominees Limited who are fund managers of the National Westminster Bank Group Pension Funds and as such has a non-beneficial interest in the 2,030,659 shares held by them. Save as disclosed herein, no director has, or has had, any interest in any disclosable transaction.

Investment Adviser

The company has an advisory agreement, dated 6 December 1989, with GVM under which GVM acts as Investment Adviser to the company. Investment decisions remain the responsibility of the board.

Substantial holdings

So far as the directors are aware, the following are the only interests which, at 10 March 1992, amount to 3% or more of the issued share capital of the company :

	Number of ordinary shares	%
National Westminster Bank Group Pension Funds	2,030,659	25.2
West Midlands Metropolitan Authorities Superannuation Fund	1,481,788	18.4
Estate of D W Beattie	716,087	8.9
Clerical Medical and General Life Assurance Society	675,000	8.4
Prudential Pensions Ltd	640,000	7.9
The Equitable Life Assurance Society	565,000	7.0
Co-operative Insurance Society Ltd	500,000	6.2
W Edge	356,613	4 4

Auditor

KPMG Peat Marwick have expressed their willingness to continue in office as auditor and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the board
Sinclair Henderson Ltd
Secretary

10 March 1992

PROFIT AND LOSS ACCOUNT

for the year ended 30 November 1991

	Notes	1991 £'000	1990 £'000
Investment income	2		
Franked - listed		261	239
- unlisted		105	91
Unfranked - listed		801	634
- unlisted		324	22
Total investment income		1,491	986
Other income		15	5
Other interest receivable		295	204
Total income		1,801	1,195
Administration expenses	3	603	385
Profit on ordinary activities before interest and taxation		1,198	810
Interest payable	5	904	508
Profit on ordinary activities before taxation		294	302
Taxation	6	61	85
Profit on ordinary activites after taxation		233	217
Extraordinary items	7	-	37
Profit for the year		233	254
Dividend	8	77	109
Retained profit for the year	18	*156*	*145*

	Notes	1991	1990
Earnings per ordinary share	9		
undiluted		2.89p	2.70p
diluted		5.24p	3.38p

The movements in reserves are set out in notes 17 and 18 to the financial statements.

BALANCE SHEET

at 30 November 1991

	Notes	1991 £'000	1990 £'000
Fixed assets			
Investments at valuation	10	20,265	13,816
Investment in subsidiary at cost	11	50	50
		20,315	13,866
Current assets			
Debtors	12	901	2,894
Bank balances and short term deposits		1,705	5,588
		2,606	8,482
Creditors : amounts falling due within one year	13	406	693
Net current assets		2,200	7,789
Total assets less current liabilities		*22,515*	*21,655*
Creditors : amounts falling due after one year	14		
7½ % convertible unsecured loan stock 1999		12,000	12,000
Provision for liabilities and charges			
Deferred taxation	15	27	33
		12,027	12,033
		10,488	9,622
Capital and reserves			
Called up share capital	16	2,015	2,015
Capital redemption reserve		1,061	1,061
Capital reserve	17	6,315	5,606
Profit and loss account	18	1,097	940
		10,488	9,622
Net asset value per ordinary share			
basic	19	130.1p	119.4p
fully diluted		127.3p	122.7p

These financial statements were approved by the board on 10 March 1992

J D Oakley)
) Directors
R M Drummond)

SOURCE AND APPLICATION OF FUNDS

for the year ended 30 November 1991

	1991 £'000	1990 £'000
Sources of funds		
Profit before taxation	294	302
Extraordinary item	-	49
	294	351
Funds from other sources		
Loan stock issued	-	6,000
Proceeds on sale of investments	13,137	11,289
	13,137	17,289
Total sources	13,431	17,640
Application of funds		
Purchases of investments	18,876	9,316
Loan stock redeemed	353	1,500
Dividends paid	109	-
Tax suffered	45	243
Total applications	19,383	11,059
(Decrease)/increase in working capital	(5,952)	6,581

Analysis of (decrease)/increase in working capital

(Decrease)/increase in debtors	(1,972)	2,711
(Increase)/decrease in creditors	(97)	4,308
Decrease in cash at bank	(3,883)	(438)
	(5,952)	6,581

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with applicable accounting standards. The company holds more than 20% of the equity of certain portfolio companies. In order to show a true and fair view, all of the company's investments have been treated as investments and not as associated companies.

Investment income and interest receivable

Franked investment income is included in the financial statements when the investments concerned are quoted ex-dividend. This is in keeping with industry practice and represents a change in accounting policy. The comparative figures have been restated accordingly. The related tax credit is included where appropriate.

Interest on loans and short term deposits is on an accruals basis.

Taxation

The charge for taxation is based on the profit for the year. Taxation deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in years different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Investments

Investments are valued using the British Venture Capital Association guidelines. Thus investments are shown at mid-market value or, if unlisted, at directors' valuation. Investments traded on The London Stock Exchange are valued at mid-market prices ruling at the close of business at each balance sheet date and investments quoted on the USM are valued at the then most recent average price of bargains struck. The directors' valuation of unlisted investments is based on the following criteria :

(1) Initially, investments are valued at cost, including fees and transaction costs of making the investments.

(2) Subsequent changes reflect the prices at which further issues of capital or dealings between third parties take place, the performance and immediate prospects of the company and the market value of comparable listed companies, discounted for lack of marketability.

(3) Appropriate provisions are made where necessary to reflect unsatisfactory financial performance leading to permanent diminution in value.

Both realised and unrealised gains and losses arising on investments are taken directly to the capital reserve.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All such gains and losses are transferred to capital reserve. Transactions during the year in foreign currencies are converted into sterling at the rate ruling at the transaction date. Gains and losses on revenue items are dealt with through the profit and loss account.

Accounting reference dates

The comparative figures shown for 1990 are for the period 14 December 1989 to 30 November 1990.

2 Investment income

Total income amounted to £1,801,000 (1990 : £1,195,000) of which £1,771,000 (1990 : £1,195,000) was derived from within the UK and £30,000 (1990 : £nil) from the USA.

3 Administration expenses

	1991 £'000	1990 £'000
Investment adviser's fee	470	313
General management expenses	94	39
Directors' remuneration (note 4)	32	26
Auditor's remuneration	7	7
	603	385

Under the terms of the advisory agreement, the investment adviser's fee is payable quarterly in advance, the charge being 0.625% of the value of all unquoted investments and 0.375% of the value of other gross assets, based on the management accounts of the preceding quarter. In addition, GVM is reimbursed certain expenses incurred in the performance of its duties. GVM and its subsidiaries hold 264,560 ordinary shares (3.3%) and certain of its employees hold options over 570,000 ordinary shares in the company.

4 Directors' remuneration

	1991 £'000	1990 £'000
Total fees	32	26
Emoluments of the Chairman and highest paid director	10	10
Number of all other directors whose emoluments fell within the following ranges :		
Nil to £5,000	9	3
£5,001 to £10,000	1	3

None of the directors has a service agreement with the company.

5 Interest payable

	1991 £'000	1990 £'000
18% unsecured loan stock 1991	5	75
7 ½% convertible unsecured loan stock 1999	899	433
	904	508

6 Taxation

	1991 £'000	1990 £'000
Tax attributable to franked investment income	70	52
Transfer to deferred taxation	(6)	33
	64	85
Prior year adjustment	(3)	-
	61	85

7 Extraordinary items

	1991 £'000	1990 £'000
Dividend	-	49
Attributable taxation	-	(12)
	-	37

8 Dividend

	1991 £'000	1990 £'000
Proposed first and final dividend of 0.95p per share (1990 : 1.35p per share inclusive of a special dividend of 0.45p per share)	77	109

9 Earnings per ordinary share

Basic earnings per ordinary share are based on the profit on ordinary activities after taxation and before extraordinary items of £233,000 (1990 : £217,000) and 8,060,854 shares in issue (1990 : 8,060,854).

Fully diluted earnings per ordinary share are based on an adjusted profit on ordinary activities after taxation of £965,000 (1990 : £616,000) and an average of 18,415,128 shares (1990 : 18,248,240) in issue, after adjusting for the conversion of the 1999 loan stock and the exercise of options granted.

10 *Investments*

	1991	1990
Cost	£'000	£'000
At 1 December 1990	11,394	10,963
Investments acquired	18,9[illegible]	9,316
Investments realised	(11,[illegible])	(8,885)
At 30 November 1991	18,853	11,394
Excess of valuation over cost	1,412	2,422
Valuation	20,265	13,816

Sector analysis	Number	Cost £'000	%	Value £'000	%
Government Stocks	2	5,910	31.3	5,988	29.5
Computer/Software	7	1,361	7.2	3,751	18.5
Hotels/Catering	4	1,648	8.7	2,168	10.7
Communications	5	2,106	11.2	1,936	9.6
Medical	7	2,277	12.1	1,913	9.4
Clothing/Textiles	2	1,280	6.8	1,280	6.3
Electronics	4	1,989	10.6	1,133	5.6
Leisure	2	550	2.9	550	2.7
Engineering	2	357	1.9	454	2.2
Finance	3	659	3.5	376	1.9
Construction	1	331	1.8	331	1.6
Transportation	1	175	0.9	175	0.9
Utilities	1	160	0.8	160	0.8
Printing/Publishing	1	50	0.3	50	0.3
Total investments		18,853	100.0	20,265	100.0

Details of significant investments

The company has equity holdings of 10% or more in the following companies :

Company	Main Activity	Shareholding	%
*Central Industries	Industrial holding company	Ord.	49.0
*Elmbridge Village Holdings	Retirement homes	Pref.Ord.	26.8
		C.R. Pref.	26.8
Elvington	Tour operator	C.C.P. Pref.	14.8
		C.R. Pref.	14.8
Euroworld	Airline operator	'A' Ord.	11.7
		Pref.	11.7
Falcon Equipment & Systems	Electronics	Ord.	17.8
		Pref.	56.5
First Secured Hotels	Hotel management	Pref. Ord.	22.4
*Great Portland Hotels	Hotel management	Pref. Ord.	25.0
Intown Property Services	Property management	Ord.	16.0
		Pref.	40.0
LRG (Holdings)	Leisure facilities	'B' Ord.	26.7
Linden	*House building*	'B' Ord.	13.3
Link Licensing	Character merchandising	Pref. Ord.	100.0
		Pref.	100.0
*Novo Group	Film services	C.R. Pref.	18.7
		C.C.R. Pref.	18.7
Sanderson Vere C[illegible] (Film Editors)	TV facilities	Ord.	22.7
*Sterry Communications	Telephone systems	Pref. Ord.	19.0
Shield Diagnostics	Diagnostic tests	Pref.	12.7

*Further information on these investments which, in the opinion of the directors, have a significant effect on the company's accounts, are contained in the review of principal investments on pages 10 and 11.

Details of individual investments held at 30 November 1991

	Cost £'000	Valuation £'000	Appreciaton/ (Depreciation) £'000
*Venture capital - quoted			
Babcock International Group	17	115	98
Electron House	1,444	888	(556)
FKI	44	134	90
G & G Kynoch	175	153	(22)
Meggitt	196	115	(81)
Queens Moat Houses	137	131	(6)
The Sage Group	68	2,225	2,157
	2,081	3,761	1,680
Venture capital - unquoted			
Aristuein	225	225	-
Bio-compatibles	200	200	-
Central Industries	339	339	-
DataEase	217	253	36
Elmbridge Village Holdings	786	786	-
Elvington	230	230	-
Enterprise Inns	972	972	-
Euroworld	175	175	-
Falcon Equipment & Systems	130	130	-
First Secured Hotels	127	127	-
FISCAP	151	151	-
Focusrite	220	-	(220)
Great Portland Hotels	412	938	526
Homecraft Holdings	200	200	-
Inference Corporation	233	254	21
Intown Property Services	160	160	-
LRG (Holdings)	320	320	-
Linden	331	331	-
Link Licensing	50	50	-
Novo Group	800	800	-
Pepe Group	1,000	1,000	-
Pharmaceutical Proteins	244	244	-
Plasmon	300	300	-
Queensgate Productions	261	-	(261)
Sanderson Vere Crane (Film Editors)	202	202	-
Sapphire International	61	71	10
Shield Diagnostics	200	200	-
Sterry Communications	800	800	-
SWJ Holdings	280	280	-
Triad Special Systems	144	169	25
Twyford International	472	130	(342)
Vega Space Systems Engineering	337	479	142
Yorkdale	283	-	(283)
	10,862	10,516	(346)
Fixed interest - quoted			
Treasury 10% - 1992	4,919	4,988	69
Treasury 10.5% - Convertible Stock 1992	991	1,000	9
	5,910	5,988	78
TOTAL INVESTMENTS	18,853	20,265	1,412

All companies are incorporated and operate principally in the UK other than Inference Corporation and Twyford International which are incorporated in the USA.
*Denotes securities listed on The London Stock Exchange.

11 Investment in subsidiary

The company owns the whole of the issued share capital of Grosvenor Equity Management Limited which has not traded during the year and therefore consolidated accounts have not been prepared. The company is incorporated in England.

12 Debtors

	1991 £'000	1990 £'000
Sales for future settlement	542	-
Sundry debtors	94	117
Amount due from loan stock holders (note 14)	-	2,577
Prepayments and accrued income	265	200
	901	2,894

13 Creditors : amounts falling due within one year

	1991 £'000	1990 £'000
Other creditors	329	231
Loan stock (note 14)	-	353
Final dividend	77	109
	406	693

14 Creditors : amounts falling due after one year

Convertible unsecured loan stock 1999

£12 million of 7½% convertible unsecured loan stock was issued, 50p paid, on 13 December, 1989. The balance of 50p was paid on 30 November 1990. Providing the loan stock has been paid in full, each stockholder has the right to convert the whole or any part of his holding of the stock into ordinary share capital, credited as fully paid at the rate of 80 ordinary shares for every £100 in principal amount paid up. The conversion rights are exercisable in April and October of each year from 1993 to 1997 inclusive and for a further period of 30 days after the Annual General Meeting in 1998.

15 Deferred taxation

	1991 £'000	1990 £'000
Deferred taxation comprises:		
Taxation on accrued interest	27	33
The movement on the provision for deferred taxation is as follows:		
At 1 December 1990		33
Transfer from profit and loss account		(6)
At 30 November 1991		27

16 Called up share capital

	1991	1990
Authorised	£'000	£'000
40,000,000 ordinary shares of 25p each	10,000	10,000
One 5% cumulative redeemable preference share of £1	-	-
	10,000	10,000
Allotted, called up and fully paid	£'000	£'000
8,060,854 ordinary shares of 25p each	2,015	2,015
One 5% cumulative redeemable preference share of £1	-	-
	2,015	2,015

The 5% preference share will be redeemed at par on 30 November 1999.

(a) Changes in share capital

At 30 November 1991, 9,600,000 ordinary shares were reserved for issue on conversion of the convertible loan stock. A maximum of 1,056,000 ordinary shares has been reserved for issue pursuant to the option scheme described in the note below.

(b) Option scheme

The company has adopted the Grosvenor Development Capital Option Scheme ("the Scheme") which provides for the grant of non-transferable options to subscribe for ordinary shares. The following is a summary of the principal terms and details of outstanding options under the Scheme.

(i) Options over 570,000 ordinary shares have been granted at a subscription price of : (a) 125.0p per ordinary share and (b) 130.5p per ordinary share to certain full-time employees or directors of GVM and its subsidiaries.

(ii) An option may only be exercised if, during the period from the end of the company's half-year or year end, immediately preceding the date of grant, to the end of the company's half-year or year end, immediately preceding the date of exercise, the fully diluted net asset value per ordinary share has increased at a rate of 10% per annum compound.

(iii) Subject to the above, options granted are exercisable during the period 30 days immediately following the announcement of the half-year and final results of the company for the relevant periods ending on 30 November 1993 and subsequently up to 31 May 1996.

17 Capital reserve

	1991 £'000	1990 £'000
Realised		
At 1 December 1990	3,181	695
Gains on sale of investments	1,720	2,404
Reduction in warranty provision	-	82
At 30 November 1991	4,901	3,181
Unrealised		
At 1 December 1990	2,425	5,887
Depreciation of investments	(1,030)	(3,465)
Exchange gains on investments	19	3
At 30 November 1991	1,414	2,425
	6,315	5,606

18 Profit and loss account

	£'000
As previously stated	940
Prior year adjustment	1
At 1 December 1990	941
Retained profit for the year	156
At 30 November 1991	1,097

The change in accounting policy in recording franked investment income on an ex-dividend basis has resulted in the prior year adjustment of £1,000 net of taxation.

19 Net asset value per ordinary share

The calculation of net asset value per ordinary share at 30 November 1991 is based on shareholders funds of £10,488,000 (1990 : £9,622,000) and 8,060,854 shares in issue (1990 : 8,060,854).

The fully diluted net asset value per ordinary share assumes the conversion of 7½% convertible loan stock 1999 and the exercise of 570,000 options.

20 Contingent liabilities and commitments

(i) Deferred taxation

The affairs of the company are managed so as to comply with the requirements under section 842 ICTA 1988, which enables the company to maintain investment trust status and in so doing continue to be exempt from taxation on chargeable gains.

(ii) Capital commitments

At 30 November 1991 £1,790,000 (1990 : £1,211,000) had been authorised of which £902,000 (1990 : £698,000) had been committed.

21 Shareholders

Analysis of ordinary shareholders at 30 November 1991

By size of shareholding	number of shareholders	% of share capital
Under 10,000	29	0.52
10,001 - 50,000	3	0.63
50,001 - 100,000	8	7.65
100,001 - 500,000	9	26.88
500,001 - 1,000,000	3	23.32
Over 1,000,000	2	41.00
	54	100.00

By category of investor	number of holdings	% of holdings	holding	% of share capital
Individuals	26	48.15	414,871	5.15
Insurance companies	4	7.41	1,947,279	24.16
Nominee companies	13	24.07	2,257,304	28.00
Pension funds	2	3.70	840,000	10.42
Other corporate bodies	9	16.67	2,601,400	32.27
	54	100.00	8,060,854	100.00

22 *Financial calendar*

Announcements	
Interim and final unaudited results	July and March
Dividends and interest payments	
Debenture stock	*31 March and 30 September*
Ordinary shares	April
Annual General Meeting	April

ADVISERS

Investment Adviser:	Grosvenor Venture Managers Ltd Commerce House 2-6 Bath Road Slough SL1 3RZ
Stockbroker:	County NatWest Wood Mackenzie & Co Ltd 135 Bishopsgate London EC2M 3UR
Auditor:	KPMG Peat Marwick Linacre House Southernhay East Exeter EX1 1UG
Solicitors:	Allen & Overy 9 Cheapside London EC2V 6AD
Bankers:	Barclays Bank PLC 9 Gracechurch Street London EC3V OBB
Registrars:	National Westminster Bank PLC Registrar's Department PO Box No 82 Caxton House Redcliffe Way Bristol BS99 7NH
Secretary:	Sinclair Henderson Ltd 23 Cathedral Yard Exeter EX1 1HB
Registered office:	Commerce House 2-6 Bath Road Slough SL1 3RZ

GROSVENOR DEVELOPMENT CAPITAL plc

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the company will be held at The Brewery, Chiswell Street, London EC1Y 4SD at 12 noon on 13 April 1992 for the transaction of the following business :

Ordinary business

1. To receive and consider the financial statements for the year ended 30 November 1991, the directors' and the auditor's reports thereon and to declare a final dividend.

2. To re-elect A D V Crook a director.

3. To re-elect P R Judge a director.

4. To re-elect T J Amies a director.

5. To re-elect D Bucks a director.

6. To re-elect P Gale a director.

7. To re-elect M J Glover a director.

8. To reappoint KPMG Peat Marwick as auditor to the company and to authorise the directors to determine their remuneration.

Special business

9. That the directors of the company be and are hereby authorised and empowered during the year expiring on the date of the next Annual General Meeting of the company to exercise all the powers of the company to allot relevant securities as defined in section 80 of the Companies Act 1985 ("the Act") and as if section 89(1) of the Act did not apply but so that such authority and power shall be limited to :

   (a) the allotment of relevant securities having a maximum aggregate nominal value not exceeding £3,335,738 ;

   (b) allotments as defined in section 94 of the Act referred to in sub paragraph 9(a) subject to the directors having the right to :-

      (i) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where the equity securities attributable to the interests of all such holders are proportionate to the respective number of ordinary shares held by them subject to such exclusions or arrangements as the directors may deem necessary or desirable to deal with fractional entitlements otherwise arising or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any Stock Exchange in, any territory ;

      (ii) the allotment of the convertible loan stock pursuant to the placing ;

      (iii) the allotment of equity securities with a maximum aggregate nominal value of £264,000

NOTICE OF THE ANNUAL GENERAL MEETING - CONTINUED

pursuant to the Option Scheme referred to in note 16(b) in the notes to the accounts ; and

(iv) the allotment of equity securities (otherwise than pursuant to sub-paragraphs 9(b) (i), (ii) or (iii) above up to a maximum aggregate nominal value of £100,000.

provided that such authority and power shall permit the directors to make at any time before the end of such period any offer or agreement which would or might require the allotment of relevant securities or equity securities after the end of such period.

Registered Office :
Commerce House
2-6 Bath Road
Slough, Berks SL1 3RZ

By order of the Board
Sinclair Henderson Ltd
Secretary
10 March 1992

Registered in England
Number 1525583

Notes

A member entitled to attend and vote at this meeting may appoint one or more proxies to vote in his stead. A proxy need not also be a member of the company. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

The following documents will be available for inspection at the registered office of the company during usual business hours on any weekday (except Saturdays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting :

a) A statement of all transactions of each director and of their family interests in the share capital of the company;

b) The Articles of Association.

No director has a contract of service with the company.

GROSVENOR DEVELOPMENT CAPITAL plc

FORM OF PROXY

For use in connection with the ANNUAL GENERAL MEETING of the company to be held at The Brewery, Chiswell Street, London EC1Y 4SD at 12 noon on 13 April 1992.

I/We ____________________ of ______________________________ being a member(s) of Grosvenor Development Capital plc ("the company") hereby appoint the Chairman of the meeting* ____________________ as my/our proxy to vote for me/us on my/our behalf at the above-mentioned Annual General Meeting of the company and at any adjournment thereof.

I/We hereby authorise and instruct my/our said proxy to vote on the resolutions to be proposed at such meeting as indicated below. Unless otherwise directed, the proxy will vote or abstain from voting as he or she thinks fit.

RESOLUTIONS	For	Against
1. To receive and consider the financial statements for the year ended 30 November 1991, the directors' and the auditor's reports thereon and to declare a final dividend.		
2. To re-elect A D V Crook a director.		
3. To re-elect P R Judge a director.		
4. To re-elect T J Amies a director.		
5. To re-elect D Bucks a director.		
6. To re-elect P Gale a director.		
7. To re-elect M J Glover a director.		
8. To re-appoint the auditor, KPMG Peat Marwick and to authorise the directors to determine their remuneration.		
9. To authorise directors to allot securities.		

Dated...Signature..

* Delete as appropriate (see note 4 below)

1 To be effective, this proxy must be completed and deposited at the office of the company's Registrar not less than 48 hours before the time appointed for the holding of the meeting together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority.

2 In the case of a corporation this proxy should be given under its common seal or should be signed on its behalf by an attorney or a duly authorised officer.

3 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the share.

4 If it is desired to appoint as proxy any person other than the Chairman of the meeting, such person's name and address should be inserted in the relevant space, reference to "the Chairman of the meeting" deleted and the alteration initialled. A proxy need not be a member of the company.

5 Appointment of a proxy does not prevent a member from attending and voting in person should he so wish.

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