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CastleInternational Asset Management Limited

Report and Accounts

31 December 1996



CastleInternational Asset Management Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the period ended 31 December 1996. The company was incorporated on 4 October 1995 as MM&S (2289) Limited. On 21 November 1995 by special resolution the company changed its name to Castlerock Capital Management Limited. On 14 February 1996 by special resolution the company changed its name to CastleInternational Asset Management Limited.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £990,757. Interim dividends totalling £Nil were paid during the period. The balance of £(990,757) for the period has been transferred to reserves. The directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The main business of the group is investment management.

Funds under management for the year increased to in excess of £994 million. This was accomplished principally by increasing the client base.

FUTURE DEVELOPMENTS

The directors aim to continue to conduct the business in such a way as to attract further clients.

FIXED ASSETS

Fixed assets of £198,146 were acquired during the year.

DIRECTORS AND THEIR INTERESTS

The directors during the period and their interests in the share capital of the company were as follows:

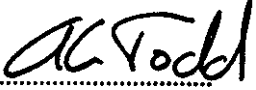
Gordon Anderson	(appointed 15 December 1995)
Doug Waggoner	(appointed 21 November 1995)
Peter Tait	(appointed 22 May 1996)
Nigel Barry	(appointed 22 May 1996)
Young Chin	(appointed 21 November 1995)

No director had an interest in the shares of the company or any fellow subsidiary undertaking at 31 December 1996 or at their respective date of appointment.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the annual general meeting.

By order of the Board

DIRECTOR.....
DM COMPANY SERVICES LTD.

Secretary

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 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;
- 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 CastleInternational Asset Management Limited

We have audited the accounts on pages 5 to 11, 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 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 at 31 December 1996 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants
Registered Auditor
Edinburgh

31 March 1997

CastleInternational Asset Management Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 December 1996

	<i>Note</i>	<i>1996</i>
		<i>£</i>
TURNOVER	2	1,086,336
Administrative expenses		(2,130,592)
OPERATING LOSS		(1,044,256)
Bank interest receivable		53,499
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(990,757)
Tax on loss on ordinary activities	5	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(990,757)
Ordinary dividends on equity shares		-
RETAINED LOSS FOR THE YEAR	11	(990,757)

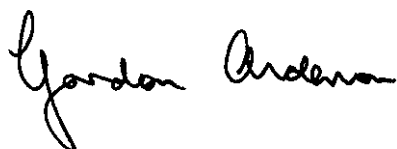
RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £990,757 in the period ended 31 December 1996.

CastleInternational Asset Management Limited

BALANCE SHEET at 31 December 1996

	Notes	1996 £
FIXED ASSETS		
Tangible assets	6	167,890
CURRENT ASSETS		
Debtors	7	391,611
Cash at bank and in hand		1,138,030
		<u>1,529,641</u>
CREDITORS: amounts falling due within one year	8	754,575
NET CURRENT ASSETS		<u>775,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>942,956</u>
CAPITAL AND RESERVES:		
Share capital	9	1,933,713
Profit and loss account	11	(990,757)
Equity shareholders' funds	11	<u>942,956</u>



G Anderson

Director

31 March 1997

CastleInternational Asset Management Limited

CASH FLOW STATEMENT for the period ended 31 December 1996

	<i>Notes</i>	<i>1996</i> <i>£</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	3(c)	(647,536)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		49,999
NET CASH INFLOW FROM RETURNS ON INVESTMENTS		<u>49,999</u>
TAXATION		
UK corporation tax paid		-
Tax paid		-
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets		(198,146)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(198,146)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(795,683)</u>
FINANCING		
Proceeds from issue of shares		1,933,713
NET CASH INFLOW FROM FINANCING		<u>1,933,713</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u><u>1,138,030</u></u>

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Fixtures, fittings and equipment - over 4-10 years

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax represents the amounts derived from corporate services.

3. OPERATING LOSS

(a) This is stated after charging/(crediting):

Directors' remuneration (see below)	
Depreciation of fixed assets	30,256
Auditors' remuneration : audit	10,000
other	11,150
Operating lease rentals - motor vehicles	47,145

(b) Directors' remuneration

Emoluments 416,366

Pension contributions 29,796

446,162

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1996
	No
£ Nil	2
£105,001 - £110,000	2
£200,001 - £205,000	1

The emoluments, excluding pension contribution, of the managing director who was also the highest paid director, were £203,500.

c) Reconciliation of operating profit to net cash inflow from operating activities:

Operating loss	(1,044,256)
Depreciation	30,256
Increase in debtors	(388,111)
Increase in creditors	754,575
	647,536

NOTES TO THE ACCOUNTS
at 31 December 1996

4. STAFF COSTS

	1996 £
Wages and salaries	899,916
Social security costs	73,425
Other pension costs	66,409
	<u>1,039,750</u>

The average weekly number of employees during the period was made up as follows:

	No
Office and management	<u>12</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £
Based on the profit for the year:	
Corporation tax at 33%	-
Taxation under/(over) provided in previous years	-
	<u>-</u>

6. TANGIBLE FIXED ASSETS

	<i>Leasehold property</i> £	<i>Fixtures and fittings</i> £	<i>Computer equipment</i> £	<i>Telephone</i> £	<i>Total</i> £
Cost					
Additions	88,591	43,264	47,352	18,939	198,146
At 31 December 1996	<u>88,591</u>	<u>43,264</u>	<u>47,352</u>	<u>18,939</u>	<u>198,146</u>
Depreciation					
Charge for period	6,683	9,948	10,199	3,426	30,256
At 31 December 1996	<u>6,683</u>	<u>9,948</u>	<u>10,199</u>	<u>3,426</u>	<u>30,256</u>
Net book value					
At 31 December 1996	<u>81,908</u>	<u>33,316</u>	<u>37,153</u>	<u>15,513</u>	<u>167,890</u>

CastleInternational Asset Management Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

7. DEBTORS

	1996 £
Trade debtors	337,045
Prepayments and accrued income	27,591
Other taxes and social security costs	26,975
	<u>391,611</u>

8. CREDITORS: amounts falling due within one year

	1996 £
Other taxes and social security costs	29,247
Trade creditors	110,018
Accruals	615,310
	<u>754,575</u>

9. SHARE CAPITAL

	<i>Authorised 1996 £</i>	<i>Issued and fully paid 1996 £</i>
Ordinary shares of £1 each	1,300,000	1,300,000

10. OTHER FINANCIAL COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:-

	<i>Land & buildings 1996 £</i>	<i>Motor vehicles 1996 £</i>
Leases which expire:		
within one year	-	-
in the second to fifth year inclusive	-	47,393
in over five years	89,522	-
	<u>89,522</u>	<u>47,393</u>

NOTES TO THE ACCOUNTS

at 31 December 1996

11. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Shareholders' funds</i>
	£	£	£
Balance:			
At 31 December 1995			
Capital introduced	1,933,713	-	1,933,713
Profit attributable to members of the company	-	(990,757)	(990,757)
Dividends	-	-	-
	<u>1,933,713</u>	<u>(990,757)</u>	<u>942,956</u>
At 31 December 1996			

12. ULTIMATE PARENT COMPANY

The ultimate parent company of the group of undertakings for which group accounts are drawn up and of which the company is a member, is PNC Bank Corp. a company registered in the USA.

13. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 1996.