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BlackRock International, Limited.

Report and Accounts

31 December 1998

ERNST & YOUNG

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BlackRock International, Limited.

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £29,807 (1997: £367,241) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The main business of the group is investment management. The company changed its name to BlackRock International, Limited. on 5 March 1998.

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 £63,507 (1997: £14,638) were acquired during the year.

SHARE CAPITAL

Additional capital of £150,108 (11.5p per share) was subscribed by the parent company in order that the company continued to meet its regulatory capital requirements. This has been added to the share premium account.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

DIRECTORS AND THEIR INTERESTS

Messrs Anderson, Waggoner, Tait and Barry were appointed Managing Directors in BlackRock, Inc., an intermediate holding company in the United States on 26 March 1998 following the reorganisation of PNC's asset management business.

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

Gordon Anderson	(resigned 26 March 1998)
Doug Waggoner	(resigned 26 March 1998)
Peter Tait	(resigned 26 March 1998)
Nigel Barry	(resigned 26 March 1998)
Young Chin	(resigned 26 March 1998)
Laurence Fink	(appointed 26 March 1998)
Walter Gregg	(appointed 26 March 1998)
Helen Pudlin	(appointed 26 March 1998)
James Rohr	(appointed 26 March 1998)

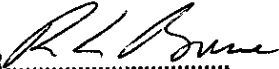
No director was interested in the shares of the company.

DIRECTORS' REPORT

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

27 April 1999

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 BlackRock International, 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 9.

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.

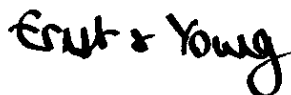
Basis of opinion

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 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 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Edinburgh

27 April 1999

BlackRock International, Limited.

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Note</i>	<i>1998</i>	<i>1997</i>
		£	£
TURNOVER	2	2,949,640	2,276,789
Administrative expenses		(3,043,375)	(2,697,437)
OPERATING LOSS		(93,735)	(420,648)
Bank interest receivable		63,928	53,407
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(29,807)	(367,241)
Tax on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL YEAR	12	(29,807)	(367,241)

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £29,807 in the year ended 31 December 1998 and of £367,241 in the year ended 31 December 1997.

BlackRock International, Limited.

BALANCE SHEET at 31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	6	161,248	145,003
CURRENT ASSETS			
Debtors	7	465,719	232,724
Cash at bank and in hand		1,593,511	762,649
		2,059,230	995,373
CREDITORS: amounts falling due within one year	8	904,263	199,321
NET CURRENT ASSETS		1,154,967	796,052
TOTAL ASSETS LESS CURRENT LIABILITIES		1,316,215	941,055
CREDITORS: amounts falling due after more than one year	9	405,145	150,286
		911,070	790,769
CAPITAL AND RESERVES:			
Share capital	10,12	1,300,000	1,300,000
Share premium account	12	998,875	848,767
Profit and loss account	12	(1,387,805)	(1,357,998)
Equity shareholders' funds	12	911,070	790,769

Gordon Anderson

Director

27 April 1999

BlackRock International, Limited.

STATEMENT OF CASH FLOWS
for the period ended 31 December 1998

	Notes	1998 £	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(c)	687,647	(628,475)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		56,614	52,678
NET CASH INFLOW FROM RETURNS ON INVESTMENTS		56,614	52,678
TAXATION		-	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(63,507)	(14,638)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(63,507)	(14,638)
NET CASH INFLOW BEFORE FINANCING		680,754	(590,435)
FINANCING			
Proceeds from issue of shares		150,108	215,054
NET CASH INFLOW FROM FINANCING		150,108	215,054
INCREASE/(DECREASE) IN CASH		830,862	(375,381)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/(decrease) in cash in the period	13	830,862	(375,381)
Net funds at 1 January	13	762,649	1,138,030
Net funds at 31 December	13	1,593,511	762,649

NOTES TO THE ACCOUNTS
at 31 December 1998

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.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

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:	1998	1997
	£	£
Depreciation of fixed assets	47,262	37,525
Auditors' remuneration : audit	12,500	10,000
other	-	650
Operating lease rentals - motor vehicles	59,189	47,393
	<u> </u>	<u> </u>
(b) Directors' remuneration:	1998	1997
	£	£
Emoluments	398,516	760,109
Pension contributions	10,381	40,535
	<u> </u>	<u> </u>
	408,897	800,644
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £225,911 (1997: £275,357).

	1998	1997
	£	£
c) Reconciliation of operating profit to net cash inflow from operating activities:		
Operating loss	(93,735)	(270,362)
Depreciation	47,262	37,525
(Increase)/decrease in debtors	(225,683)	159,616
Increase/(decrease) in creditors	959,803	(555,254)
	<u> </u>	<u> </u>
	687,647	(628,475)
	<u> </u>	<u> </u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 1998

4. STAFF COSTS

	1998 £	1997 £
Wages and salaries	1,229,251	1,012,398
Social security costs	133,469	103,979
Other pension costs	94,558	87,001
	<u>1,457,278</u>	<u>1,203,378</u>

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

	No	No
Office and management	<u>18</u>	<u>14</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax is payable due to the availability of accumulated tax losses of £762,723.

6. TANGIBLE FIXED ASSETS

	<i>Leasehold property</i> £	<i>Fixtures and fittings</i> £	<i>Computer equipment</i> £	<i>Telephone</i> £	<i>Total</i> £
Cost					
At 31 December 1997	88,591	55,800	49,394	18,999	212,784
Additions	-	10,525	49,751	3,231	63,507
At 31 December 1998	<u>88,591</u>	<u>66,325</u>	<u>99,145</u>	<u>22,230</u>	<u>276,291</u>
Depreciation					
At 31 December 1997	15,542	21,991	22,080	8,168	67,781
Charge for period	8,858	13,856	19,308	5,240	47,262
At 31 December 1998	<u>24,400</u>	<u>35,847</u>	<u>41,388</u>	<u>13,408</u>	<u>115,043</u>
Net book value					
At 31 December 1998	<u>64,191</u>	<u>30,478</u>	<u>57,757</u>	<u>8,822</u>	<u>161,248</u>
At 31 December 1997	<u>73,049</u>	<u>33,809</u>	<u>27,314</u>	<u>10,831</u>	<u>145,003</u>

7. DEBTORS

	1998 £	1997 £
Trade debtors	428,869	185,984
Prepayments and accrued income	32,330	31,855
Other debtors	4,520	14,885
	<u>465,719</u>	<u>232,724</u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 1998

8. CREDITORS: amounts falling due within one year

	1998	1997
	£	£
Other taxes and social security costs	38,748	31,007
Trade creditors	8,231	30,990
Accruals	279,266	137,324
Due to parent undertaking	578,018	-
	<u>904,263</u>	<u>199,321</u>

9. CREDITORS: amounts falling due after more than one year

	1998	1997
	£	£
Long-term compensation scheme	405,145	150,286
	<u>405,145</u>	<u>150,286</u>

10. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	1,300,000	1,300,000	1,300,000	1,300,000
	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>

Additional capital of £150,108 (11.5p per share) was subscribed for by the parent company to maintain capital adequate for regulatory purposes.

11. OTHER FINANCIAL COMMITMENTS

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

	<i>Land & buildings</i>	<i>Motor vehicles</i>	<i>Land & buildings</i>	<i>Motor vehicles</i>
	1998	1998	1997	1997
	£	£	£	£
Leases which expire:				
within one year	-	-	-	-
in the second to fifth year inclusive	-	-	-	46,144
in over five years	95,800	-	89,522	-
	<u>95,800</u>	<u>-</u>	<u>89,522</u>	<u>46,144</u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 1998

12. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Share- holder's funds</i>
	£	£	£	£
Balance:				
At 31 December 1997	1,300,000	848,767	(1,357,998)	790,769
Capital introduced	-	150,108	-	150,108
Profit attributable to members of the company	-	-	(29,807)	(29,807)
At 31 December 1998	1,300,000	998,875	(1,387,805)	911,070

13. NOTES TO THE STATEMENT OF CASH FLOW

Analysis of changes in net funds:

	<i>At 1 January 1998</i>	<i>Cash At 31 December inflow 1998</i>	<i>1998</i>
	£	£	£
Cash at bank and in hand	762,649	830,862	1,593,511

14. 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.

15. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 1998.

16. RELATED PARTIES

No disclosure of transactions with the parent company has been made as permitted by FRS8 para 3 (c).