

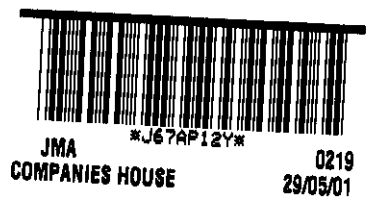
Company Registration Number

1597729

GALLEON ASSETS MANAGEMENT LIMITED

A C C O U N T S

For the year ended 31st July 2000



COOPER LANCASTER BREWERS

Chartered Accountants

L O N D O N

GALLEON ASSETS MANAGEMENT LIMITED

Report and Accounts

For the year ended 31st July 2000

Contents

	Page
Company information	1
Report of the Directors	2
Statement of Directors' Responsibilities	3
Report of the Auditors	4
Profit and loss account	5
Balance Sheet	6
Cashflow Statement	7
Accounting policies	8
Notes to the Accounts	9 - 14

GALLEON ASSETS MANAGEMENT LIMITED

Directors	B S Sheppard M B B Sheppard BA (Hons) ACA E Bor LLB
-----------	--

Secretary	B S Sheppard
-----------	---------------------

Auditors	Cooper Lancaster Brewers Aldwych House 81 Aldwych London WC2B 4HP
----------	--

Bankers	National Westminster Bank plc PO Box No 305 Spring Gardens Manchester M60 2DB
---------	--

Registered Office	Woolwich House 61 Mosley Street Manchester M2 3HZ
-------------------	--

GALLEON ASSETS MANAGEMENT LIMITED

Report of the Directors

For the year ended 31st July 2000

The Directors present their report, together with the audited accounts, for the year ended 31st July 2000.

Principal Activity

The principal activity of the company is that of private client fund manager and stockbroker.

The company is regulated by the Securities and Futures Authority.

Review of the Business

The result for the year is considered satisfactory. It is expected that continued progress in the development of the company will continue in 2000/2001.

Results and Dividends

The Directors do not recommend the payment of a dividend. The retained loss for the year of £186,390 (1999 : £10,472 retained profit) has been deducted from reserves brought forward.

Directors and their Interests

The Directors who served during the year were as follows :

B S Sheppard

M B B Sheppard BA (Hons) ACA

E Bor LLB

N C Randall

- Resigned 6th June 2000

No Director has an interest in the shares of the company.

The interests of the Directors in the share capital of the parent company, Neil Fergusson (Chemist) Limited, are disclosed in the accounts of that company.

Year 2000

The changeover to the Year 2000 was accomplished successfully and all systems are operating as expected. However, the Directors remain vigilant and will continue to monitor all systems for any anomalies that could arise.

During the year, new computer systems were introduced to improve the operational efficiency of the business. In the expenditure appraisal process, compliance with existing systems and with year 2000 issues was addressed and the Directors have not identified any areas of non-compliance.

The costs of implementing the Year 2000 action plan were not significant.

Auditors

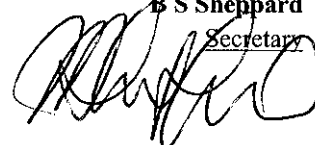
During the year HLB Kidsons resigned as auditors and the Directors appointed Cooper Lancaster Brewers to fill the vacancy. A resolution will be put to the Annual General Meeting to appoint Cooper Lancaster Brewers as auditors for the ensuing year.

Woolwich House
61 Mosley Street
Manchester M2 3HZ

18th October 2000

By Order of the Board

B S Sheppard
Secretary



GALLEON ASSETS MANAGEMENT LIMITED

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements 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 financial statements, 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
- prepare the financial statements 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 financial statements 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 GALLEON ASSETS MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

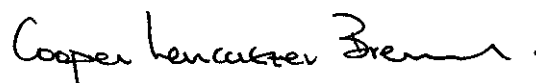
Basis of opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 financial statements 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st July 2000 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985



COOPER LANCASTER BREWERS

London
18th October 2000

Chartered Accountants
Registered Auditors

GALLEON ASSETS MANAGEMENT LIMITED

Profit and loss account

For the year ended 31st July 2000

	Note	2000 £	1999 £
Turnover	1	777,528	497,534
Cost of sales		(270,245)	(110,703)
Gross profit		507,283	386,831
Administrative expenses		(690,155)	(409,824)
Operating loss		(182,872)	(22,993)
Net interest (payable) / receivable	3	(7,436)	15,432
Loss on ordinary activities before taxation		(190,308)	(7,561)
Taxation on ordinary activities	4	3,918	18,033
(Loss) / profit on ordinary activities after taxation		(186,390)	10,472

There are no recognised gains or losses other than the result for the current and prior period.

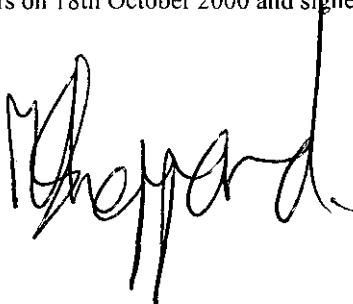
All of the activities of the company are classed as continuing.

GALLEON ASSETS MANAGEMENT LIMITED

Balance Sheet At 31st July 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible fixed assets	6	147,895	31,350
Investment in subsidiary undertaking	7	10	10
		147,905	31,360
Current assets			
Debtors	8	2,652,442	51,232
Cash at bank and in hand	9	1,556,244	246,487
		4,208,686	297,719
Creditors			
Amounts falling due within one year	10	(3,898,410)	(39,637)
Net current assets		310,276	258,082
Creditors			
Amounts falling due after more than one year	10	(55,129)	-
Net assets		403,052	289,442
Capital and reserves			
Share capital	11	303,000	3,000
Profit and loss account	12	100,052	286,442
Equity shareholders' funds	13	403,052	289,442

These accounts were approved by the Directors on 18th October 2000 and signed on their behalf by :



M. B. B. SHEPPARD

Director

GALLEON ASSETS MANAGEMENT LIMITED

Cashflow Statement

For the year ended 31st July 2000

	Note	2000 £	1999
Net cash (outflow) from operating activities	15 a	(168,437)	(85,305)
Returns on investments and servicing of finance			
Interest received		11,183	15,471
Interest paid		(14,692)	(39)
Interest element of finance lease rental payments		(3,927)	-
		<u>(7,436)</u>	<u>15,432</u>
Taxation			
Corporation tax repaid (paid)		883	(22,259)
Capital expenditure			
Purchase of tangible fixed assets		(33,538)	(34,756)
Financing			
Issue of ordinary shares		300,000	-
Capital element of finance lease rental payments		(5,159)	-
Increase (decrease) in cash for the year		<u>86,313</u>	<u>(126,888)</u>
Reconciliation of net cash flow to movement in net funds			
Increase (decrease) in cash for the year		86,313	(126,888)
Cash outflow from decrease in lease financing		5,159	-
Change in net funds resulting from cashflows		<u>91,472</u>	<u>(126,888)</u>
New finance leases		(72,851)	-
Movement in net funds in the year		<u>18,621</u>	<u>(126,888)</u>
Net funds at 1st August 1999		246,487	373,375
Net funds at 31st July 2000	15 b	<u>265,108</u>	<u>246,487</u>

GALLEON ASSETS MANAGEMENT LIMITED

Accounting policies

Basis of preparation

The accounts have been prepared using the historical cost basis of accounting in accordance with applicable Accounting Standards.

Turnover

Turnover comprises gross commission, management fees and other income, excluding VAT, receivable in respect of the period.

Consolidation

In accordance with Section 229 (2) of the Companies Act 1985, the subsidiary undertaking has been excluded from consolidation because its inclusion is not material for the purposes of giving a true and fair view.

Depreciation of tangible fixed assets

Depreciation is provided annually on a straight line basis calculated to write off the cost of tangible fixed assets, less estimated residual value, over their estimated useful lives. The principal rates in use are :

Leasehold improvements	20%
Office equipment	25%
Computer equipment	25%

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at dates of the transactions

Leases

Annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term. Finance leases, where substantially all the risks and rewards of ownership rest with the Company are capitalised and depreciated over their useful lives. The interest element of repayments is charged to the profit & loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

Client monies

Clients' money is segregated and held in clients' money bank accounts and these amounts are not available for operational use in the business.

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts (continued)

	2000	1999
	£	£
1 Turnover		
Investment management fees	137,676	195,699
Other fees	3,460	33,443
	<u>141,136</u>	<u>229,142</u>
Commissions	636,392	268,392
	<u>777,528</u>	<u>497,534</u>
2 Operating loss is stated after charging :		
Auditors remuneration	6,000	6,200
Directors emoluments	86,593	152,058
Depreciation	24,772	7,706
	<u></u>	<u></u>
3 Net interest payable		
Interest payable and similar charges		
Bank interest paid	(86)	(39)
Other interest payable	(14,606)	-
Finance charges	(3,927)	-
	<u>(18,619)</u>	<u>(39)</u>
Interest receivable		
Bank interest	9,365	15,471
Other interest	1,818	-
	<u>(7,436)</u>	<u>15,432</u>

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts (continued)

	2000 £	1999 £
4 Taxation		
UK corporation tax	-	-
Prior year	(3,918)	(18,033)
	<u>(3,918)</u>	<u>(18,033)</u>
5 Directors and employees		
Staff costs (including Directors) :		
Wages and salaries	276,409	225,225
Social security costs	13,784	11,112
	<u>290,193</u>	<u>236,337</u>
Average number of employees:		
Directors	3	3
Administration	7	5
	<u>10</u>	<u>8</u>
Directors :		
Aggregate emoluments	<u>86,593</u>	<u>152,058</u>

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts

(continued)

6 Tangible fixed assets

	Leasehold Improvements £	Office Equipment £	Total £
Cost			
At 1st August 1999	4,691	34,756	39,447
Additions	32,491	108,826	141,317
At 31st July 2000	37,182	143,582	180,764
Depreciation			
At 1st August 1999	1,329	6,768	8,097
Charge for the year	6,041	18,731	24,772
At 31st July 2000	7,370	25,499	32,869
Net book value			
At 31st July 2000	29,812	118,083	147,895
At 1st August 1999	3,362	27,988	31,350

Included in office equipment are assets held under finance leases at a net book value of £65,562 (1999: Nil). The depreciation charged during the period in respect of these assets was £7,289 (1999: Nil)

	2000 £	1999 £
7 Investment in subsidiary undertaking		
Shares at cost	10	10
	Principal activity	Country of incorporation & operation
Galleon Nominees Limited (formerly Second Charlotte Assets Limited)	Investment dealing	England
		Ordinary Shares - Proportion held
		100 %

8 Debtors

Trade debtors	57,365	22,203
Amounts due from Counterparties	1,278,119	-
Amounts due from Clients	1,268,016	-
Amounts owed by fellow subsidiary undertakings	-	12,632
Corporation tax recoverable	3,918	883
Other debtors	793	275
Prepayments and accrued income	44,231	15,239
	2,652,442	51,232

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts (continued)

	2000	1999
	£	£

9 Cash at bank and in hand

Firm's cash	332,800	246,487
Cash held on behalf of Clients	1,223,444	-
	1,556,244	246,487

Cash held on behalf of Clients is held in segregated client accounts and is not available for use in the business.

10 Creditors

Amounts falling due within one year

Trade creditors	29,959	14,031
Amounts due to Counterparties	1,268,016	-
Amounts due to Clients	2,501,563	-
Other creditors	38,580	-
Other taxation and social security	13,946	7,009
Obligations under finance leases	12,563	-
Accruals and deferred income	33,783	18,597
	3,898,410	39,637

Amounts falling due after more than one year

Obligations under finance leases	55,129	-
----------------------------------	--------	---

11 Share capital

	Number	£	Number	£
Authorised :				
Ordinary shares of £1 each	303,000	303,000	3,000	3,000
Allotted, called up and fully paid :				
Ordinary shares of £1 each	303,000	303,000	3,000	3,000

On 28th June 2000 the authorised share capital was increased by £300,000. These shares were allotted for cash in order to provide additional working capital and rank pari passu with the existing shares.

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts (continued)

	2000 £	1999 £
12 Profit and loss account		
At 1st August 1999	286,442	275,970
Retained (loss) / profit for the financial year	(186,390)	10,472
At 31st July 2000	<u>100,052</u>	<u>286,442</u>

13 Reconciliation of movement in shareholders funds

Retained (loss) / profit for the financial year	(186,390)	10,472
Issue of shares in the year	300,000	-
	<u>113,610</u>	<u>10,472</u>
At 1st August 1999	289,442	278,970
At 31st July 2000	<u>403,052</u>	<u>289,442</u>

14 Contingent liabilities and capital commitments

There were no material contingent liabilities or capital commitments at the balance sheet date.

15 Notes to the cashflow statement

a. Reconciliation of operating loss to net cash inflow (outflow) from operating activities

Operating loss	(182,872)	(22,993)
Depreciation	24,772	7,706
(Increase) decrease in debtors	(2,598,175)	26,107
Increase (decrease) in creditors	2,587,838	(96,125)
Net cash (outflow) from operating activities	<u>(168,437)</u>	<u>(85,305)</u>

GALLEON ASSETS MANAGEMENT LIMITED

Notes to the Accounts (continued)

15 Notes to the cashflow statement (continued)

b Analysis of changes in net funds	At 1 August 1999 £	Cash flow £	Non cash movement £	At 31 July 2000 £
Cash at bank and in hand	246,487	86,313	-	332,800
Finance leasing	-	5,159	(72,851)	(67,692)
	246,487	91,472	(72,851)	265,108

16 Lease commitments

	2000		1999	
	Land & buildings £	Office equipment £	Land & buildings £	Office equipment £
Annual commitments under non-cancellable operating leases, expiring :				
Within 1 year	-	1,166	-	-
Within 2 to 5 years	22,275	-	-	-

17 Related party transactions

Portfolio management services were provided during the year to Manchester and London Investment Trust plc, on normal commercial terms. The total amounts charged during the year were £132,552 (1999 £167,329) and at the year end £26,501 (1999 £10,551) was outstanding.

Manchester and London Investment Trust plc is a company controlled by Mr B. S. Sheppard and his family.

18 Ultimate holding company and controlling party

On 30th March 2000 the Company was acquired by Neil Fergusson (Chemist) Limited from the previous holding company Manchester and Metropolitan Investment Limited.

The ultimate holding company is Neil Fergusson (Chemist) Limited, a company incorporated in England. Neil Fergusson (Chemist) Limited is controlled by the Trustees of the B.S. Sheppard 1990 Settlement and Mr M.B.B. Sheppard.