

INTERCAPITAL EUROPE LIMITED
(Formerly Exco Moneybroking UK Limited)

FINANCIAL STATEMENTS

for the 15 months ended
31 March 1999



Company Registration No: 170463

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Report of the directors for the 15 months ended 31 March 1999

1 The directors present their report and the audited financial statements for the 15 months ended 31 March 1999.

The company has changed its accounting reference date from 31 December to 31 March to align itself with the accounting reference date of Intercapital Group Ltd, the ultimate parent company. The relevant notice has been filed with the Registrar of Companies in accordance with S225 of the Companies Act 1985.

The 1999 accounts have been prepared in relation to the 15 month period, 31 March 1999 and reference to 1997 prior year figures refer to the 12 months to 31 December 1997.

Principal activity of the company

2 The principal activity of the company is that of moneybroking, and is regulated by the Financial Services Authority.

Review of business

3 The directors consider that the year-end financial position was satisfactory.

Following the acquisition of the business of Intercapital Brokers Limited on 1 February, 1999, the level of activity in the business has grown substantially. The directors expect that this level of activity will be sustained in the foreseeable future.

Significant events during the year

4 On 26 October, 1998 63.12% of the equity of Exco plc, the company's then ultimate parent undertaking, was acquired by companies controlled by Intercapital Group Limited. Exco plc subsequently changed its name to Intercapital Plc on the same date.

On 1 February 1999 the company changed its name to Intercapital Europe Limited and acquired the business, undertaking and assets of a fellow subsidiary undertaking Intercapital Brokers Limited. Details are set out in note 15.

Dividends

5 The results for the year are set out in the profit and loss account on page 6. The directors declared an interim dividend during the period of £2,000,000 (1997: £nil) and do not recommend the payment of a final dividend (1997: £nil). The loss for the financial period of £103,000 (1997: £1,329,000) will be transferred to reserves.

Directors

6 The directors who served during the period were:-

I K Collett	
K Drage	(resigned 11 December 1998)
P J Edge	(resigned 30 September 1998)
D Gelber	(appointed 1 February 1999)
J M Kinnear	(resigned 10 August 1998)
G Mansfield	(resigned 22 April 1998)
G D Roblin	(resigned 10 June 1999)
T J Rose	(resigned 18 August 1998)
M A Spencer	(appointed 1 February 1999)
W G Smith	
S Thorp	(appointed 22 June 1998)

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

**Report of the directors
for the 15 months ended 31 March 1999**

Directors' interests

7 The directors have no interests in the shares of the company.

The interests of Messrs D Gelber and M A Spencer in the ordinary shares and the options over ordinary shares of Intercapital Plc (formerly Exco plc) and its parent undertaking are disclosed in the directors' report of Intercapital Plc whilst those of Messrs I K Collett and G D Roblin are disclosed in the directors' report of Godsell, Astley and Pearce (Holdings) Ltd.

The interests of the other directors in the ordinary shares of Intercapital Plc were:-

	<u>1 January 1998</u>	<u>31 March 1999</u>
W G Smith	-	-

The interests of the directors in the options over ordinary shares of Intercapital Plc were:-

	<u>1 January 1998</u>	<u>Lapsed</u>	<u>Exercised</u>	<u>31 March 1999</u>
W G Smith	80,000	(20,000)	-	60,000

On signature of Intercapital Plc's 1997 accounts on 27 March 1998 half of the Matching Options held under the Long Term Employee Share Plan lapsed as the performance criteria were not met.

Statement of directors' responsibilities

8 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;
- 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.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Report of the directors for the 15 months ended 31 March 1999

Employees

9 The company's policy is to consult and discuss with employees, on a regular basis, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Taxation status

10 The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Year 2000

11 The group set up a project team in 1997 to assess the exposure of the group to the Year 2000 issue and to put in place the necessary remedial action. Regular reports have been made to the Board. The group has also been working closely with regulators, who have taken an active interest in the readiness of the industry to cope with the Year 2000 issue. The assessment has taken into account the review of both in-house systems and systems and services supplied by third parties. So far as in-house systems are concerned, the project team rapidly identified the work required to achieve Year 2000 compliance and this work is expected to be completed by mid-1999. Where necessary, core systems have been amended or replaced, but the work required has not been extensive and the total cost of the activities undertaken has been some £300,000, the costs of which were not borne by this company.

As far as systems and services by third parties are concerned, the group, like many businesses, is reliant upon those third parties achieving their own year 2000 compliance. The group has undertaken a thorough process of consultation with key third parties and has received assurance of their Year 2000 compliance. These assurances do not, however, amount to guarantees. Just like all other participants in the wholesale financial markets, the group is heavily reliant on effective and resilient voice and data telecommunications networks. Whilst there is no reason to believe that the assurances given by telecommunication networks suppliers are not to be relied upon, the remote possibility does exist of a major disruption of these networks at the end of this calendar year. Because there are no alternative methods of voice and data communications available, such disruption would affect the group. The group is otherwise in the process of establishing business continuity plans, should any key in-house systems or third party systems and services fail.

Policy on payment to creditors

12 The company's policy for the 15 months to 31 March 1999, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The company's trade creditors are settled by fellow subsidiary undertaking, Intercapital Management Services Limited.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Report of the directors
for the 15 months ended 31 March 1999

Auditors

13 The company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. On 18 October, 1991 the company passed an elective resolution dispensing with the obligation to appoint auditors annually.

Donations

14 During the period the company made charitable donations of £207,647, (1997: £nil).

BY ORDER OF THE BOARD



Secretary
LONDON

16.6.99

Report of the auditors to the members of

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

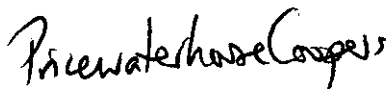
Basis of audit opinion

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 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 31 March 1999 and of its profit for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
LONDON

16 June 1999

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)**Profit and loss account**

	<u>Note</u>	15 Months Ended 31 March <u>1999</u> £'000	Year Ended 31 December <u>1997</u> £'000
Turnover	2		
Continuing operations		42,652	40,740
Acquisitions		9,978	-
		<hr/> 52,630	<hr/> 40,740
Operating administrative expenses	3	(48,651)	(38,430)
Other operating income	4	208	-
Exceptional items	5	(858)	-
		<hr/> (49,301)	<hr/> (38,430)
Operating profit			
Continuing operations		200	2,310
Acquisitions		3,129	-
		<hr/> 3,329	<hr/> 2,310
Interest receivable and similar income		130	261
		<hr/> 3,459	<hr/> 2,571
Profit on ordinary activities before taxation			
Tax on profit on ordinary activities	6	(1,562)	(1,242)
		<hr/> 1,897	<hr/> 1,329
Profit on ordinary activities after taxation			
Dividends	7	(2,000)	-
		<hr/> (103)	<hr/> 1,329
Retained (loss)/profit for the financial period/year		<hr/> <hr/> (103)	<hr/> <hr/> 1,329

STATEMENT OF ACCUMULATED PROFITS

Accumulated profit brought forward	3,120	1,791
Profit for the financial period/year	(103)	1,329
	<hr/> 3,017	<hr/> 3,120
Accumulated profit carried forward	<hr/> <hr/> 3,017	<hr/> <hr/> 3,120

The results shown in the profit and loss account derive wholly from continuing activities.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

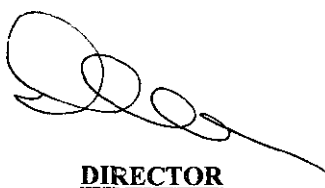
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Balance sheet

	<u>Note</u>	31 March 1999 £'000	31 December 1997 £'000
CURRENT ASSETS			
Debtors	10	22,268	19,075
Cash at bank and in hand		1,495	2,254
		-----	-----
TOTAL CURRENT ASSETS		23,763	21,329
CREDITORS: amounts falling due within one year	11	(6,029)	(3,492)
		-----	-----
NET CURRENT ASSETS		17,734	17,837
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		17,734	17,837
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12	14,071	14,071
Share premium account		646	646
Profit and loss account		3,017	3,120
		-----	-----
EQUITY SHAREHOLDERS' FUNDS	13	17,734	17,837
		=====	=====

The financial statements on pages 6 to 13 were approved by the board of
directors on 16 June 1999 and were signed on its behalf by:-



DIRECTOR

The notes on pages 8 to 13 form part of these financial statements

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Notes to the financial statements

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b) Investments

Fixed Asset Investments are stated in the balance sheet at cost, less provision for any permanent diminution in value.

c) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period and gains or losses thereon are taken directly to the profit and loss account in the year in which they arise.

d) Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced brokerage charges for the period.

e) Brokerage income

Brokerage income is accounted for at the date of the transaction.

f) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

g) Pension costs

The company participates in group pension schemes operated by Intercapital Plc. The pension schemes of the company are funded externally and are defined contribution schemes. The pension costs charged for the period are shown in note 9 to the financial statements. There were outstanding contributions of £nil at the balance sheet date (1997: £nil).

2 Turnover

All turnover was derived from moneybroking activities carried out in the United Kingdom.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Notes to the financial statements (continued)

3 Operating administrative expenses

	15 Months Ended 31 March 1999 £'000	Year Ended 31 December 1997 £'000
Operating administrative expenses is arrived at after charging:-		
Staff costs (see note 9)	27,794	22,673
Auditors' remuneration	18	21
Exchange loss	59	63
	<u>=====</u>	<u>=====</u>

Remuneration of the company's auditors for provision of non-audit services to the company was £nil (1997: £1,500).

4 Other operating income

	15 Months Ended 31 March 1999 £'000	Year Ended 31 December 1997 £'000
Recharges to fellow subsidiary undertakings	208	-
	<u>=====</u>	<u>=====</u>

5 Exceptional items

	15 Months Ended 31 March 1999 £'000	Year Ended 31 December 1997 £'000
Restructuring costs	858	-
	<u>=====</u>	<u>=====</u>

The exceptional item arises as a result of the re-organisation of the company and relates primarily to redundancy costs.

6 Taxation

	15 Months Ended 31 March 1999 £'000	Year Ended 31 December 1997 £'000
UK Corporation tax at a rate of 31% (1997: 31.5%)	1,571	1,242
Over provision in prior years	(9)	-
	<u>=====</u>	<u>=====</u>
	1,562	1,242
	<u>=====</u>	<u>=====</u>

The higher effective rate of taxation for 1997 is due to the higher proportion of disallowable expenditure in relation to the 1997 profits.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)**Notes to the financial statements (continued)****7 Dividends**

	15 Months Ended 31 March <u>1999</u> £'000	Year Ended 31 December <u>1997</u> £'000
Dividends on equity shares		
Interim dividends paid 14p per share (1997: £nil)	2,000	-
	=====	=====

8 Directors' emoluments

	15 Months Ended 31 March <u>1999</u> £'000	Year Ended 31 December <u>1997</u> £'000
Aggregate disclosure:-		
Aggregate emoluments	1,702	1,524
Compensation for loss of office	89	-
	=====	=====
Company pension contributions to money purchase schemes	94	94
	=====	=====

	15 Months Ended 31 March <u>1999</u> £'000	Year Ended 31 December <u>1997</u> £'000
Highest paid director:-		
Aggregate emoluments	883	639
	=====	=====
Company pension contributions to money purchase scheme	13	14
	=====	=====

No directors exercised share options during the year.

No directors were entitled to receive shares under a long term incentive scheme.

Retirement benefits are accruing to 10 directors under a money purchase pension scheme.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)**Notes to the financial statements (continued)****9 Employee information**

The average weekly number of persons (including executive directors) employed by the company during the year was:-

	15 Months Ended 31 March 1999	Year Ended 31 December 1997
Broking staff	191	244
Administration	5	4
	-----	-----
	196	248
	=====	=====

	15 Months Ended 31 March 1999 £'000	Year Ended 31 December 1997 £'000
Employee costs (including executive directors):-		
Wages and salaries	24,449	19,819
Social security costs	2,561	2,049
Other pension costs	784	805
	-----	-----
	27,794	22,673
	=====	=====

During the year the majority of staff employment contracts were transferred to Intercapital Management Services Ltd a wholly owned subsidiary of Intercapital Plc. The costs incurred after the transfer of staff contracts have been recharged back to Intercapital Europe Ltd.

10 Debtors

	31 March 1999 £'000	31 December 1997 £'000
Amounts falling due within one year:-		
Trade debtors	13,830	3,537
Amounts owed by parent undertaking	8,414	8,940
Amounts owed by fellow subsidiary undertakings	-	6,333
Corporation tax recoverable	-	260
Other debtors	24	5
	-----	-----
	22,268	19,075
	=====	=====

No deferred tax asset has been recognised by the company. The amount not recognised as at 31 March 1999 was £22,732 (1997: £nil).

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)**Notes to the financial statements (continued)****11 Creditors: amounts falling due within one year**

	31 March	31 December
	<u>1999</u>	<u>1997</u>
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	4,459	891
Corporation tax	1,551	-
Other taxation and social security	-	642
Other creditors	19	25
Accruals and deferred income	-	1,934
	<u>6,029</u>	<u>3,492</u>

12 Share capital

Authorised:-		
Ordinary shares of £1 each	15,000	15,000
	<u> </u>	<u> </u>
Allotted, issued, called up and fully paid:-		
Ordinary shares of £1 each	14,071	14,071
	<u> </u>	<u> </u>

13 Reconciliation of movements in shareholders' funds

	15 Months Ended	Year Ended
	31 March	31 December
	<u>1999</u>	<u>1997</u>
	£'000	£'000
Profit for the financial period/year	1,897	1,329
Dividends	(2,000)	-
	<u>(103)</u>	<u>1,329</u>
Opening shareholders' funds	17,837	16,508
Closing shareholders' funds	<u>17,734</u>	<u>17,837</u>

14 Cashflow statement

A cashflow statement has not been prepared as Intercapital Europe Limited is a wholly owned subsidiary of Intercapital Plc. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 (revised 1996) from the requirement to publish a cashflow statement.

15 Related party transactions

In accordance with FRS 8, and the definitions contained therein, it is required that disclosure of parties related to Intercapital Europe Limited is given. Godsell, Astley & Pearce (Holdings) Limited is the immediate parent company of Intercapital Europe Limited, owning 100% of the ordinary share capital. Given that Intercapital Europe Limited (Formerly Exco Moneybroking UK Limited) is more than a ninety percent subsidiary, disclosure of transactions which eliminate on consolidation are not disclosed, as permitted by FRS 8, over and above that required by the Companies Act 1985.

INTERCAPITAL EUROPE LIMITED (Formerly Exco Moneybroking UK Limited)

Notes to the financial statements (continued)

16 Ultimate parent company

The directors regard Intercapital Group Ltd, ("IGL") a company registered in England & Wales, as the ultimate parent undertaking. Intercapital Plc, a company also registered in England & Wales, is the smallest undertaking to consolidate the financial statements of the company, IGL is the largest. The company's immediate parent undertaking is Intercapital Plc. The address of IGL is Park House, 16 Finsbury Circus, London EC2M 7DJ.