

8 January, 1999

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Registered No 213626

M.W. MARSHALL (UK) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
30 APRIL 1998

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M.W. MARSHALL (U.K.) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the accounts for the year ended 30 April 1998.

BUSINESS REVIEW

The company has continued to act as a broker on behalf of financial institutions trading in the foreign exchange and currency deposit markets and has maintained its position within those markets both in London and overseas. The results for the year are set out on page 5.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (1997 £nil). The retained profit for the year of £584,000 (1997 £779,000) will be transferred to reserves.

YEAR 2000 and EUROPEAN SINGLE CURRENCY

The Directors consider the primary exposure for the company is in respect of its computer systems and, to ensure compliance throughout the organisation, work has been co-ordinated at a group level. For secondary areas of importance including building services and local telephone switchboards, efforts have been managed within regions.

With regards to year 2000 systems issues, the company's product portfolio has for some time included a number of date related financial instruments that span the turn of the century. As each product was introduced, steps were taken to ensure the arithmetic accuracy of systems and this should minimise the impact of the actual date change. A comprehensive testing of all internal based systems has been completed and, in part due to the relative modernity of the systems, only minor enhancements were required to ensure compliance. A study to establish the degree of exposure in respect of externally provided systems is complete and indicates there are no problems; a similar exercise is underway in other offices, but the directors foresee no significant problems. This exercise has also validated the use of the front office support system world-wide since, although it is supported out of London, it is common to all territories. External providers of information feeds have all provided assurances that their products will be compliant.

The Directors have not formally quantified the cost of all outstanding matters, but believe they will not be material to the Company.

The Company was well placed in respect of the introduction of the European single currency as the nature of the Company's business dictates that systems are designed to accept new currencies and invoice according to customers wishes.

M.W. MARSHALL (U.K.) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and the interests of those serving at the year end, as defined by Schedule 13 of the Companies Act 1985, in the ultimate holding company Marshalls Finance Limited at 30 April 1998 and 30 April 1997 were as follows:

	Number of Ordinary shares of 25p each		Options of Ordinary shares of 25p each	
	1998	1997	1998	1997
A.B. Martin	371,540	371,540	20,000	20,000
S.D. Plunkett	141,468	141,468	100,000	100,000
M.J.W. Potter	220,651	220,651	-	-
R.A. Webb	440,963	440,963	30,000	30,000
A.N. Verrier	126,549	126,549	10,000	10,000

On 31 July 1998 A.B. Martin resigned.

M.J.W. Potter is a director of Marshalls Finance Trustees (Jersey) Limited, which is a trustee of Marshalls Employee Share Trust, which at 30 April 1998 and 30 April 1997 held 4,508,400 and 4,710,900 ordinary 25p shares respectively in Marshalls Finance Limited. This is a non-beneficial interest.

The Options held by S.D. Plunkett are exercisable from 11 December 1997 to an expiry date of 11 December 2002 at a fixed price of 37p per share.

The Options held by A.B. Martin, R.A. Webb and A.N. Verrier are exercisable from 4 September 1994 to an expiry date of 4 September 1999 at a fixed price of 10p per share.

No director had any interest in contracts entered into by the company.

Insurance has been taken out by the company as permitted by Section 310 (3) of the Companies Act 1985 for its directors and officers against liabilities in relation to the company.

FUTURE DEVELOPMENTS

On the 9th October 1998, Fulton Prebon Group Limited ("FPG") and this company's ultimate holding company, Marshalls Finance Limited ("MFL"), announced their intention to merge. The merger will create one of the top three OTC brokers in the world and the combined group, of which this company will form part, will have an enhanced critical mass and income stream that is broadly diversified both by product mix and geography. It is the directors' intention to continue to trade in foreign exchange and currency deposit markets for the foreseeable future.

M.W. MARSHALL (U.K.) LIMITED

DIRECTORS' REPORT (continued)

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, subject to any material departures disclosed and explained in the financial statements.

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.

AUDITORS

On 18th August 1998 Price Waterhouse, having entered into a merger with Coopers & Lybrand, resigned as auditors of the Company. The successor partnership resulting from the merger, PricewaterhouseCoopers, was thereupon appointed to fill the casual vacancy which had arisen. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution re-appointing them and authoring the directors to fix their remuneration will be submitted at the Annual General Meeting.

By Order of the Board



H.M. Raver
Secretary

8th January 1999

Registered office: Lloyds Chambers
 1 Portsoken Street
 London E1 8DF

Registered in England and Wales No: 213626

REPORT OF THE AUDITORS TO THE MEMBERS OF

M.W. MARSHALL (U.K.) LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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.

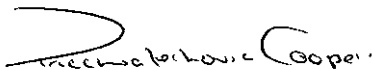
Basis of opinion

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 mis-statement, 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 as at 30 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

8th January 1999

M.W. MARSHALL (U.K.) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 1998**

	Notes	1998 £'000	1997 £'000
Turnover from continuing operations	1 & 2	55,230	62,701
Operating expenses		<u>(54,474)</u>	<u>(61,602)</u>
Operating profit from continuing operations		756	1,099
Interest receivable		<u>96</u>	<u>64</u>
Profit on ordinary activities before taxation from continuing operations	3	852	1,163
Tax on profit on ordinary activities	4	<u>(268)</u>	<u>(384)</u>
Profit on ordinary activities after taxation		584	779
Retained profit brought forward		<u>11,419</u>	<u>10,640</u>
Retained profit carried forward	10	<u><u>12,003</u></u>	<u><u>11,419</u></u>

There were no gains or losses in the financial year other than those shown above.

The notes on pages 7 to 9 form an integral part of these financial statements.

M.W. MARSHALL (U.K.) LIMITED

BALANCE SHEET AS AT 30 APRIL 1998

	Notes	1998 £'000	1997 £'000
CURRENT ASSETS			
Debtors	6	9,916	10,010
Cash at bank and in hand		<u>2,294</u>	<u>1,421</u>
		12,210	11,431
CREDITORS: Amounts falling due within one year	7	<u>(120)</u>	<u>-</u>
NET CURRENT ASSETS		<u>12,090</u>	<u>11,431</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,090	11,431
Provisions for liabilities and charges	8	<u>(75)</u>	<u>-</u>
		<u><u>12,015</u></u>	<u><u>11,431</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	12	12
Profit and loss account	10	<u>12,003</u>	<u>11,419</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>12,015</u></u>	<u><u>11,431</u></u>

Approved by the Board on 8th January 1999 and signed on their behalf by:



M.J.W. Potter - Director

The notes on pages 7 to 9 form an integral part of these financial statements.

M.W. MARSHALL (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 30 APRIL 1998

1. ACCOUNTING POLICIES

The following are the principal accounting policies adopted by the company:

Basis of Accounting

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

In accordance with the exemption granted by FRS1 (revised) a cash flow statement has not been presented as the consolidated accounts of the ultimate parent company, Marshalls Finance Limited, include such a statement.

The costs associated with Year 2000 and European Single Currency have been referred to in the Directors Report.

Foreign Currency

Transactions in foreign currencies are translated into sterling at rates approximating to those used at the transaction dates. Assets and liabilities other than those sold forward are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses are taken to the profit and loss account.

Turnover (brokerage revenue)

The company follows market practice and takes credit for brokerage commission at the time the deal is negotiated.

Related Parties

The company has taken advantage of the exemption granted to wholly owned and controlled subsidiary undertakings by FRS 8 not to disclose related party transactions with members of the group or associates of other group members.

2. TURNOVER

The company's turnover arose principally from money broking activities performed in the United Kingdom. The accounts do not include an analysis of turnover by geographical market as in the directors' opinion, this information would be seriously prejudicial to the commercial interests of the company.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation	1998	1997
is stated after charging/(crediting)	£'000	£'000
Exchange losses/(gains)	105	338

A service charge is payable by the company to a fellow group company, M.W. Marshall (Financial Services) Limited, for the year ended 30 April 1998 for operating expenses relating to the company's business, and a proportion of the employment costs incurred in respect of the board of directors of the service company which reflects the time spent by such directors in providing services to the operating company. The remuneration of the auditors is borne by a fellow group subsidiary.

M.W. MARSHALL (U.K.) LIMITED**NOTES TO THE ACCOUNTS AT 30 APRIL 1998 (continued)****4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998 £'000	1997 £'000
Taxation on the profit for the year:		
Group relief payable at 31%	268	384

5. DIRECTORS EMOLUMENTS

	1998 £'000	1997 £'000
Directors remuneration		
Emoluments, salary and bonuses	1320	817
Pension contributions to money purchase scheme	300	192
	<u>1620</u>	<u>1009</u>
Highest paid director		
Emoluments, salary and bonuses	269	154
Pension contributions to money purchase scheme	218	66
	<u>487</u>	<u>220</u>

The number of directors accruing benefits under the defined contribution scheme is 5 (1997 - 5).

The company had no employees during the year (1997 - nil).

6. DEBTORS : Amounts falling due within one year:	1998 £'000	1997 £'000
Trade debtors	6,935	8,733
Amounts due from group undertakings	2,957	1,254
Accrued income	24	22
	<u>9,916</u>	<u>10,009</u>

Amounts falling due after more than one year:

Trade debtors	-	1
	<u>9,916</u>	<u>10,010</u>

7. CREDITORS : Amounts falling due within one year:	1998 £'000	1997 £'000
Accruals and deferred income	120	-
	<u>120</u>	<u>-</u>

8. PROVISIONS

A provision of £75,000 was made during the year against a claim made on the company regarding local authority swaps deals.

M.W. MARSHALL (U.K.) LIMITED

NOTES TO THE ACCOUNTS AT 30 APRIL 1997 (continued)

9. SHARE CAPITAL	1998 £'000	1997 £'000
Authorised, issued and fully paid:		
200,000 deferred ordinary shares of 5p each	10	10
200,000 ordinary shares of 1p each	2	2
	<u>12</u>	<u>12</u>

The deferred ordinary shares are not entitled to participate in the distribution of profits, nor do they have any rights to receive notices of and attend general meetings of the company. Upon a return of capital or other asset distribution the deferred ordinary shares rank after the ordinary shares for the repayment of the amount paid up on each share and are not entitled to participate in any other capital distributions.

10. PROFIT AND LOSS ACCOUNT	1998 £'000	1997 £'000
Opening balance	11,419	10,640
Profit for the period	584	779
Closing balance	<u>12,003</u>	<u>11,419</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS	1998 £'000	1997 £'000
Opening shareholders' funds	11,431	10,652
Profit on ordinary activities after tax	584	779
Closing shareholders' funds	<u>12,015</u>	<u>11,431</u>

12. SUBSEQUENT EVENTS

In order to enhance our position and consolidate the industry, your Board's stated strategy has been to maintain our strengths in the core products and, either by way of merger or acquisition, to develop a broader range of products on a global basis thus creating a *one-stop shop* for clients. To achieve this objective, discussions have taken place with a number of companies and on the 9th October 1998, Fulton Prebon Group Limited ("FPG") and this company's ultimate holding company, Marshalls Finance Limited ("MFL"), announced their intention to merge. The merger will create one of the top three OTC brokers in the world and the combined group, of which this company will form part, will have an enhanced critical mass and income stream that is broadly diversified both by product mix and geography.

13. ULTIMATE PARENT UNDERTAKING

The immediate parent company is M W Marshalls & Company Limited, which is incorporated in England. Copies of their financial statements may be obtained from the company secretary, at Lloyds Chambers, 1 Portsoken Street, London E1 8DF.

The ultimate holding company is Marshalls Finance Limited, which is incorporated in England. The consolidated accounts of the group are prepared by Marshalls Finance Limited, copies of which may be obtained from the company secretary, at Lloyds Chambers, 1 Portsoken Street, London E1 8DF.