



# HAMBROS BANK LIMITED

41 Tower Hill London EC3N 4HA Telephone: 071-480 5000 Telex: 883851 Fax: 071-702 9725/6/7/8  
(NIGHTLINES 071-480 5078, 071-480 5107, 071-480 5126, 071-480 5275 and 071-480 5369)  
Corporate Finance Department

## STRICTLY PRIVATE & CONFIDENTIAL

The Directors  
Oriol Group plc  
145 - 159 Borough High Street  
London  
SE1 1NP

29th June, 1994

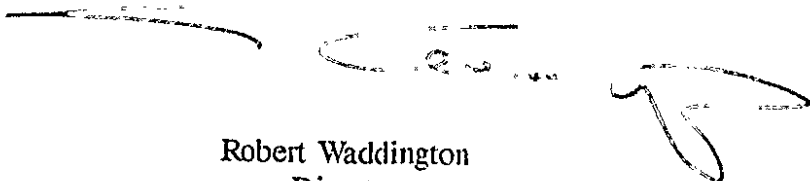
Dear Sirs

**Oriol Group plc**

**Proposed rights issue**

We hereby consent to the issue of the circular to the shareholders of Oriol Group plc, the be dated 29th June, 1994, with the inclusion therein of the references to our name in the form and context in which they appear.

Yours faithfully  
for and on behalf of  
**HAMBROS BANK LIMITED**

  
Robert Waddington  
Director

*Richard Horn Director for and in behalf of Oriel Group plc*  
*Richard Horn Director for and in behalf of Oriel Group plc*

**IMPORTANT - THIS DOCUMENT IS OF VALUE, IS NEGOTIABLE AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take or if prior to receiving it, you have sold or transferred (or intend to do so) your registered holding in Oriel, you are recommended to seek your own personal advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services Act 1986. If you are in doubt as to the action you should take or if prior to receiving it, you have sold or transferred (or intend to do so) your registered holding in Oriel, please forward this document immediately to the purchaser or transferee on or to the stockbroker, bank or other agent through whom the sale or transfer was effected. For transmission to the purchaser or transferee, this letter is being sent for Oriel in connection with the rights issue and no one else and will not be responsible to any other person for providing the protection afforded to its customers or for advising any such person in relation to the rights issue. You should read carefully the Circular to shareholders dated Wednesday, 29th June, 1994 (the "Circular") before deciding whether to take up your rights. Definitions used in the Circular apply to this document, unless the context suggests otherwise.

Application has been made to the London Stock Exchange for the grant of permission to trade in the new ordinary shares on the Unlisted Securities Market. It is expected that dealings, all paid, will commence on Thursday, 30th June, 1994. The Rights Issue is conditional on permission being granted to trade in the new ordinary shares on the Unlisted Securities Market by 8.30 a.m. Thursday, 30th June, 1994 (or such later date as the Company and Hambro may agree).

Neither the Company nor Hambro nor any of their respective agents shall be responsible or have any liability for any loss or damage (whether actual or alleged) arising from purchases of rights to new ordinary shares, prior to any acceptance of such rights. Copies of this document and the Circular, having attached thereto the consent referred to in paragraph 9(d) of Part II of the Circular have been delivered for registration to the Registrar of Companies in England and Wales as required by section 64 of the Companies Act 1985.

*Richard Horn as attorney for and in behalf of Oriel Group plc*  
*Richard Horn as attorney for and in behalf of Oriel Group plc*  
**Oriel Group plc** (Registered in England No. 1645102)

*Richard Horn as attorney for and in behalf of Oriel Group plc*  
*Richard Horn as attorney for and in behalf of Oriel Group plc*  
**Rights issue of 4,150,613 new ordinary shares at 105p per share payable in full on acceptance not later than 3.00 p.m. on Thursday, 21st July, 1994**

## PROVISIONAL ALLOTMENT LETTER

*Richard Horn*  
**CANCELLED**

Box 4  
By post or by hand to Lloyds Bank Plc, Lloyds Bank Registrars,  
The Causeway, Worthing, West Sussex BN99 6DA, or by hand only to Lloyds  
Bank Plc, Receiving Bank Services, Antholins House,  
71 Queen Street, London EC4N 1SL.  
Latest time for acceptance  
and payment in full and  
registration of renunciation 3.00 p.m., Thursday, 21st July 1994  
By post or by hand to Lloyds Bank Plc, Lloyds Bank Registrars, Receiving Bank  
Services, Antholins House, 71 Queen Street, London EC4N 1SL  
Latest time for Splitting, nil paid 3.00 p.m., Tuesday, 19th July 1994  
Definitive share certificates  
expected to be despatched By Wednesday, 3rd August 1994

	Box 1 Number of shares registered in your name(s) at the close of business on Thursday, 23rd June, 1994	Box 2 Number of new ordinary shares provisionally allotted to you	Box 3 Amount payable on acceptance in full to Lloyds Bank Plc as Oriel Group plc to be received not later than 3.00 p.m. on Thursday, 21st July, 1994
Ordinary convertible redeemable	<i>Richard Horn as attorney for and in behalf of Oriel Group plc</i>	<i>Richard Horn as attorney for and in behalf of Oriel Group plc</i>	<i>Richard Horn as attorney for and in behalf of Oriel Group plc</i>

Dear Sir or Madam,

1. **PROVISIONAL ALLOTMENT** - You have been provisionally allotted, subject to the rights issue becoming unconditional and to your acceptance of all or part of such provisional allotment being unconditional, on the terms of this provisional allotment letter and the Circular and subject to the Memorandum and Articles of Association of the Company, the number of new ordinary shares stated in Box 2 above have the right, subject to the rights issue becoming unconditional, to subscribe for those new ordinary shares at a price of 105p per share payable in full on acceptance not later than 3.00 p.m. on Thursday, 21st July, 1994. The rights issue is conditional on permission being granted to trade in the new ordinary shares on the Unlisted Securities Market by 8.30 a.m. on Thursday, 30th June, 1994 (or such later date as the Company and we may agree). New ordinary shares have been provisionally allotted to holders of ordinary shares and convertible redeemable shares on the register of members at the close of business on Thursday, 23rd June, 1994 of 2 new ordinary shares for every 11 ordinary shares then held. The holders of the convertible redeemable shares will together be entitled to a total of 190,230 new ordinary shares under the rights issue. Fractional ordinary shares have been disregarded and entitlements to new ordinary shares have been rounded down to the nearest whole number.

The new ordinary shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued ordinary shares of the Company save that they will not rank for the proposed final dividend of 2p per share in respect of the year ended 31st December, 1993, which, if approved, is payable on 9th September, 1994.

2. **ACCEPTANCE AND PAYMENT** - You may accept all or any of the new ordinary shares provisionally allotted to you. If you wish to accept only part of your rights hereunder and to dispose of the remainder if you wish to dispose of the whole of your rights but not all to the same person, you should first apply for split allotment letters in accordance with the instructions overleaf.

If you wish to accept this provisional allotment in full, this entire provisional allotment letter must be lodged with Lloyds Bank Plc, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA or, by hand only, with Lloyds Bank Plc, Lloyds Bank Registrars, Receiving Bank Services, Antholins House, 71 Queen Street, London EC4N 1SL accompanied by a remittance of the full amount due (shown in Box 3 above) so as to be received by not later than 3.00 p.m. on Thursday, 21st July, 1994. This provisional allotment letter, with the receipt at the foot hereof duly completed, returned to the person making the payment who, unless he is the original allottee, must complete the paying agent's box (Box 5) at the foot hereof. Such remittance when received will constitute acceptance of the allotment in accordance with the terms of this provisional allotment letter and the Circular.

Cheques and bankers' drafts must be in pounds sterling and made payable to "Lloyds Bank Plc - a/c Oriel Group plc", must be crossed "a/c payee" and be drawn on a bank or a building society in the United Kingdom which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or which has arranged for its cheques and bankers' drafts to be deposited through the facilities provided for the settlement members of either of those companies and must bear the appropriate sorting code in the top right hand corner. No interest will be allowed on payments made before due. Return of the provisional allotment letter with the appropriate remittance will constitute a warranty that the remittance will be honoured on first presentation. The Company may elect to treat as invalid any access in respect of which cheques are notified to it or its agents as not having been honoured. The Company reserves the right to have cheques presented on receipt and to seek special clearance of cheques to allow the payee to obtain value for remittances at the earliest opportunity. The Company may (at its sole discretion) treat a provisional allotment letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if completed or lodged in accordance with the relevant instructions or not accompanied by a valid authority under which it is signed, or a certified copy thereof, where required. The Company reserves the right but must be obliged, to accept applications to take up rights to new ordinary shares and provisional allotment letters which are not returned complete in all respects by 3.00 p.m. on Thursday, 21st July, 1994 in the circumstances set out in paragraph 4 of Part II of the Circular.

If payment in full is not received or deemed to have been received by 3.00 p.m. on Thursday, 21st July, 1994, this provisional allotment will be deemed to have been declined and will lapse and the arrangements described in paragraph 7 of Part II of the Circular will take effect.

By lodging this letter, you undertake to provide such information to Lloyds Bank Plc as may be required under the provisions of paragraph 4 of Part II of the Circular. As stated in such paragraph, failure to do the relevant information within a reasonable period of time following a request for verification of identity may result in the termination of the contract of rights to allotment in which event the moneys payable on acceptance of the rights to allotment will be returned without interest to the bank account where the cheque was originally drawn.

3. **OVERSEAS SHAREHOLDERS** - This provisional allotment letter does not constitute an offer or invitation to acquire any new ordinary shares or any interest therein or any rights thereto in any jurisdiction in which it would be illegal to make such an offer or invitation. In such circumstances this provisional allotment letter is sent for information only. The attention of persons who are resident in, or citizens of, countries outside the United Kingdom or who have registered addresses outside the United Kingdom is drawn to paragraph 9 of Part II of the Circular. It is the responsibility of all such persons to obtain any requisite governmental consent or to observe any other formalities necessary to enable them to take up their rights.

The new ordinary shares have not and will not be registered under the U.S. Securities Act of 1933, as amended, ("the Securities Act") and, subject to certain exceptions, the new ordinary shares may not be sold, or sold within North America. By accepting and/or renouncing this provisional allotment letter or applying for registration of new ordinary shares you warrant that you are not in North America and that you are not acting for the account or benefit of another person within North America, unless he is so acting as an authorised employee of such other person, or has investment discretion over an account for such person or as otherwise agreed with the Company. The Company reserves the right to treat as invalid any provisional allotment letter that appears to the Company or its agents to have been executed in or despatched from North America, which provision applies to the delivery of definitive certificates for new ordinary shares.

4. **RENUNCIATION, SPLITTING AND CONSOLIDATION** - See the instructions printed overleaf which form an integral part of this letter.

5. **REGISTRATION UNDER RENOUNCED OR SPLIT ALLOTMENT LETTERS** - If this provisional allotment letter has been renounced or is a split allotment letter and your name(s) do not appear above, to apply for registration, Form Y overleaf must be completed and this provisional allotment letter must be lodged not later than 3.00 p.m. on Thursday 21st July, 1994 with Lloyds Bank Plc, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA, who, provided payment has been made by 3.00 p.m. on Thursday 21st July, 1994, will acknowledge receipt to the person(s) so lodging. After 3.00 p.m. on Thursday, 21st July, 1994 the new ordinary shares will be transferable only by transfer in the usual form, such transfer attracting stamp duty.

6. **SHARE CERTIFICATES** - It is expected that definitive share certificates in respect of new ordinary shares will be despatched by first class post by Wednesday, 3rd August, 1994 at the risk of the persons titled thereto.

After 3.00 p.m. on Wednesday, 3rd August, 1994 this provisional allotment letter will cease to be valid for any purpose whatsoever.

7. **TRANSFERS** - After 3.00 p.m. on Thursday, 21st July, 1994 and pending the issue of share certificates, instruments of transfer will be certified by Lloyds Bank Plc, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA against lodgement of fully paid provisional allotment letters, or in the case of renunciation, fully paid registration receipt forms issued by Lloyds Bank Registrars.

Registered Office:  
145-149 Borough High Street,  
London SE1 1NP

OFFICIAL USE ONLY  
Payment due not later than 3.00 p.m. on Thursday, 21st July, 1994

By Order of the Board,  
Richard Horton  
Secretary  
29th June, 1994

Box 5 Name and address of Paying Agent	Receipt Received the amount due on acceptance.	Reference No.	Allotment No.
<p>This document will be returned to the original allottee unless this Box is completed by the agent making payment and lodged on or before 3.00 p.m. on Thursday, 21st July, 1994</p>	<p>Stamp of Lloyds Bank Plc and date</p>		



*Gouldens 29.6.96*  
**POWER OF ATTORNEY**

**GOULDENS  
SOLICITORS  
22, TUDOR STREET  
LONDON EC4Y 0JJ**

I, RICHARD HILL, a proposed director of Oriel Group Plc ("the Company") HEREBY APPOINT any director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a proposed director of the Company I may be required by statute or any regulatory authority to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other Approved documents (including advertisements or announcements) relating thereto or in connection therewith ("Approved" means approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee));
- (b) signing and approving on my behalf any Approved statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any Approved verification notes or equivalent document in connection with the information to be circulated aforesaid; and
- (d) signing and approving on my behalf the Approved Circular and any other Approved document or Approved documents constituting a prospectus of the

Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM.

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and reasonable discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name in relation to the matters set out above as I could do if personally present.

MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and reasonable discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and reasonable discretion decide.

I HEREBY UNDERTAKE to ratify whatever my Attorney shall properly do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law, ~~and~~ subject to the exclusive jurisdiction of the English courts and is to be irrevocable for the period of three calendar months from the date hereof. B

IN WITNESS whereof this deed has been entered into this 27<sup>th</sup> day of June 1994

SIGNED as a DEED  
by RICHARD HILL  
in the presence of:-

Witness:

Address:

Occupation:

*Stinker*

30 Queen Charlotte St  
BN3 1Q1

Solicitor

*Richard Hill*

CERTIFIED TO BE A TRUE COPY

Couldens 29.6.94

BOULDENS  
SOLICITORS  
22, TUDOR STREET  
LONDON EC4Y 0JJ

RQB(224)/15.06.92

POWER OF ATTORNEY

I, Brian Marsh, a director of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other approved documents (including advertisements or announcements) relating thereto or in connection therewith. For the purposes of the aforesaid "approved document" means a document (or advertisement or announcement) which shall have been approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee);
- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and unfettered discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name as I could do if personally present.


MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and unfettered discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and unfettered discretion decide.


I HEREBY UNDERTAKE to ratify whatever my Attorney shall do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law and is to be irrevocable for the period of three calendar months from the date hereof.

IN WITNESS whereof this deed has been entered into this 22<sup>nd</sup> day of June 1994.

SIGNED and DELIVERED as  
a DEED by the said  
BRIAN MARSH in the  
presence of.-

)  
)  
)  
) 

Witness:   
LIDIA GOLISZEK

Address: 28 Glendale Drive  
London SW19

Occupation: Company Director

Gouldens 29.6.92

RQB(215)/15.06.92

GOULDENS  
SOLICITORS  
22, TUDOR STREET  
LONDON EC4Y 0JJPOWER OF ATTORNEY

I, John Smith, a director of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other approved documents (including advertisements or announcements) relating thereto or in connection therewith. For the purposes of the aforesaid "approved document" means a document (or advertisement or announcement) which shall have been approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee);
- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and unfettered discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name as I could do if personally present.

MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and unfettered discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and unfettered discretion decide.

I HEREBY UNDERTAKE to ratify whatever my Attorney shall do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law and is to be irrevocable for the period of three calendar months from the date hereof.

IN WITNESS whereof this deed has been entered into this 16th day of June 1994.

SIGNED and DELIVERED as  
a DEED by the said  
JOHN SMITH in the  
presence of:-

)  
)  
)  
)



A N McNab

Witness: A. N. McNab

Address: 4 WINIFRED RD  
LONDON SW19 3AS

Occupation: SECRETARY.

Gouldens 29.6.92

GOULDENS  
SOLICITORS  
22, TUDOR STREET  
LONDON EC4Y 0JJ

RQB(213)/15.06.92

POWER OF ATTORNEY

I, James Best, a director of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other approved documents (including advertisements or announcements) relating thereto or in connection therewith. For the purposes of the aforesaid "approved document" means a document (or advertisement or announcement) which shall have been approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee);
- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and unfettered discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name as I could do if personally present.

MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and unfettered discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and unfettered discretion decide.

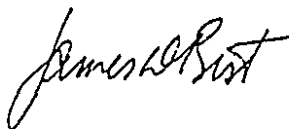
I HEREBY UNDERTAKE to ratify whatever my Attorney shall do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law and is to be irrevocable for the period of three calendar months from the date hereof.

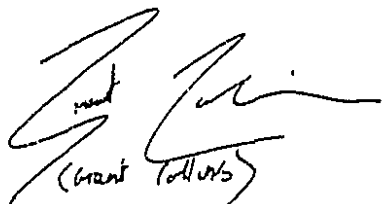
IN WITNESS whereof this deed has been entered into this 15<sup>th</sup> day of June 1994.

SIGNED and DELIVERED as  
a DEED by the said  
JAMES BEST in the  
presence of:-

)  
)  
)  
)



Witness:

  
(Grant Toller)

Address:

82 Charlwood Street  
Pimlico  
London SW1V 4PE

Occupation:

Investment Banker

Gouldens 29.6.94

GOULDENS  
SOLICITORS  
22, TUDOR STREET  
LONDON EC4Y 0JJ

RQB(211)/14.06.92

POWER OF ATTORNEY

I, Rupert Galliers-Pratt, a director and shareholder of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other approved documents (including advertisements or announcements) relating thereto or in connection therewith. For the purposes of the aforesaid "approved document" means a document (or advertisement or announcement) which shall have been approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee);
- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

POWER OF ATTORNEY

I, Peter Alfred Head, a director and shareholder of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

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- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and unfettered discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name as I could do if personally present.

MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and unfettered discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and unfettered discretion decide.

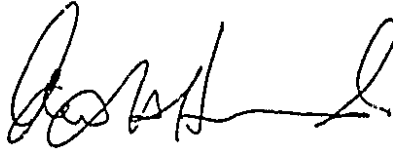
I HEREBY UNDERTAKE to ratify whatever my Attorney shall do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law and is to be irrevocable for the period of three calendar months from the date hereof.

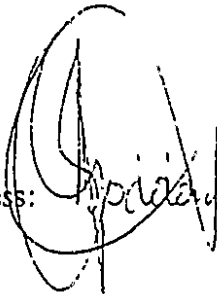
IN WITNESS whereof this deed has been entered into this 16<sup>th</sup> day of June 1994.

SIGNED and DELIVERED as  
a DEED by the said  
PETER ALFRED HEAD in the  
presence of:-

)  
)  
)  
)  
)



Witness:



Address: 41 COLLETFIELD GARDENS  
DRENTWOOD  
ESSEX CM14 4UB

Occupation: ACCOUNTS CLERK.

CERTIFIED TO BE A TRUE COPY

*Gouldens 29.6.94*

GOULDENS

SOLICITORS

22, TUDOR STREET

LONDON EC4Y 0JJ

RQB(216)/14.06.92

POWER OF ATTORNEY

I, Mohamed Musa Al Youssef, a director and shareholder of Oriel Group Plc ("the Company") HEREBY APPOINT any other director of the Company as my true and lawful agent and attorney ("my Attorney") for and on my behalf and in my name to agree, approve, sign, do and execute all manner of acts and to do all such other things which in my capacity as a director or a shareholder of the Company I may be required to agree, approve, sign or do which may be requisite or necessary for or in connection with the proposed issue by the Company by way of rights ("Rights Issue") of new ordinary shares to holders of the ordinary shares and to holders of the convertible preference shares in the capital of the Company, the application for admission of the new ordinary shares to trading on the Unlisted Securities Market ("USM") of the London Stock Exchange pursuant to the prospectus requirements contained in the Companies Act 1985 and (if appropriate) the buy-out ("Buy-out") from David Shapiro of a commission sharing contract of Hayward Till & Company Limited details of which are to be included in a circular to shareholders of the Company ("the Circular") and the provisional allotment letter to be sent to the shareholders of the Company including but not limited to:-

- (a) authorising the publication, issue and release by or on behalf of the Company of the Circular, of provisional allotment letters relating thereto, and other approved documents (including advertisements or announcements) relating thereto or in connection therewith. For the purposes of the aforesaid "approved document" means a document (or advertisement or announcement) which shall have been approved for such issue, publication or release (as the case may be) by resolution of the board of directors of the Company or a duly authorised committee thereof (or as amended pursuant to any authority conferred by resolution of the board of directors of such committee);
- (b) signing and approving on my behalf any statement(s) of responsibility to be made by me to accept responsibility for the accuracy and completeness of information contained in any document(s) to be circulated from time to time in connection with the Rights Issue and the Buy-out;
- (c) signing and approving on my behalf any verification notes or equivalent document in connection with the information to be circulated aforesaid;
- (d) the attendance on my behalf (as my alternate director or otherwise) at any meeting of the directors of the Company or any of its subsidiaries or a committee of such directors to be held from time to time in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM; and
- (e) signing on my behalf the Circular and any other document or documents constituting a prospectus of the Company required to be delivered to the Registrar of Companies or the London Stock Exchange in connection with the Rights Issue, the Buy-out and application for admission to trading on the USM

and so that any such act, deed, contract, undertaking or assurance in law and things shall be done in such form and be effected in such manner as my Attorney shall in his sole and unfettered discretion think fit and my Attorney shall have full power generally to do, execute and perform all such lawful acts, deeds, matters and things whatsoever on my behalf and in my name as I could do if personally present.

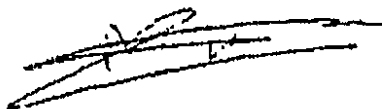
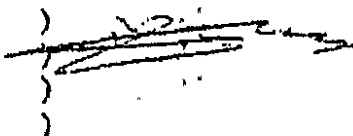
MY ATTORNEY shall have full power to appoint in place or in addition to my Attorney or to delegate the exercise of the powers and authorities granted by this Power of Attorney to such persons as he may in his sole and unfettered discretion think fit and to revoke any such appointment or delegation or take such other appointments or delegations as he may in his sole and unfettered discretion decide.

I HEREBY UNDERTAKE to ratify whatever my Attorney shall do or lawfully cause to be done hereunder and to indemnify my Attorney and keep my Attorney fully indemnified against all claims, costs and expenses which my Attorney may suffer as a result thereof.

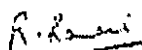
THIS POWER OF ATTORNEY is to be governed by and construed in accordance with English law and is to be irrevocable for the period of three calendar months from the date hereof.

IN WITNESS whereof this deed has been entered into this 28th day of June 1994.

SIGNED and DELIVERED as  
a DEED by the said  
MOHAMED MUSA AL YOUSEF  
in the presence of:-



Witness: R. RAMESH



Address: P.O. Box 2254, Ruwi, Postcode 112  
SULTANATE OF OMAN

Occupation: Investment Analyst



\*K10H021K\*

KLO RECEIPT DATE:29/06/94

1423001

A copy of this document, which comprises listing particulars relating to Exco plc required by the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The Directors of Exco plc whose names appear on page 8 accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange for the whole of the issued and to be issued share capital of Exco plc to be admitted to the Official List. The application list for the ordinary shares now being offered will open at 10.00 a.m. on 8 July 1994 and may be closed at any time thereafter. The procedure for application and an application form for use in connection with the Public Offer are set out at the end of this document. It is expected that listing will become effective and that dealings in the ordinary shares will commence on 19 July 1994.

The ordinary shares have not been and will not be registered under the United States Securities Act of 1933 as amended or under the securities laws of Canada, Japan, Australia or South Africa and may not, subject to certain exceptions, be offered or sold directly or indirectly within the United States, Canada, Japan, Australia or South Africa or to any national, citizen or resident of the United States, Canada, Japan, Australia or South Africa. This document should not be distributed in or into the United States, Canada, Japan, Australia or South Africa unless such distribution is made in accordance with the securities laws of such jurisdictions or pursuant to an exemption therefrom.

N M Rothschild & Sons Limited is a member of The Securities and Futures Authority Limited. In respect of each of the Placing and Public Offer N M Rothschild & Sons Limited is acting solely for the Company and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of N M Rothschild & Sons Limited or for providing advice in relation to either the Placing or the Public Offer.

## EXCO plc

(Incorporated and registered in England under the Companies Acts 1948 to 1976 No. 1423001)

### Placing and Public Offer

by

### N M Rothschild & Sons Limited

of 53,117,726 ordinary shares of 25p each  
at 175p per ordinary share, payable in full on application

#### Share Capital following the Placing and Public Offer

Authorised			Issued and to be issued fully paid	
Number	Amount		Number	Amount
172,000,000	£43,000,000	ordinary shares of 25p each	123,166,034	£30,791,509

The ordinary shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of Exco plc. However, purchasers of the ordinary shares in the Placing and Public Offer will not be entitled to the dividends declared on 28 June 1994 payable conditional on Admission to shareholders on the register on 23 June 1994 which will lead to the payment of £13 million in cash and, pursuant to irrevocable elections to take scrip instead of cash, the issue of 2,752,051 ordinary shares of 25p each. Further details of these dividends are given in "Financial Information: Conditional dividends" in Part I of this document. The shares to be issued pursuant to the scrip alternative and the conversion of the convertible loan stocks referred to in paragraph 2.2(vi) of Part III of this document are included in "Share Capital following the Placing and Public Offer" referred to above.

#### Indebtedness

At the close of business on 3 June 1994, Exco plc and its subsidiaries had outstanding unsecured loans of £18,211,921, secured loans of £31,483, unsecured convertible loan stock of £230,277, secured convertible loan stock of £1,740,899, finance lease commitments of £3,403,534 and guarantees to third parties of £1,008,171. Further details of the convertible loan stocks are given in paragraph 2.7 of Part III of this document. Save as aforesaid or referred to in paragraphs 2.7 and 12 of Part III of this document, and apart from intra-group liabilities, neither Exco plc nor any subsidiary had at that date any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges, or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other material contingent liabilities.

At the close of business on 3 June 1994, Exco plc and its subsidiaries had cash balances and short term investments amounting to £89,108,000. Of this sum, £1,740,899 is charged to secure the secured convertible loan stock referred to above. A minimum amount of £29,535,000 as at 31 May 1994 is regarded by the Directors as necessary to meet regulatory requirements.

## KEY INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived.

### Exco's business and markets

- The Group is one of the leading international wholesale money and fixed income securities broking groups with offices in thirteen financial centres.
- The Group acts as a broker to match counterparties in a transaction for which it receives a commission.
- The products broked by Exco comprise foreign exchange, money market instruments, derivatives and fixed income securities (particularly government securities).
- Exco's customer base is made up principally of national and international banks and market makers in government securities.
- Attracting and retaining top quality staff is fundamental to the success of Exco's business.
- Uncertainty in the financial markets, leading to volatility and increased activity within Exco's markets, is one of the most important influences on the Group's businesses.
- In recent years, Exco's markets have shown good growth in trading volumes.

### Exco's key strengths are

- its leading positions within its markets;
- its broad product range and geographical spread;
- its ability to offer an integrated around-the-clock global service in all major currencies;
- its ability to react to shifts in trading patterns of its customers and exploit new opportunities in its markets; and
- its senior management with long experience of running the Group's product areas.

The Directors are confident that these strengths provide a sound platform for growth.

**Financial record**

The table below summarises the financial record of the continuing operations of the Group for the three financial periods ended 31 December 1993 as derived from the Accountants' Report set out in Part II.

	1991	1992	1993
	£'m	£'m	£'m
Turnover	163.7	164.5	211.3
Operating profit	10.0	21.1	36.0
Income from interests in associated undertakings	3.8	3.4	3.6

**Profit forecast for the six months ending 30 June 1994**

The Directors forecast that, in the absence of unforeseen circumstances, profit on ordinary activities before taxation for the six months ending 30 June 1994 will be not less than £27.5 million (1993 unaudited: £21.4 million). Exco's results are normally weighted towards the first half of the year. Details of the profit forecast, including the bases and principal assumptions on which it has been prepared, are set out in Part I of this document.

**Prospects**

The Directors have identified opportunities for growth through:

- continued growth in trading volumes in existing markets;
- improved market share in existing markets;
- new products; and
- over the longer term, emerging geographic markets.

In particular, the Directors believe that Exco is well placed to benefit from its leading position in the Asia Pacific moneybroking markets and its strengths in derivative products. Both of these areas are perceived by the Directors to have good growth potential.

In order to exploit these opportunities and to maintain its competitiveness the Group is committed to:

- recruiting, training and motivating skilled and professional staff;
- a high degree of customer service leading to lasting customer relationships;
- continuing to upgrade the Group's various information technology and telecommunication systems; and
- maintaining a high degree of control over costs.

Accordingly, the Directors are confident of the Group's prospects, although they recognise that trading volumes are inherently volatile and difficult to predict with any degree of certainty in the short term.

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## DEFINITIONS

"Admission"	admission of the ordinary shares to the Official List of the London Stock Exchange
"B&C"	British & Commonwealth Holdings PLC (in Administration and subject to a scheme of arrangement)
"CMS"	CMS Capital Markets Services A.G.
"Directors" or the "Board"	Directors of Exco
"employee share plan"	Exco plc Long Term Employee Share Plan, details of which are set out in paragraph 6.5 of Part III of this document
"Exco" or the "Company" or the "Group"	Exco plc and/or any of its subsidiaries as the context requires
"Exco International"	Exco International plc, a wholly owned subsidiary of Exco
"London Stock Exchange"	the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Nittan AP"	The Nittan AP Company Limited, an associated company which is 33 per cent. owned by Exco
"Noonans"	Noonan, Astley & Pearce, Inc., a wholly owned subsidiary of Exco
"Offer"	Placing and Public Offer
"Offer Price"	175p per ordinary share payable under the terms of the Offer
"ordinary shares"	ordinary shares of 25p each in the capital of the Company
"Placing"	placing by Rothschild as agent for the selling shareholders of 39,838,294 ordinary shares as described in this document
"Public Application Form"	application form set out at the end of this document
"Public Offer"	offer for sale by Rothschild as agent for the selling shareholders of up to 13,279,432 ordinary shares to the public (of which 1,327,943 have been reserved to satisfy valid applications pursuant to the employee share plan) as described in this document



"RMJ"	RMJ Securities Corp., a wholly owned subsidiary of Exco
"Rothschild"	N M Rothschild & Sons Limited
"Shorcan"	Shorcan International Brokers Limited, a 75.59 per cent. subsidiary of Exco
"UK"	United Kingdom of Great Britain and Northern Ireland
"US"	United States of America
"WCLK"	Williams, Cooke, Lott & Kissack Limited, a wholly owned subsidiary of Exco

Throughout this document, save in the Accountants' Report set out in Part II and in "Financial Information: Consolidated profit and loss accounts" of Part I, all references to numbers of ordinary shares or calculations per share are stated after adjusting for the capital reorganisation described in subparagraph 2.2(v)(a) of Part III.



## GLOSSARY

"broker"	an institution or its employee who introduces the two parties in a transaction to each other; for example, a buyer and a seller of foreign currencies, a borrower and a lender of a given currency or two swap counterparties with complementary interest rate or currency requirements.
"certificate of deposit"	a negotiable certificate issued by a bank or other financial institution evidencing title to a deposit. The primary market for certificates of deposits is in those instruments traded upon initial issuance. The secondary market relates to subsequent dealing in the instruments.
"cross currency transaction"	a foreign exchange transaction involving two currencies, neither of which is the US Dollar.
"forward foreign exchange transaction"	a transaction for the purchase or sale of a currency at a future date determined by the parties to the transaction.
"forward rate agreement" or "FRA"	a transaction between two parties who contract that either one of them will pay to the other a cash sum in the future calculated on the differential between an agreed interest rate for a defined period and the actual rate for that period.
"IDB"	inter-dealer broker.
"interest rate swap"	an agreement whereby two parties agree to exchange payments in the future determined by reference to fixed or floating rates of interest in the same or different currencies.
"liquid market"	a market where buying and selling can be accomplished with ease, due to the presence of a large number of interested buyers and sellers prepared to trade substantial quantities at small price differences.
"matched"	a purchase is said to be matched when offset by a sale on identical terms or vice versa.
"money market"	the market for the purchase and sale of short-term financial instruments. The short term is usually defined as less than one year.
"spot foreign exchange transaction"	a transaction for the purchase or sale of a currency where settlement occurs within two days.

**DIRECTORS, ADVISERS AND BANKERS**

<b>Directors</b>	Carel Maurits Mosselmans†	<b>Chairman</b>
	Ronald Arnon Sandler	<b>Chief Executive</b>
	Peter Neville Buckley*†	<b>Non-executive Director</b>
	Peter John Edge	<b>Executive Director</b>
	John Axson Heywood†	<b>Non-executive Director</b>
	Michael Charles Johns*	<b>Non-executive Director</b>
	Richard Clifford Lacy†	<b>Non-executive Director</b>
	James Patrick Magee	<b>Executive Director</b>
	John Alan Richardson*	<b>Non-executive Director</b>
	Kim Michael Taylor	<b>Finance Director</b>
	Marcel Wolf	<b>Executive Director</b>
	all of 119 Cannon Street, London EC4N 5AX	
	* member of Audit Committee	
	† member of Remuneration Committee	

**Secretary & Registered Office**  
Edward Charles Pank, Solicitor  
119 Cannon Street  
London EC4N 5AX

**Sponsor and Financial Adviser**  
N M Rothschild & Sons Limited  
New Court  
St. Swithin's Lane  
London EC4P 4DU

**Stockbrokers to the Company**  
Kleinwort Benson Securities Limited  
20 Fenchurch Street  
London EC3P 3DB

**Stockbrokers to B&C**  
S.G. Warburg Securities Ltd  
1 Finsbury Avenue  
London EC2M 2PA

**Auditors & Reporting Accountants**  
Coopers & Lybrand  
Chartered Accountants  
Plumtree Court  
London EC4A 4HT

**Solicitors to the Company**  
Ashurst Morris Crisp  
Broadwalk House  
5 Appold Street  
London EC2A 2HA

**Solicitors to the Sponsor**  
Freshfields  
65 Fleet Street  
London EC4Y 1HS

**Principal Bankers**  
Lloyds Bank Plc  
72 Lombard Street  
London EC3P 3BT

**Registrar**  
Lloyds Bank Plc  
Lloyds Bank Registrars  
The Causeway  
Worthing  
West Sussex  
BN99 6DA

**Receiving Bank**  
Lloyds Bank Plc  
Registrar's Department  
Ground Floor  
PO Box 1000  
Antholin House  
71 Queen Street  
London EC4N 1SL



## THE OFFER STRUCTURE

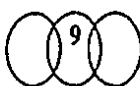
The Offer comprises 53,117,726 ordinary shares all of which are being sold by existing shareholders. Up to 13,279,432 ordinary shares (representing 25 per cent. of the shares which are the subject of the Offer) are being made available to satisfy valid applications from the public. Of these shares, 1,327,943 have been reserved to satisfy valid applications pursuant to the employee share plan.

Accordingly 13,279,432 ordinary shares are being conditionally placed, subject to recall to satisfy any such valid applications, and 39,838,294 ordinary shares are being placed firm, in each case by Rothschild at the Offer Price with institutional and other investors. The Offer has been underwritten by Rothschild at the Offer Price. Kleinwort Benson Securities Limited is stockbroker to the Company.

In addition, the employee benefit trust referred to in paragraph 6.1 of Part III of this document has, conditionally upon Admission, agreed to purchase 900,000 ordinary shares at the Offer Price to facilitate the implementation of the employee share plan.

## OUTLINE EXPECTED TIMETABLE

	1994
Completed application forms to be received by	10.00 a.m. on Friday, 8 July
Basis of allocation to be announced by	Monday, 11 July
Despatch of renounceable letters of allocation	Monday, 18 July
Dealings commence	Tuesday, 19 July
Last day for splitting	3.00 p.m. on Friday, 29 July
Last day for registration of renunciation	3.00 p.m. on Tuesday, 2 August
Despatch of definitive share certificates	Friday, 12 August



## OFFER STATISTICS

Offer Price	175p
Number of ordinary shares in issue following the Offer (note 1)	123,166,034
Number of ordinary shares being sold by existing shareholders in the Offer	53,117,726
Market capitalisation at the Offer Price	£215.5m
Historic earnings per ordinary share for the year ended 31 December 1993 (note 2)	18.4p
Price earnings multiple at the Offer Price (based on the above historic earnings per ordinary share)	9.5 times
Forecast earnings per share for the six months ending 30 June 1994 (note 3)	11.7p
Notional historic net dividend per ordinary share for the year ended 31 December 1993 (note 4)	8.4p
Notional historic gross dividend yield (note 5)	6.0 per cent.
Notional historic dividend cover (note 6)	2.2 times

### Notes:

1. The number of ordinary shares in issue following the Offer takes into account 413,983 ordinary shares to be issued on conversion of convertible loan stock described in paragraph 2.7 of Part III of this document and 2,752,051 ordinary shares to be issued as a scrip dividend alternative described in "Financial Information: Conditional dividends" in Part I of this document.
2. The basis of calculation of historic earnings per share for the year ended 31 December 1993 is explained in note 11 to the financial information contained in the Accountants' Report set out in Part II of this document although the number of shares has been further adjusted to reflect the capital reorganisation described in sub-paragraph 2.2(v)(a) of Part III of this document.
3. The basis of calculation of forecast earnings per share for the six months ending 30 June 1994 is explained in "Profit Forecast" set out in Part I of this document.
4. Notional historic net dividend per ordinary share for the year ended 31 December 1993 is explained in "Financial Information: Notional dividends and dividend policy" set out in Part I of this document.
5. Notional historic gross dividend yield is calculated by dividing the notional historic gross dividend of 10.5p per share for the year ended 31 December 1993 (being the notional historic net dividend of 8.4p per ordinary share together with the associated tax credit calculated at the rate of  $\frac{20}{100}$ ths of the net dividend) by the Offer Price and expressing the result as a percentage.
6. Notional historic dividend cover is calculated by dividing the historic earnings per ordinary share by the notional historic net dividend per ordinary share, in each case for the year ended 31 December 1993.

## **PART I – INFORMATION ON EXCO**

### **THE BUSINESS OF EXCO**

#### **Introduction**

Exco is one of the leading international wholesale money and fixed income securities broking groups with approximately 2,000 employees worldwide, including those of associates.

It conducts moneybroking in all major currencies, under the names of Godsell, Astley & Pearce in London, Noonan, Astley & Pearce in the US, Nittan AP in Japan and principally Astley & Pearce elsewhere, and fixed income securities broking, principally under the names of Shorcan in Canada, WCLK in the UK and RMJ in the US. It has offices in all three major financial time zones and in thirteen international financial centres linked by integrated communications networks. These networks enable the Group to service its clients on an around-the-clock basis and to facilitate the execution of transactions. Its products include the broking of foreign exchange, money market instruments, derivatives and fixed income securities (in particular government securities) in the wholesale markets. Its moneybroking customer base is made up principally of national and international banks and its fixed income securities customers are mainly market makers in government securities.

One of the most important influences on Exco's business is uncertainty within the world's financial markets, caused by changes in global economic and political conditions. This uncertainty leads to volatility which in turn stimulates activity in Exco's markets. Exco's business also benefits from the continued growth in the wholesale financial markets in which the Group operates. The emergence of new products also provides new opportunities for broking activity.

Exco's senior management in each of its product areas has many years of experience of the industry and the Group. The Directors believe that the breadth of Exco's broking activities, in terms of both product coverage and geographical spread, represents an important competitive strength which the Group is committed to preserve.

#### **History**

The Group grew out of the London moneybroking firm, Astley & Pearce, which started trading as a foreign exchange broker before the Second World War. When the foreign exchange markets reopened after the Second World War, Astley & Pearce Limited was one of nine brokers licensed to operate in London's foreign exchange market. During the late sixties and early seventies operations were expanded overseas by the establishment of a network of offices in Europe, North America and the Asia Pacific region. Through a series of transactions, including the merger with Daniel E Noonan Inc. in the late seventies and the acquisition of the Godsell Group in the early eighties, Exco became a leading international moneybroker. It continued to develop its international network in 1983 with the establishment of Nittan AP, a moneybroking joint venture in Japan with Nihon Tanshi Company Limited. In 1984, Exco acquired an interest in WCLK which began operations as an IDB in UK gilt-edged securities in 1986. In 1987, Exco acquired control of

RMJ, an IDB in the US Government securities market, and in 1988, through RMJ, control of Shorcan, a Canadian IDB.

In 1981, Exco was listed on the London Stock Exchange and subsequently, in 1987, Exco was acquired by B&C. As a listed company, Exco bought and sold a number of interests in other businesses (including Telerate Inc.). Throughout its period of ownership by B&C, including the period following the issue of an administration order in respect of B&C in June 1990, Exco retained management independence.

On 1 June 1992, 60 per cent. of B&C's holding of Exco was privately placed with a group of institutions and employees of the Group and its associates. The placing resolved much of the uncertainty created by the Group's owner going into administration, thereby freeing management to concentrate on the development of Exco.

## **Description of activities**

### ***Introduction***

Broking is the introduction and arrangement of financial transactions between two principals. For this service, the broker receives a commission or brokerage. By dealing through brokers, customers are provided with enhanced liquidity and access to competitive prices. Furthermore, customers avoid having to reveal competitively sensitive information to each other until the transaction is completed, whilst gaining rapid access to the large network of counterparties with whom the broker can arrange business. A moneybroker reveals the identity of the principals on conclusion of the transaction. In general, IDBs do not reveal the identity of the counterparties on either side of the transaction at any time.

A broker benefits from the increased volume of trading resulting from volatility within its markets caused by changes in international economic and political environments. Brokers also benefit from the increasing influence of the world's financial markets on each other. The Directors believe that a strong position within each geographical market and a broad range of products contribute to an international broker's success.

Exco operates in the global foreign exchange, deposit and derivative markets, and in the fixed income securities markets principally in the US, Canada and the UK. A brief description of each market and Exco's position within that market is set out below. There are fewer independent statistics covering the North American markets and accordingly information on these markets, and the market standing of the participants in them, is based on management estimates. In the following paragraphs, percentages of transactions are calculated by reference to value.

### ***Global foreign exchange markets***

#### ***Market overview***

Transactions in the foreign exchange market fall into three main categories: spot, forwards (including currency swaps) and options. Spot foreign exchange and forward swap market

transactions account for the overwhelming bulk of the foreign exchange market turnover, although from a small base, option activity has increased significantly. The Bank for International Settlements ("BIS") in its most recent triennial survey of the foreign exchange market published in March 1993 for the three years ended April 1992 (the "BIS Survey") concluded that global net foreign exchange turnover (including spot, forward, futures, options and swap transactions) in April 1992 amounted to around \$1,130 billion per day on average. Turnover in the UK, the US and Japan was estimated to account for approximately 55 per cent. of that trading and the combined turnover in these three markets was estimated to have grown by over 40 per cent. since 1989. Other significant centres include Singapore, Switzerland and Hong Kong. The BIS Survey also stated that London increased its share of world foreign exchange turnover from 25 per cent. in 1989 to nearly 27 per cent. in 1992. The US Dollar dominates foreign exchange transactions and according to the BIS Survey was represented on one side in some 82 per cent. of transactions, with the other major currencies being the Deutschmark (40 per cent. of transactions), the Yen (23 per cent. of transactions) and Sterling (14 per cent. of transactions). Notwithstanding the dominance of the US Dollar, the proportion of spot cross currency transactions increased significantly between 1989 and 1992.

The brokers' share in the foreign exchange market varies from centre to centre. According to the BIS Survey, in 1992 brokers were estimated to be involved in 34 per cent., 31 per cent. and 25 per cent. of trading in the UK, the US and Japan respectively. Principals have been transacting increasingly more business directly between themselves in recent years and, according to the Bank of England, the brokers' share of foreign exchange business fell from 38 per cent. in 1989 to 34 per cent. in 1992 within the UK. However, the value of business transacted through brokers in the UK has grown over the same period by over 40 per cent.

- *Spot foreign exchange*

In 1992, the spot foreign exchange market accounted for just under 50 per cent. of the transactions in the global foreign exchange market and grew by some 15 per cent. between April 1989 and April 1992, according to the BIS Survey.

- *Spot foreign exchange within Exco*

US Dollars against Deutschmarks, Yen, Sterling and Swiss Francs accounted for over three quarters of the Group's spot foreign exchange revenue in the year to 31 December 1993. US Dollar/Deutschmark transactions made up over one third of total spot revenue in the same year and are the most profitable of the Group's spot foreign exchange products. Exco's strengths are in the spot foreign exchange market in New York and in the Asia Pacific offices.

The management is currently focusing on strengthening Exco's spot foreign exchange operations in London, in particular, in US Dollar/Deutschmark and US Dollar/Yen, and globally in cross currencies.

- *Forward foreign exchange*

According to the BIS Survey, the forward foreign exchange market grew much more rapidly than the spot market in the three years between April 1989 and April 1992. During this period the forward foreign exchange market expanded by approximately 60 per cent. The forward foreign exchange market is historically centred in London, New York and Tokyo with smaller markets in other European centres. Recent years have seen significant growth in Singapore and Australia.

- *Forward foreign exchange within Exco*

Activities in this area are concentrated in four centres; Tokyo, Copenhagen, London and New York. Exco's strengths lie in Tokyo, where Nittan AP is a market leader, and in Copenhagen, where performance has been strong in forward Scandinavian currencies. Exco is seeking to strengthen its forward foreign exchange capabilities within its other geographic markets.

### *Global money markets*

#### *Market overview*

The principal types of cash instrument are interbank deposits, certificates of deposit and local government deposits. These cash markets are more fragmented than foreign exchange markets giving rise to opportunities for niche brokers.

The Directors believe that the impact of BIS capital adequacy constraints imposed on the banking community, coupled with the impact of bad debt problems, have contributed, in recent years, to a dramatic growth in the use of off-balance sheet products. These include FRAs and short term interest rate swaps (swaps with a maturity of less than two years). The domestic off-balance sheet products markets are also fragmented with a number of niche brokers. In addition, an international FRA market, which the Directors believe is dominated by the US Dollar, has developed, principally in London and New York. FRAs cannot officially be traded yet in Japan although the Directors believe that this is likely to change within the next twelve months.

#### *Money market products within Exco*

Exco operates in the cash and off-balance sheet markets in all the financial centres in which it is represented. Exco's strengths are in Deutschmark and Yen off-balance sheet products in London, and in the cash markets in Tokyo and Singapore, in each of which the Directors believe Exco is a market leader. The management is directing its efforts to strengthening Exco's position in New York. Around half of Exco's revenue within money market products during the year ended 31 December 1993 was generated in London.

### *Global derivative product markets*

#### *Market overview*

The markets for derivative products within which Exco operates can be divided into three main areas: currency options, medium term interest rate swaps (swaps with a maturity of two years and over) and interest rate options. These markets have grown rapidly over the last few years.

The BIS Survey indicated that currency option contracts amounted to \$44.7 billion per day, on average, in April 1992. The US was the largest centre for currency option trading, with the UK and Japan ranking thereafter. According to the BIS Survey, the total value of transactions grew by 124 per cent. between 1989 and 1992.

The total value of medium term interest rate swap transactions was \$1,075 billion in the first half of 1993 (representing a 52 per cent. increase over the same period in 1992) according to the International Swap Dealers' Association's semi-annual survey for the first half of 1993 (the "ISDA Survey"). While, over the period under review, the US Dollar was the favoured currency base for interest rate swaps, the Yen, Deutschmark, French Franc and Sterling increased in popularity.

The ISDA Survey indicated that the notional value of the products related to swaps grew by 74 per cent. between the first half of 1992 and the first half of 1993.

#### *Derivative products within Exco*

Exco is active in all these derivative product areas and is continuing to recruit additional staff.

- *Currency options*

Exco brokes currency options in all of the world's major currencies. The Group's strengths are in London, New York and Tokyo and the Directors believe that it is the global market leader in this product.

- *Interest rate swaps and options*

Exco's strengths for medium term interest rate swaps are in London, Sydney, Tokyo and Zurich (following the acquisition in 1993 of CMS which has significantly improved Exco's position in the European medium term interest rate swaps market). Exco is seeking to strengthen its position in New York. Exco's revenues from interest rate options are derived mainly from London and New York. In recent years, Exco has experienced strong growth in both categories of interest rate derivatives.

### *US fixed income securities market*

The US fixed income securities market is the largest in the world, of which the most important sector is the US Government debt market with total debt outstanding at the end of February 1994 of US\$4,560 billion, an increase of approximately 8 per cent. since February 1993. Other markets include those for bonds issued by semi-government agencies such as the Federal National Mortgage

Association ("FNMA") and the Government National Mortgage Association ("GNMA") and structured bonds backed by cashflow from mortgages. The US Government issues debt through an auction process conducted by the New York Federal Reserve Bank. Once such securities are auctioned, secondary market trading is carried out mainly through a network of primary dealers. In this secondary market, primary dealers conduct business with their retail customers (some 40 per cent. of the market) and with each other (the remainder). In this latter part of the secondary market, the IDBs (of which RMJ is one) are active in matching the transactions of the primary dealers. The secondary US Government debt market has experienced a substantial expansion in the last few years as a consequence of high government deficits and declining interest rates. Trading volumes in the secondary US Government debt market grew by between 10 per cent. and 15 per cent. in 1993 according to the US Federal Reserve statistics. The volumes of business passing through the IDB community have shown an increasing trend over the last ten years.

- ***RMJ***

RMJ has its headquarters in New York with offices in London and Tokyo. RMJ is involved in the broking of US Government securities, FNMAs, GNMA's, related derivative products and emerging market sovereign debt. RMJ is stronger in the medium to long dated US Government debt instruments and mortgage backed products than in short dated US Government debt instruments. The majority of RMJ's transactions are settled through the Government Securities Clearing Corporation ("GSCC") and are covered by its risk assessment rules, under which RMJ's liability to counterparty failure is limited to US\$1.6 million per annum.

In 1989, RMJ suffered a significant fall in market share and income when it announced that it intended to increase its client base beyond the primary dealers. These falls were partly cured by a reversal of this decision. This was followed by a period of severe competition between the IDBs in 1991 which adversely impacted upon the performance of RMJ.

Following the appointment of new senior management early in 1992, RMJ began to increase its market share. The Directors believe that this process was helped by the closure in August 1992 of one of its competitors and by that year end RMJ had achieved a significant market share. This improved market share was sustained in 1993. The Directors believe that RMJ is one of the four leading competitors in the US IDB market. In US Government securities overall, RMJ ranks some way behind the other three leading participants although, in this market, RMJ has strengths in medium term instruments. RMJ also has strengths in mortgage backed securities.

#### ***Canadian Government securities market***

The Canadian Government securities market has grown significantly in the past 10 years as a result of increased federal and provincial government borrowing requirements. Public sector borrowing in Canada is not centralised; provincial governments use the markets directly.

The Federal Government finances its requirements through the issue of Canadian Government bonds ("Canadas") and short term treasury bills. At 6 April 1994 the outstanding nominal value of Canadas was Can\$209 billion and of treasury bills was Can\$166 billion. The Directors believe that the volume of trading in the wholesale and retail secondary markets in Canadas has grown from around Can\$670 billion in 1990 to around Can\$1,530 billion in 1993. IDBs (of which Shorcan is one) match the transactions of their customers, being Canadian investment dealers, Canadian chartered banks and registered international dealers in the wholesale secondary market for Canadas and provincial government debt. The Directors believe that the majority of business in the wholesale secondary market is conducted by IDBs and that this market, as well as the IDBs' share of the market, is growing.

- *Shorcan*

Shorcan has its headquarters in Toronto and an office in London. The Directors believe that Shorcan is the leading IDB in the Canadian Government securities market. The majority of its business is the broking of Canadas, substantially all the balance being provincial government bonds and money market instruments (such as treasury bills and bankers acceptances). Shorcan acts only as agent for its customers, comprising the major Canadian banks and investment houses together with some foreign banks and dealers registered in Canada as "international dealers".

*UK gilt market*

The UK gilt market, with an outstanding nominal value of over £190 billion at 31 December 1993, is one of the largest government bond markets in the world. After a period of government debt repayment between 1988 and 1990, the UK Government returned to the issue of debt. In 1993, issues, net of redemptions, were £46.3 billion and the forecast public sector borrowing requirement for the fiscal year 1994/95 is £38 billion requiring gross gilt sales of £34.5 billion for a full fund.

The secondary gilts market, which is part of the business of the London Stock Exchange, may be divided into two parts, the first of which is the trading between the twenty or so gilt-edged market makers and their customers, and the second is the trading between the market makers themselves. The volume of trading in gilt-edged securities increased from £973 billion per annum in 1990 to £1,598 billion per annum in 1993. Over the same period, the intra-market maker business increased by 44 per cent. from £522 billion to £754 billion; in 1993, approximately 80 per cent. of trading in this part of the market was conducted through IDBs.

- *WCLK*

WCLK operates as one of the three IDBs in London although it is possible that there may be a new entrant into this market. The Directors believe that WCLK is the market leader. WCLK acts only as a matched principal and the Directors believe that, given the close supervision and capital adequacy requirements imposed by the Bank of England upon WCLK's customer base, there is no significant risk arising from this matched principal

status. All its customers are gilt-edged market makers and members of the Bank of England's Central Gilts Office, through which all of WCLK's trades are settled.

#### ***Other IDB style operations***

Exco has other fixed income securities operations in Sydney, Johannesburg and Hong Kong. Whilst these operations are not significant to the Group, the Directors believe that there is scope for expansion.

#### **Systems**

Exco's moneybroking offices are linked to each other by a combination of dedicated, high speed voice and data networks. Virtually all of Exco's moneybroking customers are connected both locally and internationally by dedicated voice networks. These networks are critical to the moneybroking business.

Moneybroking operations make use of external sources, including Telerate and Reuters, for prices and other relevant information. In recent years Exco has introduced its own front office system for conveying prices and information around the Group. The Directors believe that this system has increased the effectiveness of the Group's operations. The information is also provided to external parties under contract. In particular, in 1993, the Group entered into a long term contract with Dow Jones Telerate, Inc. to provide it with price information.

In 1992, Exco began to install a new back office system. This system has been successfully installed in London and Copenhagen and by the end of 1995 is planned to have replaced all existing back office systems in each centre. The Directors believe that the implementation of the system worldwide will be of significant benefit to the efficiency of the operations. The system also provides management with real-time access to performance by product, desk, individual broker and customer.

IDBs provide their customers with screens giving prices at which the IDBs can arrange transactions. The IDB businesses are, therefore, reliant on computer systems to distribute prices direct to each IDB's restricted number of customers. As each IDB operates independently, each takes responsibility for its own systems development. These systems are linked with the relevant clearing operations and internal accounting systems.

In view of London's importance to its global moneybroking network, Exco has established emergency response plans and is developing disaster recovery plans (having commissioned an external study) to deal with disruption or failure in that centre. Emergency response and disaster recovery plans are being developed in other centres.

#### **Industry issues**

The markets within which wholesale brokers operate are rapidly changing and highly competitive. As a consequence, brokers need to be able to respond and adapt quickly to these changes. There are,

in particular, a number of issues currently faced by brokers, the most important of which are described below:

### ***Competition***

The broking industry is highly competitive. The customer judges the broker by quality of service, which is primarily a function of price, speed, liquidity and reliability.

Exco's three main competitors worldwide are MAI plc, Marshalls Finance Limited and Tullett & Tokyo Forex International Limited. In a local market place for a particular product the ranking of each of the four major global brokers varies significantly. In addition, Cantor Fitzgerald Securities Inc. is a significant competitor in the fixed income securities markets. Exco also competes with a small number of niche brokers who primarily specialise in various of the derivative products.

Three electronic matching systems have begun operating in the spot foreign exchange markets in recent years: Electronic Broking Systems, Reuters 2000-2 and Minex. Electronic matching involves dealing with counterparties via a computerised network, removing the need for voice broking methods. Currently the use of these systems has been confined to the spot foreign exchange market where there is a high degree of standardisation of product. The systems have so far only captured a small, albeit growing, percentage of this market. The Directors believe that, within the more specialised markets, such as derivatives, the tailored nature of the products makes electronic matching more difficult. An electronic matching system, introduced to the fixed income securities market in the 1980s, no longer operates.

The Directors recognise that over the longer term, electronic matching systems may have a greater impact on the moneybroking industry. However, the Directors believe that voice-based moneybrokers are in a position to provide a more comprehensive service to their customers. Furthermore, the Directors believe that it is unlikely that electronic matching systems will advance sufficiently to threaten the voice brokers significantly over the next few years.

### ***Commission pressures***

In response to market pressures, brokers may negotiate volume discounts or commission level reductions with their customers within certain markets. Since the late 1980s, the use of volume discounts has become widespread and the Directors do not believe that this trend will be reversed. This means that increases in market volumes do not necessarily lead to proportionate increases in brokerage revenues.

### ***Market risk***

As an agent or matched principal, a broker should not be at risk from currency, interest rate or price movements. However, it is an inherent aspect of the business that the broker may be left at risk as a result of a trade mismatch. The risk is restricted to the price movement during the time from which the mismatch occurs to the time at which it is closed and may, depending on the direction of the price movement, be to the broker's disadvantage or advantage. The management has instituted

procedures to reduce the likelihood of such mismatches occurring and to minimise the consequences when they do. In recent years, losses arising from mismatches have not been a material expense of Exco's business.

#### *Barriers to entry*

The Directors believe that the investment necessary in premises, communications technology and experienced broking staff acts as a significant barrier to entry for newcomers to the wholesale markets. Whilst there are smaller brokers, particularly in moneybroking, which compete successfully in local markets and niche products, it would be costly for these brokers to become global competitors.

#### *Potential regulation*

The Directors are aware of the debate concerning the regulation of derivatives trading, which has been going on for some time, and do not anticipate that the outcome of this debate will have any material consequences for the Group's performance for the foreseeable future.

#### **Regulatory environment in which Exco operates**

The Directors believe that an appropriate degree of regulation assists the orderly working of the wholesale markets to the benefit of all participants, including brokers.

Each subsidiary is responsible for ensuring compliance with local regulatory requirements, whilst worldwide compliance is monitored from London.

UK based moneybrokers are regulated by the Bank of England. They are required to maintain a minimum level of capital to ensure sufficient liquid resources are available to enable them to continue to meet running expenses in the event of a temporary downturn in brokerage income.

WCLK is regulated by the Bank of England and The Securities and Futures Authority Limited and is a member of the London Stock Exchange. Its permitted daily trading volume is determined by a multiple of its capital base.

In the US, RMJ's operations are regulated by the Securities and Exchange Commission, which delegates monitoring to the National Association of Securities Dealers. RMJ is required to maintain minimum capital levels. Noonans is not subject to regulation.

Shorcan is an approved IDB with the Investment Dealers Association of Canada which requires Shorcan to maintain minimum levels of shareholders' equity.

There are no current regulatory requirements for moneybrokers in Switzerland and Denmark. Rules for investment companies in Denmark are expected to come into force in 1995, but details are not yet available.

While there are no regulatory requirements for Japanese moneybrokers, they submit financial data and details of transactions to the Bank of Japan regularly.



In Singapore, all financial institutions, including moneybrokers, are required to obtain the approval of the Monetary Authority of Singapore which regulates the trading of foreign exchange and financial market instruments through the Singapore Foreign Exchange Market committee.

Astley & Pearce (Hong Kong) Limited is a member of the Hong Kong Foreign Exchange and Deposit Brokers' Association, which imposes a minimum paid up capital requirement.

The industry in Australia is self-regulated, although it is anticipated that regulatory requirements may be introduced in future. The only requirement, imposed by the Securities Industry (New South Wales) Code, is to maintain a minimum level of capital.

Under the Investment Services Directive and the Capital Adequacy Directive of The European Union, both of which are likely to be in force from January 1996, risk based capital requirements and supervisory rules will be applied to investment firms. To the extent that these may be relevant to the moneybroking activities of Exco's European subsidiaries, the Directors believe that all trading subsidiaries meet the currently expected capital requirements.

## **DIRECTORS, MANAGEMENT STRUCTURE AND STAFF**

### **Management structure**

In April 1994, a restructuring of the Board was undertaken in order to improve decision making procedures and ensure the Group was well placed to meet the challenges of the future. The Directors recognise the value of the Code of Best Practice introduced by the Cadbury Report and the composition of the Board and its committees reflect the Code's recommendations. Remuneration and Audit Committees with formally delegated duties and responsibilities have been established.

Responsibility for the overall strategy and direction of the Group lies with the board of Exco, which comprises five executive Directors, five non-executive Directors and a non-executive Chairman. Responsibility for the day-to-day operations lies with the board of Exco International, an intermediate holding company. Each executive Director is also a member of the board of Exco International. There are eight further directors of Exco International.

The boards of each of Exco and Exco International meet quarterly. Exco International has two executive committees, the moneybroking executive committee which meets monthly and the IDB executive committee which meets quarterly. Each executive committee is responsible to the board of Exco International, which is itself responsible to the board of Exco. In addition, to ensure effective global product management, there are three product committees which meet, on average, every quarter: money markets, spot foreign exchange, and derivative and new products. Each committee is chaired by a director of Exco International and has representatives from each of the regions. The product committees are responsible for formulating proposals for strategy and its implementation in their product areas for consideration by the boards of Exco and Exco International.

Each of the overseas subsidiaries and associated companies is managed by a board of directors, which includes at least one director of Exco International.

### **Directors of Exco**

**Carel M Mosseimans**, aged 65, Chairman. He joined Sedgwick Collins & Co in 1952, becoming deputy chairman in 1982, and then chairman from 1984 to 1989 of Sedgwick Group plc. He is a non-executive director of Coutts & Co and Rothschild Asset Management Limited and chairman of Janson Green Limited. He was appointed Chairman in July 1991.

**Ronald A Sandler**, aged 42, Chief Executive. He joined Exco in his present position in April 1993. He was previously chairman and chief executive of the moneybroker, Martin Bierbaum Group plc, prior to it being acquired by Trio Holdings PLC. He was previously senior vice-president and UK managing director of Booz Allen and Hamilton Inc. (strategy consultants). He is chairman of the moneybroking and IDB executive committees.

*Peter N Buckley*, aged 51, was appointed a non-executive Director of Exco in June 1992. He is chairman and chief executive of Caledonia Investments plc and the representative on the board of Exco of Caledonia Investments plc under the arrangements described in sub-paragraph 3.2(v)(t) of Part III of this document. He was a director of British & Commonwealth Holdings PLC until December 1988. He is also chairman of Amber Industrial Holdings PLC, Sterling Industries PLC and English and Scottish Investors plc, and is a non-executive director of Provident Mutual Life Assurance Association.

*Peter J Edge*, aged 35, began working for Exco in 1980 as a deposit broker. He was appointed to the Board in May 1989. He is chairman of Exco's money markets product committee. He is chairman of Godsell, Astley & Pearce Limited.

*John A Heywood*, aged 56, served on the board of Exco as a non-executive director between 1982 and 1986. He was formerly managing director of Jardine Matheson & Co. Ltd. and a director of various public and private companies in the Far East, Middle East, South Africa and the US, including International Signal & Control Group PLC and Ferranti International plc. He is currently executive chairman of Clayhithe PLC and chairman of The Mauritius Fund and was reappointed to the Board as a non-executive Director on 10 June 1994.

*Michael C Johns*, aged 46, was appointed a non-executive Director in 1985. He is a partner of Exco's solicitors, Ashurst Morris Crisp, and was formerly company secretary of Exco. He is a non-executive director of London Forfaiting Company PLC.

*Richard C Lacy*, aged 46, joined the Astley & Pearce Group in 1966 as a foreign exchange broker. He became Asia Pacific regional managing director in 1975 and director in charge of the Astley & Pearce Group's foreign exchange activities in 1978 and was appointed to the Board in 1979. He became a director of British & Commonwealth Holdings PLC on its acquisition of Exco and resigned from that position in June 1990. Between 1987 and 1993 he was successively Executive Chairman and then Chief Executive of Exco. In April 1993, he relinquished this position but remains on the Board as a non-executive Director.

*James P Magee*, aged 41, is Chief Executive of Shorcan International Brokers having founded Shorcan in 1977. He began his career on Wall Street as a broker with Carroll, McEntee and McGinley, Shorcan's original parent company. He has been a director of RMJ since 1989. He was appointed to the Board in January 1994.

*John A Richardson*, aged 51, was appointed a non-executive Director in October 1992. He has been joint deputy chairman of Sketchley plc since 1990. He was chief executive of Hutchison Whampoa Ltd. between 1980 and 1984 having been an executive director of Hutchison International Limited since 1974.

*Kim M Taylor*, aged 38, Finance Director. He joined Exco in 1986 as group accountant from KPMG Peat Marwick where he had been for eight years, qualifying as a chartered accountant in 1981. He became Finance Director of the Group in November 1992.

*Marcel Wolf*, aged 47, joined the Astley & Pearce Group in 1971 in Switzerland, having worked as a foreign exchange trader for two years at a domestic bank in Zurich. He was appointed to the Board in 1987, having been a Director between 1979 and 1981. He is chairman of the derivative and new products committee.

#### **Directors of Exco International**

*Paul W Burnand*, aged 49, joined the Astley & Pearce Group in 1969 as a foreign exchange broker and was posted to the Hong Kong office in 1977. In 1978 he established Astley & Pearce in Japan and was subsequently responsible for negotiating the joint venture agreement with Nihon Tanshi Co. Limited to create Nittan AP.

*Clive J Cooke*, aged 36, has been employed by the Group since 1986 and is also a director of WCLK, which he co-founded. He joined RMJ in January 1992 and is currently its chief executive officer. Before co-founding WCLK, he was a bond broker at James Capel for six years.

*Kazuo Fujii*, aged 58, joined Exco in 1990 after being a Managing Director at the Bank of Tokyo. He represents Exco on the board of Nittan AP, of which he is President.

*Goh Say Jim*, aged 45, joined the Astley & Pearce Group in 1973 in Singapore. He has been managing director of that office since 1985 and is additionally responsible for the Group's interests in Jakarta and Kuala Lumpur.

*William H G Kissack*, aged 45, is a director and co-founder of WCLK. He has been employed by the Group since 1985, prior to which he was employed by Grieveson Grant & Co. He is also managing director of RMJ Europe Limited.

*Geoffrey W Lott*, aged 37, is a director of WCLK, of which he is a co-founder. He has been employed by Exco since 1985 prior to which he was employed by Phillips & Drew.

*Joseph T Sciametta*, aged 48, joined Noonans in 1974 as a foreign exchange broker. He was appointed to the Noonans board in 1983 and became a senior vice president in 1984. In 1990, he was appointed President of Noonans. He is chairman of the spot foreign exchange product committee.

*Wilson W H Wong*, aged 42, joined P Murray-Jones, later to become part of the Astley & Pearce Group, in Hong Kong as a broker in 1975. He was promoted to associate director of that office in 1978 and appointed director in 1981. He became managing director of the office in 1985.

## Employees

Total employee numbers at the end of each year by function and location are as follows:

	1991	1992	1993
By function			
Sales and broking	1,330	1,444	1,495
Administration	489	471	473
	<u>1,819</u>	<u>1,915</u>	<u>1,968</u>
By geographic location			
US and Canada	535	561	598
UK	523	521	531
Japan*	230	241	245
Singapore	204	205	196
Hong Kong	126	137	133
Australia	63	78	82
Denmark	63	62	59
Switzerland	34	39	53
Malaysia*	31	34	36
Indonesia*	—	22	25
South Africa	10	15	20
	<u>1,819</u>	<u>1,915</u>	<u>1,968</u>

\* associated undertaking

The calibre and motivation of Exco's personnel and the retention of its key employees in an industry characterised by a high degree of staff mobility is fundamental to the success of Exco's business. Exco has an experienced management team and a considerable proportion of senior employees has been with the Group for many years.

Competitive remuneration packages are fundamental to staff motivation, incentivisation and performance. Staff costs (being primarily salaries, bonuses, social security costs and other pension costs) historically comprise around 65 per cent. of operating expenses. The Group operates discretionary performance related bonus schemes for its employees in each centre. The bonus pool for the directors of Exco International is based upon a formula which takes into account both profit on ordinary activities before taxation and growth in such profit. This pool is distributed amongst such directors at the discretion of the Remuneration Committee of the board of Exco.

**Employee participation**

Exco currently has two employee benefit trusts which were set up in connection with the private placing of 60 per cent. of the ordinary shares owned by B&C in June 1992. At that time, 9 per cent. of Exco's issued share capital was placed in the employee benefit trusts on the basis that, for every two ordinary shares bought by an employee in the private placing, a trust would grant an option to him over a further three ordinary shares ("additional shares"). These additional shares were acquired partly by a transfer of ordinary shares from B&C and partly by a purchase of ordinary shares from B&C using a £3.1 million contribution from the Group. The options over the additional shares will become exercisable at a nominal price upon Admission and will then remain exercisable in normal circumstances until 31 May 1999. As at 28 June 1994, the two employee benefit trusts held a total of 10,892,000 ordinary shares (representing 9.1 per cent. of Exco's issued share capital). No further options will be granted under the option schemes established in 1992 in connection with these trusts. Further details of these option schemes are given in paragraphs 6.1 and 6.2 of Part III of this document.

Exco established a further share option scheme in September 1992, described in paragraph 6.3 of Part III of this document. Options to subscribe for 1,614,668 new ordinary shares (representing 1.3 per cent. of Exco's issued share capital) and to acquire 631,332 existing ordinary shares (as described in paragraph 6.4 of Part III of this document) have been granted under this scheme. No further options will be granted under this scheme.

Exco has established a long term employee share plan to encourage employees to identify with the interests of other shareholders. The principal features of the plan are summarised as follows:

- (i) Where an employee accepts an invitation to participate, a sum of money will be paid by his employing Group company to the trustee of an employee benefit trust. The trustee will use this sum to purchase existing ordinary shares at their then market price. The relevant employee will be granted an option (a "purchased option") to acquire these ordinary shares for a nominal sum. In deciding whether, or the extent to which, to pay a discretionary bonus to such employee thereafter, the Group will take into account any sum paid to the trustee in this way. Alternatively, employees may make a contribution out of net pay with which a nominee will purchase ordinary shares at the then market price ("nominee shares").

On the first operation of the plan only, options held under the Company's 1992 Share Option Scheme, or No 2 Share Option Scheme (as defined in paragraph 6 of Part III of this document) may be used instead of a purchased option if the option holder enters into undertakings with the trustee not to exercise the options. Likewise, an existing holding of ordinary shares may be placed with the nominee and treated as nominee shares.

- (ii) A purchased option is not exercisable for two years from its grant and so during this period

the employee cannot normally obtain or dispose of the ordinary shares (unless he leaves the employment of the Group). The disposal of nominee shares is similarly restricted.

- (iii) Each employee to whom a purchased option is granted or who acquires nominee shares will also be granted an option (a "matching option") to subscribe for one ordinary share for every ordinary share subject to the employee's purchased option or for every nominee share, as the case may be, exercisable at a nominal value.
- (iv) The matching option can normally only be exercised if and to the extent that the employee both refrains from exercising the purchased option or disposing of the nominee shares for four years and remains employed by the Group for that four years. Furthermore, as to half of the ordinary shares covered by the matching option, exercise will only be possible if Exco's financial performance achieves certain targets.
- (v) The total number of ordinary shares which may be issued on exercise of matching options when aggregated with the number of ordinary shares issued or issuable pursuant to opportunities offered or rights granted within any ten year period under all other employee share schemes established by the Company is limited to 10 per cent. of Exco's issued share capital from time to time, but excluding any ordinary shares already in issue and subject to option arrangements.

Further details of this new scheme are given in paragraph 6.5 of Part III of this document.

Exco may advance up to £4 million to the trustee of the employee benefit trusts to facilitate the implementation of this new scheme. This advance would be interest free, unsecured and repayable on demand but with recourse only to the Trusts' assets.

#### **Pension schemes**

The Group makes contributions to various pension schemes which cover the majority of employees. The contributions are charged against profits.

The Group operates a number of defined contribution schemes throughout the world, covering 80 per cent. of total pension scheme members. By far the largest schemes are those operating in the UK.

The Group also operates four funded defined benefit schemes in the US, Switzerland, Germany and Hong Kong. As at 31 December 1993, no funding deficiencies were considered to exist on the basis of the actuarial assumptions used.

Further details of the Group's pension schemes are contained in note 26 to the financial information contained in the Accountants' Report set out in Part II of this document.

# **FINANCIAL INFORMATION**

The consolidated profit and loss accounts, balance sheets and cash flows set out below are derived from the Accountants' Report set out in Part II of this document.

## **Consolidated profit and loss accounts**

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
<b>Turnover</b>			
Continuing operations	163,676	164,539	211,293
Discontinued operations	5,639	—	—
	<u>169,315</u>	<u>164,539</u>	<u>211,293</u>
Total operating expenses	(160,239)	(146,859)	(175,284)
Exceptional operating income (net)	—	3,418	—
	<u>—</u>	<u>3,418</u>	<u>—</u>
<b>Operating profit/(loss)</b>			
Continuing operations	9,953	21,098	36,009
Discontinued operations	(877)	—	—
	<u>9,076</u>	<u>21,098</u>	<u>36,009</u>
Loss on sale/termination of operations	(27,226)	—	—
Amounts receivable from B&C	3,669	—	—
	<u>(23,557)</u>	<u>—</u>	<u>—</u>
Income from interests in associated undertakings	3,760	3,372	3,569
	<u>3,760</u>	<u>3,372</u>	<u>3,569</u>
<b>(Loss)/profit on ordinary activities before interest</b>	(10,721)	24,470	39,578
Other interest receivable and similar income	10,445	5,581	3,872
Interest payable and similar charges	(4,775)	(2,791)	(1,951)
	<u>(5,051)</u>	<u>27,260</u>	<u>41,499</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	(5,051)	27,260	41,499
Tax on profit/(loss) on ordinary activities	(7,774)	(11,397)	(17,981)
	<u>(12,825)</u>	<u>15,863</u>	<u>23,518</u>
<b>(Loss)/profit on ordinary activities after taxation</b>	(12,825)	15,863	23,518
Minority interests	(1,109)	(1,259)	(1,434)
	<u>(13,934)</u>	<u>14,604</u>	<u>22,084</u>
<b>(Loss)/profit for the financial year</b>	(13,934)	14,604	22,084
Dividends	(3,669)	(5,996)	(6,300)
	<u>(17,603)</u>	<u>8,608</u>	<u>15,784</u>
<b>Retained (loss)/profit for the year</b>	(17,603)	8,608	15,784
	pence	pence	pence
<b>Earnings per share (note 1)</b>	<u>(23.22)</u>	<u>24.34</u>	<u>36.81</u>

Note 1. Earnings per share figures are calculated on the shares in issue before the capital reorganisation described in sub-paragraph 2.2(v)(a) of Part III of this document.

*Commentary on the trading record*

In 1991, the moneybroking industry suffered from depressed conditions in the markets for foreign exchange and cash money market products. The banking community in the US and Europe was beginning to be affected by the onset of recession. Many banks were experiencing significant bad debt problems whilst having to comply with more stringent capital adequacy requirements. The Japanese banks, which were significant providers of liquidity to the wholesale financial markets, suffered from a fall in the value of their equity investments which in turn caused an erosion of their capital. Exco suffered increasing pressure to reduce brokerage rates on its traditional products but saw an expansion of its business in terms of volumes within currency options.

The performance of Exco's IDBs was mixed in 1991. RMJ's operations began the year well, but then faced severe price competition, leading to a decrease in commission rates and an increase in volume discounts. RMJ lost market share during the year. Shorcan had a successful year, benefiting from the high level of new issues of Canadian Government debt. The Directors believe that WCLK retained its position as market leader in the UK gilts market despite increased competition.

The difficult conditions within the moneybroking industry continued in 1992. Banks were still feeling the effect of bad debts and 1992 saw the beginning of the recession in Japan. Banks continued to be constrained by capital adequacy requirements. There was less liquidity in the cash markets, but there was activity in derivatives and other off-balance sheet products from which Exco benefited. While activity levels increased in September and October following the withdrawal of Sterling from the European Exchange Rate Mechanism, the rest of the year was subdued in both foreign exchange and money market products.

In 1992, the performance of the IDBs overall improved. The Directors believe that RMJ benefited from the appointment of new senior management and the closure of a competitor during the year, and registered a significant recovery in its market share by the year end. It also benefited from increased levels of activity during the US presidential election at the end of the year. Shorcan continued to perform well primarily due to the high levels of Canadian Government debt issues. WCLK's trading volumes improved as UK interest rates fell and Government debt issues rose.

1993 saw a revival in the fortunes of the moneybroking markets. The foreign exchange markets, other than in the Asia Pacific region, were reasonably active. The global derivatives markets grew strongly in 1993, benefiting from the general improvement in market conditions. Exco performed well in these markets. Exco took a number of measures in 1993 to strengthen the London foreign exchange operations (especially spot Deutschmark and spot Yen) and, as the year drew to a close, evidence of improvement in performance in these areas became apparent.

1993 was an excellent year for Exco's IDB businesses. RMJ managed to sustain its end-1992 market share throughout 1993 and made a substantial contribution to the improvement in the Group's profits during that year. RMJ also profited from a restoration of commission levels, the expansion

of the Government debt market and from the temporary dislocation of a competitor following the bomb at the World Trade Centre. Shorcan's increased level of activity was due to a combination of the continuing growth in new issues in Canada and interest rate movements. The UK gilt market was particularly active in the second half of 1993 and WCLK benefited from the strong rise in the volume of new issues leading to increased market trading.

Overall, the Group has seen operating profit on continuing businesses rise by over 260 per cent. between 1991 and 1993. The main influences behind this performance have been the continued growth in market volumes, an improvement in Exco's relative performance and strong results from the IDB operations in 1993. The private placing in June 1992 resolved much of the uncertainty resulting from the Group's ownership by a company in administration, adding to staff confidence and freeing management to concentrate on the development of the businesses in 1993. In that year, the Group's revenues in broad terms were derived two thirds from moneybroking and one third from IDBs. In 1993, within moneybroking, operating profit arose approximately equally in the areas of spot foreign exchange, money markets and derivative products. In the same year, IDB operations contributed to operating profit broadly on a par with those of the moneybroking business. In 1993, the depreciation of Sterling against most currencies gave rise to a favourable translation of Exco's overseas earnings of £6.5 million when compared to translation at the weighted average rates of exchange prevailing in 1992.

#### *Operating expenses*

The decline in operating expenses between 1991 and 1992 is accounted for by a reduction of £6.1 million in staff costs and £7.3 million in other costs. Other costs were inflated in 1991 as a consequence of the move by Noonans to new offices. 1991 also reflected a charge of £3 million in respect of a transfer to the employee benefit trusts, described in "Directors, Management Structure and Staff: Employee participation" above and in paragraph 6 of Part III of this document. The decline also reflects the sale and closure of certain businesses described below.

Operating costs in 1993 rose by £28 million of which around half related to the depreciation of sterling against most currencies. Of the £22 million relating to higher staff costs, the majority was due to performance related discretionary payments and the effect of exchange rates.

The emoluments of the directors of Exco, shown in note 5 to the financial information contained in the Accountants' Report set out in Part II of this document, reflect the larger numbers on the Board as it stood in each of the three years prior to the reconstruction described in "Directors, Management Structure and Staff: Management Structure" above. In 1991, 1992 and 1993 the Board had 11, 12 and 12 executive Directors respectively.

***Exceptional operating income (net)***

In 1992, Exco received £4.5 million from an insurance policy following the death of one of its senior US executives. Exco also incurred £1.1 million of fees relating to the private placing of 60 per cent. of Exco's shares in June of that year.

***Loss on sale/termination of operations***

The £27.2 million loss in 1991 arises from a combination of the closure of the German moneybroking operation, and the sale of three companies, the most important of which was LM (Moneybrokers) Limited. £18.6 million of the total loss reflects the required write back of goodwill.

***Amounts receivable from B&C***

The exceptional gain in 1991 represents amounts due from B&C and a B&C subsidiary in respect of debts owed to Exco which had been fully provided against in the accounts for the year ended 31 December 1989. In March 1992 Exco paid a dividend to B&C of the same amount, which was satisfied by the assignment to B&C of all the debts due from B&C and its subsidiary.

***Net interest***

The reduction in interest payable reflects falling interest rates and the reduction in debt levels. Lower interest rates have also reduced interest receivable.

***Taxation***

In 1993, the effective group taxation rate was 43.3 per cent. compared to 41.8 per cent. in 1992. This rate is due to the proportionately greater contribution from the Group's operations in countries such as the US, Canada, Japan and Australia where tax rates are higher than in the UK. In addition to the impact of higher tax rates in these areas, the nature of Exco's business means that it has a significant amount of expenditure, such as entertaining expenses, which is non-allowable for tax purposes in certain countries.

***Dividends***

The 1991 dividend is referred to above in "Amounts receivable from B&C". The payments in 1992 and 1993 were in accordance with a shareholders' agreement effective following the private placing in 1992, which will lapse automatically on Admission.

***Notional dividends and dividend policy***

If the ordinary shares had been listed on the London Stock Exchange for the whole of the year ended 31 December 1993, the Directors would have expected to recommend a dividend in respect of that year totalling 8.4p net per ordinary share. At the Offer Price, such a dividend would (with the associated tax credit) represent a gross yield of 6.0 per cent.

In the absence of unforeseen circumstances, the Directors expect to declare an interim dividend payable in mid-January 1995 being a part payment of the final dividend, the balance of which will be payable in May 1995 in respect of the period from Admission to 31 December 1994. Thereafter,

the Directors intend that the level of dividends will reflect the general progress of Exco's business and that the Company will pay in respect of each financial year an interim dividend in October and a final dividend in May of the following year in the proportions of approximately one-third and two-thirds respectively.

### Conditional dividends

Dividends were declared on 28 June 1994 payable to shareholders on the register on 23 June 1994 conditional on Admission taking place on or before 26 July 1994 and comprised an aggregate cash sum of £13 million and the issue of 2,752,051 ordinary shares by way of scrip dividend alternative. £6.5 million will be paid by way of foreign income dividend in respect of which advance corporation tax initially payable will be recovered in full. £6.5 million will be paid by way of an ordinary dividend in respect of which advance corporation tax is expected by the Directors to be payable and utilised in the usual fashion. Assuming profits for the six months ending 30 June 1994 are in accordance with the forecast referred to in "Profit Forecast" below, Exco's net assets at 30 June 1994 will be broadly similar to those at 31 December 1993.

### Consolidated balance sheets

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	21,092	18,442	15,817
Investments	10,827	15,259	18,082
	<u>31,919</u>	<u>33,701</u>	<u>33,899</u>
<b>Current assets</b>			
Debtors	110,663	48,172	44,849
Investments	23,143	26,092	20,687
Cash at bank and in hand	62,783	55,739	62,231
	<u>196,589</u>	<u>130,003</u>	<u>127,767</u>
Creditors: amounts falling due within one year	<u>(154,358)</u>	<u>(88,173)</u>	<u>(77,012)</u>
Net current assets	<u>42,231</u>	<u>41,830</u>	<u>50,755</u>
<b>Total assets less current liabilities</b>	<u>74,150</u>	<u>75,531</u>	<u>84,654</u>
Creditors: amounts falling due after more than one year	<u>(30,679)</u>	<u>(22,531)</u>	<u>(19,319)</u>
Net assets	<u>43,471</u>	<u>53,000</u>	<u>65,335</u>
<b>Equity shareholders' funds</b>	<u>42,789</u>	<u>52,131</u>	<u>64,397</u>
Minority interests	<u>682</u>	<u>869</u>	<u>938</u>
<b>Total capital employed</b>	<u>43,471</u>	<u>53,000</u>	<u>65,335</u>

***Tangible assets***

Expenditure on fixed asset additions (other than cars) was low by historic standards in 1992 and 1993 at £2 million and £3 million respectively. Thus the net book value of fixed assets fell considerably over the three year period. The Directors believe that fixed asset expenditure of some £7 to £8 million per annum (excluding cars) is normally necessary to maintain the viability of the business. Expenditure of some £8.3 million (excluding cars) is budgeted for 1994. The major items will be relocation of the Hong Kong office, major re-equipment in Singapore and the installation of the back office system in a number of Exco's moneybroking centres.

***Current assets***

The unusually high level of trade debtor and trade creditor balances at the end of 1991 was the result of a number of trades at RMJ that failed to settle on their due date and therefore, at the balance sheet date, are reflected in trade debtors and trade creditors. The increase in netting membership of the GSCC since netting of transactions began in 1989, has coincided with a decreasing incidence of such failures to settle. Exco has not suffered any material expense from failures to settle in recent years.

**Consolidated cash flow statements**

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
<b>Operating activities</b>			
Net cash inflow from continuing operating activities	28,648	22,964	42,066
Net cash inflow from discontinued operating activities	13,539	—	—
<b>Net cash inflow from operating activities</b>	<u>42,187</u>	<u>22,964</u>	<u>42,066</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance	2,889	(214)	(5,158)
Tax paid	(17,543)	(8,058)	(16,094)
Net cash (outflow)/inflow from investing activities	<u>(6,213)</u>	<u>45</u>	<u>(9,380)</u>
<b>Net cash inflow before financing</b>	<u>21,320</u>	<u>14,737</u>	<u>11,434</u>

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
<b>Financing</b>			
Repayment of long term loans	(29,420)	(13,665)	(10,599)
Payment of principal under finance leases	(2,718)	(3,177)	(2,691)
<b>Net cash outflow from financing</b>	<u>(32,138)</u>	<u>(16,842)</u>	<u>(13,290)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(10,818)</u>	<u>(2,105)</u>	<u>(1,856)</u>

*Net cash inflow from operating activities*

The fall between 1991 and 1992 can be accounted for by movements in working capital and the effect of lower depreciation charges.

*Net cash inflow from discontinued operating activities*

An inflow resulted in 1991 principally because the capital of LM (Moneybrokers) Limited was reduced prior to its sale.

*Net cash inflow/(outflow) from returns on investments and servicing of finance*

This item principally reflects the commencement of dividend payments to shareholders from 1992 onwards.

*Tax paid*

Tax payments in many overseas jurisdictions occur throughout the year and reflect the trading of the current year. UK taxes paid in 1991 reflected settlement of group relief due to B&C in respect of 1989 and 1990.

*Investing activities*

Variations in this part of the cash flow have occurred because of the purchase, sale and closure of subsidiaries in the period, fluctuating levels of capital expenditure and purchase of minority interests.

*Financing*

The Group has reduced its long-term bank loans from \$122 million at the end of 1990 to \$30 million at the end of 1993.

## CURRENT TRADING

1994 has begun well for the Group reflecting signs of global economic recovery. Market activity in the year to date has been influenced by increasing US interest rates. This development, combined with considerable political and economic turmoil in Japan, has given rise to periods when there have been very volatile conditions in many of the Group's markets. Underlying market volumes have therefore improved in the year so far, relative to 1993, especially in the first quarter.

In the absence of unforeseen circumstances, the Directors forecast that profit on ordinary activities before taxation for the six months ending 30 June 1994 will not be less than £27.5 million (1993 unaudited: £21.4 million). Further details of the profit forecast, including the bases and principal assumptions on which it has been prepared, are set out in "Profit Forecast" below.

Because of the impact of holidays and pending year ends for a number of Exco's customers, there is a reduced level of trading in Exco's markets in December of each year. Accordingly, Exco's results are normally weighted towards the first half of the year.

The Directors believe that the outcome for the year will be satisfactory, whilst they do not expect the exceptional conditions encountered in the first quarter to be repeated.

## PROSPECTS

Whilst the Directors are confident about the underlying growth trend in the Group's markets, they recognise that trading volumes are inherently volatile and difficult to predict with any degree of certainty in the short-term. However, the breadth of Exco's product range and its geographical spread of activity provides a degree of protection of Group income against periods of quiet trading in any one market. In common with its competitors, Exco has a high fixed cost base. This significant level of operational gearing means that, in the short term, fluctuations in turnover have a disproportionate effect on operating profit.

The Directors believe that there is adequate scope for growth within Exco's existing activities and do not foresee a need to diversify into unrelated areas. They believe that Exco's growth will come from:

- continuing expansion of trading volumes in existing markets arising from global economic growth and increasing money supply, world trade flows and government deficits;
- recovery in the levels of trading volumes in the Tokyo market which will provide consequential benefits for the other Asia Pacific markets in all of which Exco is well-placed;
- improved market share as a result of operational improvements, better use of technology and a focusing of the Group's resources to reflect its strategic market and product priorities;
- the development of new products by the Group's customers, thereby providing Exco with more opportunities. The Group has already achieved considerable success in exploiting new opportunities in the derivative markets and the Directors believe that it is well positioned to benefit from further developments in this area;
- emerging geographic markets over the longer term, in particular moneybroking in the Asia Pacific time zone, where Exco is well placed given its existing operations in that region and its existing product expertise worldwide.

In order to exploit these opportunities and so retain its competitiveness, the Group is committed to:

- the highest possible standards of professionalism through an emphasis upon attracting, developing and motivating top quality staff;
- the highest possible degree of customer service leading to lasting customer relationships;
- prompt reaction to shifts in the trading patterns of customers and exploitation of new product and market opportunities;



- an effective global network to provide an integrated around-the-clock service in all major currencies;
- advanced systems and telecommunications technologies to streamline operations and enhance the quality of customer service; and
- a high degree of control over costs.

Exco is committed to maintaining its position as a leader in international wholesale money and fixed income securities broking and the Directors are confident of the Group's prospects.

## REASONS FOR THE OFFER

The Offer will enable B&C to dispose of its remaining 40 per cent. shareholding in the Company and thus remove any remaining uncertainty resulting from the ownership of shares in Exco by a company in administration. In addition, the Offer will provide certain institutional shareholders and employees who invested in the Company at the time of the private placing in 1992 with an opportunity to realise their investment.

The Directors believe that a listing of the Company's shares on the London Stock Exchange will raise the status and profile of the Group, provide improved access to financial markets to facilitate its development and enable it more readily to take advantage of opportunities that may arise in the future.

## PROFIT FORECAST

The Directors forecast that, in the absence of unforeseen circumstances and on the bases and principal assumptions set out below, Exco's profit for the six months ending 30 June 1994 will be not less than as set out below:

	<i>Profit forecast</i> £ million
Profit on ordinary activities before taxation	27.5
Taxation on profit on ordinary activities	<u>12.4</u>
Profit on ordinary activities after taxation	15.1
Minority interests	<u>1.1</u>
Profit attributable to shareholders	<u>14.0</u>
Earnings per ordinary share	<u>11.7p</u>

Included within forecast profit on ordinary activities before taxation is the sum of £500,000, being an estimate of flotation costs payable by the Company which will be treated as an exceptional item. It is expected that these costs will not be allowable for tax purposes.

### Earnings per ordinary share

The calculation of forecast earnings per ordinary share is based on the forecast of profit attributable to shareholders for the six months ending 30 June 1994 of £14.0 million set out above and 120 million ordinary shares, being the number of ordinary shares in issue during the six month period after adjustment for the capital reorganisation described in subparagraph 2.2(v)(a) of Part III of this document.

The Company has granted options over 1,614,668 new ordinary shares (described in subparagraph 6.4 of Part III of this document) and has in issue secured and unsecured loan stocks (described in paragraph 2.7 of Part III of this document) of which £724,472 will be converted, conditional upon Admission, into 413,983 new ordinary shares. No adjustment has been made to restate forecast earnings per share for the period on a fully diluted basis, since this figure is not materially different.

Conditional upon Admission, the Company will issue 2,752,051 new ordinary shares in respect of the scrip dividend alternative (described in "Financial Information: Conditional dividends" above) and invitations to participate in the employee share plan (described in "Directors, Management Structure and Staff: Employee participation" above) which is likely to result in the grant of options exercisable at a nominal price from July 1998 over a maximum of 4 million new ordinary shares.

**Bases and principal assumptions**

The profit forecast for the six months ending 30 June 1994 has been prepared under the historical cost convention on a basis consistent with the accounting policies contained in the Accountants' Report which is set out in Part II of this document. The profit forecast is based on the unaudited management accounts for the 5 months ended 31 May 1994 and the Directors' forecast for the month of June 1994 and assumes that:

- (a) there will be no significant changes in the weighted average foreign exchange rates used in the translation of earnings; and
- (b) there will be no change in the rates or bases of direct or indirect taxation in the countries in which the Group operates.

The Directors have received the following letters from Coopers & Lybrand, Chartered Accountants, and Rothschild in connection with the profit forecast.

**Letter from Coopers & Lybrand, Chartered Accountants**

Plumtree Court  
London EC4A 4HT

The Directors  
Exco plc  
Sherborne House  
119 Cannon Street  
London EC4N 5AX

The Directors  
N M Rothschild & Sons Limited  
New Court  
St. Swithin's Lane  
London EC4P 4DU

29 June 1994

Dear Sirs

We have reviewed the accounting policies and calculations for the profit forecast of Exco plc ("the Company") and its subsidiary undertakings (together "the Group") for the six months ending 30 June 1994 as set out on pages 39 and 40 of the listing particulars of the Company dated 29 June 1994.

The profit forecast, for which the directors of the Company are solely responsible, includes the results shown by unaudited management accounts for the five months ended 31 May 1994 and a forecast for the one month ending 30 June 1994.

In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company set out on page 40 of the listing particulars, and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,  
Coopers & Lybrand  
Chartered Accountants



## Letter from Rothschild

New Court  
St Swithin's Lane  
London EC4P 4DU

The Directors  
Exco plc  
Sherborne House  
119 Cannon Street  
London EC4N 5AX

29 June 1994

Gentlemen

We refer to the profit forecast for Exco plc and its subsidiaries (together "Group") for the six months ending 30 June 1994 ("profit forecast") set out in the listing particulars relating to the Group dated 29 June 1994.

We have discussed the profit forecast and the bases and assumptions on which it is made with officers of your company and we have considered the letter dated 29 June 1994 addressed to yourselves and ourselves by Coopers & Lybrand regarding the accounting policies and calculations used in its preparation.

As a result of these discussions, and in the light of the letter from Coopers & Lybrand, we consider that the profit forecast, for which you as directors of Exco plc are solely responsible, has been made after due and careful enquiry.

Yours truly  
For and on behalf of  
N M Rothschild & Sons Limited  
Simon Linnett  
Director

## PART II — ACCOUNTANTS' REPORT

Plumtree Court  
London EC4A 4HT

The Directors  
Exco plc  
Sherborne House  
119 Cannon Street  
London EC4N 5AX

The Directors  
N M Rothschild & Sons Limited  
New Court  
St Swithin's Lane  
London EC4P 4DU

29 June 1994

Dear Sirs

We report in connection with the listing particulars of Exco plc ("the Company") dated 29 June 1994. The Company and its subsidiary undertakings are referred to in this report as "the Group".

We have examined the audited accounts of the Group for the three years ended 31 December 1993. Audited accounts of the Group have not been made up for any period subsequent to 31 December 1993.

Other than for Shorcan International Brokers Limited, Shorcan/London Limited and Astley & Pearce (Scandinavia) A.S., the accounts of the Group for the period covered by this report were audited by us and our reports thereon were unqualified. Shorcan International Brokers Limited and Shorcan/London Limited were audited by Price Waterhouse and Astley & Pearce (Scandinavia) A.S. was audited by Schobel & Marholt. The audit reports on these companies were unqualified.

The financial information set out in this report is based on the audited accounts of the Group after making such adjustments as we consider necessary.

Our work has been carried out in accordance with the Auditing Guideline: "*Prospectuses and the reporting accountant*".

In our opinion, the financial information set out below gives, for the purposes of the said listing particulars, a true and fair view of the state of affairs of the Group as at 31 December 1991, 1992 and 1993 and of its consolidated profits and losses, total recognised gains and losses and cash flows for each of the years then ended.

## **PRINCIPAL ACCOUNTING POLICIES**

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently for all the periods covered by this report, is set out below.

### **Basis of accounting**

The financial information in this report has been prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets.

### **Basis of consolidation**

The financial information relates to the accounts of the Company and its subsidiary undertakings up to 31 December each year. The results of subsidiary undertakings acquired or disposed of during an accounting period are included in the consolidated profit and loss account up to or from the date control passes. Intra-group sales and profits are eliminated on consolidation and turnover and profit figures relate to external transactions only.

### **Goodwill**

Goodwill arising on consolidation, representing the excess of the cost of shares in subsidiary undertakings over the fair value of the net tangible assets acquired, has been written off immediately against reserves.

### **Associated undertakings**

Entities in which the Group has an interest comprising not less than 20% and not more than 50% of the voting capital and over which it exerts significant influence are treated as associated undertakings. The consolidated profit and loss accounts include the appropriate share of profits less losses of all material associated undertakings based on latest available audited accounts together with unaudited management accounts for the period from the date of the audited accounts to 31 December. The Group's share of post-acquisition retained profits and reserves is added to the cost of investment in the consolidated balance sheets. Goodwill attaching to interests in associated undertakings has been written off immediately against reserves.

### **Tangible fixed assets**

Certain long leasehold properties are periodically revalued. Other tangible fixed assets are stated at cost. Where tangible fixed assets are revalued at an amount higher than cost, the revaluation surplus is credited to non-distributable reserves. Where the revalued amount is lower than cost, the difference between cost and valuation is written off in the profit and loss account.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful lives of the assets concerned.

The principal annual rates are as follows:

Freehold property	2%
Furniture, fixtures and equipment	15%-25%
Motor vehicles	25%-33½%

Leasehold properties are amortised over 50 years or the remaining term of the lease if shorter.

Fixed assets held under finance leases are capitalised and depreciated over the shorter of the lease terms and the useful life of equivalent owned assets. Profits or losses on the disposal of tangible fixed assets are included in the calculation of operating profit.

### **Investments**

Investments included in fixed assets are stated at cost less any permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value. Interest income, including interest on government securities, is accrued on a daily basis. Other investment income is accounted for when it becomes receivable.

### **Finance leases**

The net investment in finance leases less appropriate future income arising from financing charges is included in debtors. Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as creditors due within one year and after one year. Lease payments are treated as consisting of a capital and an interest element and the interest is charged to the profit and loss account using the actuarial method.

### **Deferred taxation**

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that an asset or liability will crystallise. Timing differences arising from the provision of employee pensions have been treated similarly.

### **Pension costs**

The Group makes contributions to various pension plans which cover the majority of employees and which are charged against profits. In the UK employees are covered by defined contribution schemes. The assets of the schemes are held by trustees and are kept separate from those of the Group. Overseas pension plans vary according to local requirements, but are generally provided by contributions to government, insured, or self-administered schemes.

### **Foreign currencies**

The balance sheets of overseas subsidiary undertakings expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period. The profit

and loss accounts of these undertakings are translated at monthly weighted average exchange rates for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings, and from the translation of the results of those undertakings at average rate, are taken to reserves and are reported in the statements of total recognised gains and losses. Translation gains and losses arising on consolidation are dealt with through other reserves. Other foreign currency assets and liabilities are translated at the rates ruling at the end of the accounting period and gains or losses thereon are taken to the profit and loss account in the year in which they arise.

**Brokerage income**

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

**Turnover**

Turnover, exclusive of sales taxes, represents:

- (a) for money and other broking transactions, the invoiced brokerage charges for the year less commissions payable to third parties;
- (b) for other transactions, the invoiced value of goods sold or services provided for the year.

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS**

	Notes	Years ended 31 December		
		1991 £'000	1992 £'000	1993 £'000
<b>Turnover</b>	1			
Continuing operations		163,676	164,539	211,293
Discontinued operations		5,639	—	—
		<u>169,315</u>	<u>164,539</u>	<u>211,293</u>
<b>Total operating expenses</b>	2	(160,239)	(146,859)	(175,284)
<b>Exceptional operating income (net)</b>	3	—	3,418	—
		<u>—</u>	<u>3,418</u>	<u>—</u>
<b>Operating profit/(loss)</b>				
Continuing operations		9,953	21,098	36,009
Discontinued operations		(877)	—	—
		<u>9,076</u>	<u>21,098</u>	<u>36,009</u>
<b>Loss on sale/termination of discontinued operations</b>	7	(27,226)	—	—
<b>Amounts receivable from B&amp;C</b>	12	3,669	—	—
		<u>(23,557)</u>	<u>—</u>	<u>—</u>
<b>Income from interests in associated undertakings</b>		3,760	3,372	3,569
		<u>3,760</u>	<u>3,372</u>	<u>3,569</u>
<b>Profit/(loss) on ordinary activities before interest</b>	1	(10,721)	24,470	39,578
<b>Other interest receivable and similar income</b>	8	10,445	5,581	3,872
<b>Interest payable and similar charges</b>	9	(4,775)	(2,791)	(1,951)
		<u>(1,051)</u>	<u>27,260</u>	<u>41,499</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	4	(5,051)	27,260	41,499
<b>Tax on profit/(loss) on ordinary activities</b>	10	(7,774)	(11,397)	(17,981)
		<u>(12,825)</u>	<u>15,863</u>	<u>23,518</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		(12,825)	15,863	23,518
<b>Minority interests</b>		(1,109)	(1,259)	(1,434)
		<u>(13,934)</u>	<u>14,604</u>	<u>22,084</u>
<b>Profit/(loss) for the financial year</b>		(13,934)	14,604	22,084
<b>Dividends</b>	12	(3,669)	(5,996)	(6,300)
		<u>(17,603)</u>	<u>8,608</u>	<u>15,784</u>
<b>Retained profit/(loss) for the year</b>	24	(17,603)	8,608	15,784
		<u>(17,603)</u>	<u>8,608</u>	<u>15,784</u>
		Years ended 31 December		
		1991	1992	1993
		pence	pence	pence
<b>Earnings/(loss) per share</b>	11	(23.22)	24.34	36.81
		<u>(23.22)</u>	<u>24.34</u>	<u>36.81</u>

## STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Profit/(loss) for the financial year	(13,934)	14,604	22,084
Exchange adjustments on foreign currency net investments	(2,068)	1,582	1,979
Total recognised gains and (losses)	<u>(16,002)</u>	<u>16,186</u>	<u>24,063</u>

## Note of historical cost profits and losses

There is no material difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the financial years stated in the profit and loss accounts and their historical cost equivalents.

## CONSOLIDATED BALANCE SHEETS

	Notes	31 December		
		1991 £'000	1992 £'000	1993 £'000
<b>Fixed assets</b>				
Tangible fixed assets	13	21,092	18,442	15,817
<b>Investments</b>				
Interests in associated undertakings	14(c)	10,383	14,723	17,582
Other investments	14(b)	444	536	500
		<u>31,919</u>	<u>33,701</u>	<u>33,899</u>
<b>Current assets</b>				
Debtors	15	110,663	48,172	44,849
Investments	16	23,143	26,092	20,687
Cash at bank and in hand	17	62,783	55,739	62,231
		<u>196,589</u>	<u>130,003</u>	<u>127,767</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(154,358)</u>	<u>(88,173)</u>	<u>(77,012)</u>
<b>Net current assets</b>		<u>42,231</u>	<u>41,830</u>	<u>50,755</u>
<b>Total assets less current liabilities</b>		<u>74,150</u>	<u>75,531</u>	<u>84,654</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(30,679)</u>	<u>(22,531)</u>	<u>(19,319)</u>
		<u>43,471</u>	<u>53,000</u>	<u>65,335</u>
<b>Capital and reserves</b>				
Called up share capital	21	23,440	30,000	30,000
Share premium account		523	523	523
Revaluation reserve	22	89	84	78
Other reserves	23	788	16	1,798
Profit and loss account	24	17,949	21,508	31,998
Equity shareholders' funds	25	42,789	52,131	64,397
Minority interests		682	869	938
<b>Total capital employed</b>		<u>43,471</u>	<u>53,000</u>	<u>65,335</u>

## CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Years ended 31 December		
		1991 £'000	1992 £'000	1993 £'000
<b>Operating activities</b>				
Net cash inflow from continuing operating activities		28,648	22,964	42,066
Net cash inflow from discontinued operating activities		13,539	—	—
<b>Net cash inflow from operating activities</b>	30	<u>42,187</u>	<u>22,964</u>	<u>42,066</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		8,618	6,283	3,796
Interest paid		(4,089)	(2,482)	(1,362)
Interest paid on finance leases		(625)	(594)	(623)
Dividends received from associated undertakings		95	112	662
Dividends paid		—	(2,998)	(6,148)
Dividends paid to minorities		(1,110)	(535)	(1,483)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<u>2,889</u>	<u>(214)</u>	<u>(5,158)</u>
<b>Taxation</b>				
UK corporation tax paid		(9,215)	—	(2,398)
Overseas tax paid		(8,328)	(8,058)	(13,696)
<b>Tax paid</b>		<u>(17,543)</u>	<u>(8,058)</u>	<u>(16,094)</u>
<b>Investing activities</b>				
Purchase of tangible fixed assets		(7,747)	(2,546)	(3,618)
Sale of tangible fixed assets		3,339	2,446	2,344
Purchase of fixed asset investments		(88)	(1)	(63)
Sale of subsidiary undertakings (net of cash and cash equivalents sold)	31	11,866	(4,936)	—
Purchase of subsidiary undertaking (net of cash and cash equivalents purchased)	32,33	—	—	(3,155)
Sale of fixed asset investments		88	4	171
Purchase of minority interests		(8,325)	(2,833)	(2,615)
Closure costs in subsidiary undertakings		(3,176)	—	—
Investment in associated undertakings		—	(73)	—
Sale of current asset investments		—	7,984	—
Purchase of current asset investments		(2,170)	—	(2,444)
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(6,213)</u>	<u>45</u>	<u>(9,380)</u>
<b>Net cash inflow before financing</b>		<u>21,320</u>	<u>14,737</u>	<u>11,434</u>
<b>Financing</b>				
Repayment of long term loans		(29,420)	(13,665)	(10,599)
Payment of principal under finance leases		(2,718)	(3,177)	(2,691)
<b>Net cash outflow from financing</b>	34	<u>(32,138)</u>	<u>(16,842)</u>	<u>(13,290)</u>
<b>Decrease in cash and cash equivalents</b>	35	<u>(10,818)</u>	<u>(2,105)</u>	<u>(1,856)</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Group turnover, profit before interest and taxation and net assets

All the Group's turnover and profit before interest and taxation arose from international wholesale money and fixed income securities broking.

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
The geographical analysis of turnover is as follows:			
Europe	69,828	74,225	82,277
North America	70,989	66,063	98,450
Asia Pacific	22,859	24,251	30,538
Continuing operations	163,676	164,539	211,293
Discontinued operations	5,639	—	—
	<u>169,315</u>	<u>164,539</u>	<u>211,293</u>

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
The geographical analysis of profit/(loss) before interest and taxation is as follows:			
Europe	2,541	6,647	7,915
North America	5,399	10,122	22,876
Asia Pacific	5,773	7,701	8,787
Continuing operations	13,713	24,470	39,578
Discontinued operations	(877)	—	—
Non operating exceptional items	(23,557)	—	—
	<u>(10,721)</u>	<u>24,470</u>	<u>39,578</u>

	31 December		
	1991 £'000	1992 £'000	1993 £'000
The geographical analysis of net operating assets is as follows:			
Europe	59,126	54,007	43,492
North America	23,931	26,787	35,854
Asia Pacific — subsidiary undertakings	10,892	8,954	8,668
— associated undertakings	10,383	14,724	17,582
Net operating assets	104,332	104,472	105,596
Non operating liabilities	(60,861)	(51,472)	(40,261)
Net assets	43,471	53,000	65,335

Cash and current asset investments have been included in net operating assets.

## 2. Total operating expenses

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
Continuing operations	153,723	146,859	175,284
Discontinued operations	6,516	—	—
	160,239	146,859	175,284

## 3. Exceptional operating income (net)

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
Exceptional operating income:			
Keyman insurance proceeds received by overseas subsidiary	—	4,503	—
Exceptional operating expense:			
Placing fees	—	(1,085)	—
	—	3,418	—

#### 4. Profit on ordinary activities before taxation

This is stated after charging:

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Depreciation and amounts written off:			
Tangible fixed assets	8,997	7,464	5,504
Assets held under finance leases	1,369	650	855
Staff costs (note 6)	92,883	86,797	109,037
Hire of plant and machinery	172	18	6
Auditors' remuneration (including expenses):			
As auditors	478	421	315
Other services in the UK	Not disclosed	256	263

Auditors' remuneration for other services in the UK in 1991 is not disclosed as it was not a disclosure requirement at that time and the information is not available. Included within placing fees paid in 1992 is an amount of £299,658 which was paid to the Group's auditors in the UK in connection with the placing.

#### 5. Directors' emoluments

(a) The emoluments of the directors of Exco plc (including pension contributions) were:

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Fees as directors	40	48	67
Emoluments for management	4,540	3,672	5,552
Compensation for loss of executive office including pension augmentation	—	301	300
	<u>4,580</u>	<u>4,021</u>	<u>5,919</u>

(b) Particulars in accordance with the Companies Act 1985 of any emoluments (excluding pension contributions) of directors of the Company, except for those who discharge their duties as such wholly or mainly outside the United Kingdom, are as follows:

	Years ended 31 December		
	1991	1992	1993
	£	£	£
Chairman	13,474	50,000	50,000
Highest paid director	533,424	358,305	690,779

(c) UK directors, including the Chairman and highest paid director, received emoluments in the following ranges:

£	Years ended 31 December		
	1991 Number	1992 Number	1993 Number
5,001 — 10,000	—	3	—
10,001 — 15,000	1	—	1
15,001 — 20,000	2	1	3
40,001 — 45,000	—	1	—
45,001 — 50,000	—	1	1
135,001 — 140,000	—	1	—
160,001 — 165,000	—	—	1
165,001 — 170,000	—	—	1
175,001 — 180,000	—	—	1
250,001 — 255,000	—	1	—
290,001 — 295,000	—	1	—
310,001 — 315,000	—	1	—
355,001 — 360,000	1	1	—
415,001 — 420,000	1	—	—
425,001 — 430,000	1	—	—
445,001 — 450,000	1	—	—
450,001 — 455,000	—	—	1
530,001 — 535,000	1	—	1
690,001 — 695,000	—	—	1

# 6. Staff costs

Employees' costs, including executive directors of the Group, during each year amounted to:

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Wages and salaries	80,114	74,759	96,698
Social security costs	7,776	7,280	7,543
Other pension costs	4,993	4,758	4,796
	<u>92,883</u>	<u>86,797</u>	<u>109,037</u>

The average weekly number of persons employed, including executive directors of the Group, was as follows:

	Years ended 31 December		
	1991	1992	1993
	Number	Number	Number
Sales and broking	1,209	1,186	1,210
Administration	459	413	410
	<u>1,668</u>	<u>1,599</u>	<u>1,620</u>

# 7. Loss on sale/termination of discontinued operations

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Loss on disposal of undertakings (including goodwill of £9,762,000)	(13,789)	—	—
Loss arising on the closure of activities (including goodwill of £8,829,000)	(13,437)	—	—
	<u>(27,226)</u>	<u>—</u>	<u>—</u>

# 8. Interest receivable and similar income

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Income from fixed asset investments — listed overseas	8	8	1
Income from current asset investments — unlisted	1,131	1,333	594
Bank interest and other income	9,306	4,240	3,277
	<u>10,445</u>	<u>5,581</u>	<u>3,872</u>

**9. Interest payable and similar charges**

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
On loans repayable within 5 years by instalments	4,096	2,225	1,354
On finance leases	679	566	597
	<u>4,775</u>	<u>2,791</u>	<u>1,951</u>

**10. Tax on profit/(loss) on ordinary activities**

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
United Kingdom corporation tax	3,392	2,769	4,621
Deferred taxation	(186)	587	(667)
	<u>3,206</u>	<u>3,356</u>	<u>3,954</u>
Less: relief for overseas taxation	(1,804)	(2,271)	(2,192)
Overseas taxation	4,215	8,615	14,328
Advance corporation tax recoverable	—	(290)	(279)
	<u>5,617</u>	<u>9,410</u>	<u>15,811</u>
Tax attributable to share of profits of associated undertakings	<u>2,157</u>	<u>1,987</u>	<u>2,170</u>
	<u>7,774</u>	<u>11,397</u>	<u>17,981</u>

The effective group taxation rate in each of the three years ended 31 December 1993 is higher than the expected UK tax rate. In general, these higher rates are due to some of Exco's operations being based in higher tax jurisdictions such as Japan and the United States and, given the nature of Exco's business, the level of disallowable expenditure such as entertaining expenses.

**11. Earnings per share**

The calculation of earnings per share has been based on: (a) the profit for the financial year after taxation and minority interests, and (b) 60,000,000 shares, being the relevant number of shares for all the years concerned taking into account the consolidation of shares in 1992 and the capitalisation on 30 April 1992, by way of a bonus issue, of the sum of £6,559,972 standing to the credit of the profit and loss account.

## 12. Dividends

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Interim dividends paid and proposed	—	5,996	6,300
Special dividends (see below)	3,669	—	—
	<u>3,669</u>	<u>5,996</u>	<u>6,300</u>

The Company was, until 1 June 1992, a wholly owned subsidiary of British & Commonwealth Holdings PLC (in Administration and subject to a scheme of arrangement) ("B&C"). Pursuant to Schemes of Arrangement approved by the Courts on 17 February 1992, B&C and B&C Group Finance Limited (in Administration and subject to a scheme of arrangement) ("BCGF") expected to pay 5p and 12p in the pound respectively on the debts owed by those companies. The amounts receivable thus represented the amounts expected to be recoverable by the Group on the total of the debts due from B&C and BCGF of £78,551,000 which were fully provided against in the 1989 accounts. The receivables principally arose from the disposal of businesses to B&C in earlier periods. Cognisant of these facts the directors agreed in 1992 with B&C to pay an interim dividend, to be satisfied by the assignment to B&C of all the debts due from B&C and BCGF. This dividend of £3,669,000 (1.57p per 10p ordinary share) was paid on 12 March 1992.

On the same date the Company declared two further dividends each of £1 to B&C which were satisfied by the transfer of the entire share capital of its subsidiary NAP Holdings UK Limited ("NAP UK") and of a debt owed to the Company by NAP UK. NAP UK in 1985 sold its holding in Telerate Inc giving rise to a tax liability which NAP UK continues to contest through the Courts. The burden of pursuing this case against the Inland Revenue has been borne by, and any benefits to be derived therefrom will be for, the B&C group.

In 1992 and 1993 dividends of 10.52p per 50p ordinary share and 11.05p per 50p ordinary share respectively were paid on 57 million shares. Dividends of 0.02p per share were paid in 1992 and 1993 on 3 million of the shares held by the Employee Benefit Trusts. The dividends paid and proposed out of the profits for the years ended 31 December 1992 and 31 December 1993 represent ordinary dividends on the share capital of the Company.

### 13. Tangible fixed assets

	Land and buildings			Furniture fixtures and equipment £'000	Motor vehicles £'000	Total £'000
	Freehold	Long	Short			
	£'000	lease £'000	lease £'000			
<b>Cost or valuation</b>						
<b>At 1 January 1992</b>						
Cost	456	—	4,743	41,390	7,727	54,316
Valuation	—	162	—	—	—	162
Exchange adjustments	76	39	924	5,928	403	7,370
Additions	—	—	413	1,858	3,263	5,534
Disposals	—	—	(5)	(687)	(3,687)	(4,379)
Reclassification	—	—	1,149	(1,149)	—	—
<b>At 1 January 1993</b>						
Cost	532	—	7,224	47,340	7,706	62,802
Valuation	—	201	—	—	—	201
Exchange adjustments	(26)	4	127	400	(60)	445
Additions	—	—	190	2,707	2,711	5,608
Disposals	—	—	(28)	(1,197)	(3,495)	(4,720)
Subsidiary acquired	—	—	—	326	103	419
<b>At 31 December 1993</b>						
Cost	506	—	7,513	49,566	6,965	64,550
Valuation	—	205	—	—	—	205
	<u>506</u>	<u>205</u>	<u>7,513</u>	<u>49,566</u>	<u>6,965</u>	<u>64,755</u>

	Land and buildings			Furniture fixtures and equipment		Motor vehicles	Total
	Freehold £'000	Long lease £'000	Short lease £'000	£'000	£'000		
<b>Depreciation</b>							
At 1 January 1992	114	16	2,352	28,459	2,445	33,386	
Exchange adjustments	21	4	547	4,554	218	5,344	
Charge for the year	8	—	796	6,070	1,240	8,114	
Disposals	—	—	(5)	(629)	(1,649)	(2,283)	
At 1 January 1993	143	20	3,690	38,454	2,254	44,561	
Exchange adjustments	(7)	1	69	373	(33)	403	
Charge for the year	9	—	640	4,235	1,475	6,359	
Disposals	—	—	(28)	(1,185)	(1,401)	(2,614)	
Subsidiary acquired	—	—	—	173	56	229	
At 31 December 1993	145	21	4,371	42,050	2,351	48,938	
<b>Net book value at 31 December</b>							
1993	361	184	3,142	7,516	4,614	15,817	
1992	389	181	3,534	8,886	5,452	18,442	
1991	342	146	2,391	12,931	5,282	21,092	

Motor vehicles include assets held under finance leases with a net book value of £3,762,000, £3,950,000 and £3,314,000 in 1991, 1992 and 1993 respectively. Certain of the long leasehold properties were professionally revalued during 1984 on an existing use basis. The original cost, and depreciation based on cost, of land and buildings included at valuation is as follows:

	Long lease		
	1991 £'000	1992 £'000	1993 £'000
Original cost	34	42	43
Accumulated depreciation based on original cost	(14)	(17)	(17)
	20	25	26

The increases shown in the above table are the result of foreign currency fluctuations on translation of assets held overseas.

**14. Fixed asset investments*****(a) Movement in subsidiary and associated undertakings*****In 1991**

On 24 January 1991 the Group acquired the remaining 15% minority in RMJ Holdings Inc. for a consideration of \$15 million payable in four equal instalments. The first instalment fell due on that date and the others at each 1 June thereafter. The goodwill of £7,673,000 arising on this transaction has been written off to reserves.

On 8 April 1991 the Company acquired a further 4.5% holding in Williams, Cooke, Lott & Kissack Limited for a consideration of £653,000. The goodwill of £489,000 arising on this transaction has been written off to reserves.

On 23 May 1991 the Company disposed of its entire interest in the share capital of LM (Moneybrokers) Limited for a consideration of £12.2 million.

On 27 June 1991 the Company acquired the remaining 13.5% minority interest in the share capital of Williams Cooke, Lott & Kissack Limited for a consideration of £1.96 million. The goodwill of £1,478,000 arising on this transaction has been written off to reserves.

On 2 July 1991 the Company disposed of its entire interest in the share capital of Godsell, Astley & Pearce (Treasury Services) Limited for a consideration of £1.

On 18 October 1991 the Company disposed of its entire interest in the share capital of Astley & Pearce (Ireland) Limited for a consideration of £193,000.

**In 1992**

On 12 March 1992 the Group transferred the entire share capital of its subsidiary NAP Holdings UK Limited to B&C.

**In 1993**

On 29 December 1993, the Company acquired 100% of the ordinary share capital of CMS Capital Market Services A.G. ("CMS"). There were no significant fair value or accounting adjustments. The acquisition has been accounted for by the acquisition method of accounting. The results of CMS are not material to the Group.

*(b) Other investments*

The following amounts are included in the net book value of other fixed asset investments:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Listed overseas	101	115	—
Unlisted	343	421	500
Other investments	444	536	500

The aggregate market value of other fixed asset investments was:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Listed overseas	191	159	—
Unlisted at directors' valuation	343	421	500
	534	580	500

No material tax liability would arise if listed investments were sold at market value. The movement on other fixed asset investments over the period was as follows:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Cost:			
At 1 January	378	471	564
Exchange adjustments	22	95	9
Additions	89	1	64
Disposals	(18)	(3)	(109)
At 31 December	471	564	528
Amounts written off:			
At 1 January	—	(27)	(28)
Exchange adjustments	1	(1)	—
Written off during the period	(28)	—	—
At 31 December	(27)	(28)	(28)
Net book value at 31 December	444	536	500

*(c) Interest in associated undertakings*

The movement on interests in associated undertakings over the period was as follows:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Cost or valuation:			
At 1 January	11,247	13,837	18,177
Share of retained profit for year	1,509	1,254	737
Exchange adjustments	1,081	3,000	2,122
Additions	—	86	—
At 31 December	<u>13,837</u>	<u>18,177</u>	<u>21,036</u>
Amounts written off:			
At 1 January and 31 December	<u>(3,454)</u>	<u>(3,454)</u>	<u>(3,454)</u>
Net book value at 31 December	<u>10,383</u>	<u>14,723</u>	<u>17,582</u>

During 1992, the Group subscribed to 25% of the ordinary share capital of PT AP Nusantara Indonesia, an associated undertaking.

The Group's investment in associated undertakings comprises:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Cost less amounts written off	(1,028)	(943)	(952)
Share of retained reserves	<u>11,411</u>	<u>15,666</u>	<u>18,534</u>
Net book value	<u>10,383</u>	<u>14,723</u>	<u>17,582</u>
Representing:			
Share of tangible net assets of associated undertakings	<u>10,383</u>	<u>14,723</u>	<u>17,582</u>

All associated undertakings are unlisted.

# 15. Debtors

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Debtors due within one year	107,902	44,610	41,791
Debtors due after one year	2,761	3,562	3,058
	<u>110,663</u>	<u>48,172</u>	<u>44,849</u>

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Due within one year:			
Trade debtors (see note below)	97,584	37,399	32,887
Amounts owed by associated undertakings	422	373	457
Net investment in finance leases	47	2	1
Other debtors	5,406	2,779	3,093
Prepayments and accrued income	3,862	2,749	2,945
Advance corporation tax recoverable	—	1,007	914
Deferred taxation (see note 18)	581	301	1,494
	<u>107,902</u>	<u>44,610</u>	<u>41,791</u>

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Due after more than one year:			
Net investment in finance leases	4	2	1
Other debtors	815	1,107	995
Prepayments and accrued income	559	563	641
Deferred taxation (see note 18)	1,383	1,890	1,421
	<u>2,761</u>	<u>3,562</u>	<u>3,058</u>

The Group is involved in the purchase and simultaneous sale of negotiable money market instruments and gilt-edged securities. The form of these transactions is that group companies take temporary control of valuable paper until the transactions are settled, in effect on a net basis, at which time control is released. To reflect the substance of these transactions they have been set off and only the net amounts are included in trade debtors and trade creditors. At 31 December 1991,

1992 and 1993 the gross amounts receivable and payable were £518,373,000, £369,289,000 and £499,658,000 respectively.

#### 16. Current asset investments

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Listed in the UK	16	4	—
Unlisted	<u>23,127</u>	<u>26,088</u>	<u>20,687</u>
	<u>23,143</u>	<u>26,092</u>	<u>20,687</u>

The aggregate market value of current asset investments was:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Listed in the UK	16	4	—
Unlisted, at directors' valuation	<u>23,127</u>	<u>26,088</u>	<u>20,687</u>
	<u>23,143</u>	<u>26,092</u>	<u>20,687</u>

No material tax liability would arise if listed investments were sold at market value. All listed investments shown above are listed on recognised stock exchanges. Unlisted investments consist principally of certificates of deposit and US Treasury Bills.

#### 17. Cash at bank and in hand

Cash at bank and in hand includes the following amounts that are charged to a third party creditor:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
	<u>1,752</u>	<u>1,752</u>	<u>1,741</u>

## 18. Deferred taxation

(a) Deferred taxation balances comprise the following:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Amount (provided)/recognised:			
Capital and other investment allowances on fixed assets and finance leases	(371)	(230)	(156)
Other timing differences	2,335	2,421	3,071
Deferred tax asset	<u>1,964</u>	<u>2,191</u>	<u>2,915</u>
Amounts not recognised:			
Capital and other investment allowances on fixed assets and finance leases	778	878	712
Other timing differences	1,704	2,602	2,274
Deferred tax asset not recognised	<u>2,482</u>	<u>3,480</u>	<u>2,986</u>

(b) The movement in deferred taxation each year was as follows:

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
At 1 January	1,700	1,964	2,191
Related to acquisition of subsidiary	—	—	(42)
Related to disposal of subsidiary	—	373	—
Exchange adjustment	78	441	99
Credited/(charged) to profit and loss account	186	(587)	667
At 31 December	<u>1,964</u>	<u>2,191</u>	<u>2,915</u>

(c) No provision has been made for any taxation which would become payable on the distribution of profits of overseas subsidiary and associated undertakings because there is no intention in the foreseeable future that such profits will be remitted.

**19. Creditors: amounts falling due within one year**

The following amounts are included in creditors falling due within one year:

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Bank loans and overdrafts	12,831	12,917	5,515
Trade creditors	86,213	25,336	18,881
Amounts owed to associated undertakings	54	19	9
Obligations under finance leases	2,619	2,118	1,675
Other creditors:			
Taxation payable	12,674	11,608	12,291
ACT on dividends paid and proposed	—	2,014	1,821
Social security and taxation	2,854	1,934	3,209
Other	11,370	12,290	9,280
Proposed dividends:			
Minority shareholders	354	484	321
Company shareholders	3,669	2,998	3,150
Accruals and deferred income	21,720	16,455	20,860
	<u>154,358</u>	<u>88,173</u>	<u>77,012</u>

Other creditors include £1,752,499, £1,752,499 and £1,740,899 in 1991, 1992 and 1993 respectively in Floating Rate Secured Convertible Loan Stock 2001 of Exco plc and £252,777, £241,877 and £230,277 in 1991, 1992 and 1993 respectively in Floating Rate Unsecured Convertible Exchangeable Loan Stock 1998 of Exco plc.

**20. Creditors: amounts falling due after more than one year**

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Preferred stock	1,583	1,238	—
Bank loans and overdrafts	23,036	16,333	14,865
Obligations under finance leases payable within two to five years	1,823	1,786	1,537
Other creditors	4,083	3,064	2,861
Taxation	154	110	56
	<u>30,679</u>	<u>22,531</u>	<u>19,319</u>

## 21. Share capital

	31 December		
	1991 £'000	1992 £'000	1993 £'000
Authorised			
24,000,000 A ordinary shares of 50p each	—	12,000	12,000
16,400,000 B ordinary shares of 50p each	—	8,200	8,200
10,600,000 C ordinary shares of 50p each	—	5,300	5,300
9,000,000 D ordinary shares of 50p each	—	4,500	4,500
9,400,000 ordinary shares of 50p each	—	4,700	4,700
347,000,000 ordinary shares of 10p each	34,700	—	—
	<u>34,700</u>	<u>34,700</u>	<u>34,700</u>
Allotted, called up and fully paid			
24,000,000 A ordinary shares of 50p each	—	12,000	12,000
16,400,000 B ordinary shares of 50p each	—	8,200	8,200
10,600,000 C ordinary shares of 50p each	—	5,300	5,300
9,000,000 D ordinary shares of 50p each	—	4,500	4,500
234,400,282 ordinary shares of 10p each	23,440	—	—
	<u>23,440</u>	<u>30,000</u>	<u>30,000</u>

On 30 April 1992, 65,599,718 shares of 10p each fully paid were issued by way of capitalisation of £6,559,972 out of the Company's distributable reserves and allotted to the then ultimate parent undertaking, B&C. On the same day, the authorised and issued ordinary shares of 10p each were consolidated into ordinary shares of 50p each.

On 1 June 1992, a special resolution was passed to designate 24,000,000, 16,400,000, 10,600,000 and 9,000,000 issued ordinary shares of 50p each as A, B, C and D ordinary shares of 50p each respectively. The above classes of ordinary shares rank pari passu with each other except that the holders of the A, B and C ordinary shares shall from time to time be entitled to appoint a non-executive director to and remove a non-executive director from the board of directors.

Holders of convertible loan stock in the sum of £1,971,176 (included within other creditors due within one year) have the right to convert their stock into ordinary shares of the Company at their then market value. This right can be exercised for £230,277 of the loan stock at any time up to 7 November 1998 and for £1,740,899 of the loan stock at any time up to 27 June 2001, provided that the ordinary shares of the Company are by then listed on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

On 23 September 1992 the Exco International 1992 (No. 3) Share Option Scheme was created. Under this scheme, options to subscribe for up to three million new 50p ordinary shares of the Company can be granted. Options may be granted until 23 September 2002. The exercise price, at the date of grant, will be that determined by the auditors of the Company in accordance with Article 38(4)(v) of the Company's Articles of Association. At 31 December 1993 no options had been granted to subscribe for unissued shares.

## 22. Revaluation reserve

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
At 1 January	214	89	84
Transfer to profit and loss account	(125)	(5)	(6)
At 31 December	<u>89</u>	<u>84</u>	<u>78</u>

## 23. Other reserves

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
At 1 January	1,981	788	16
Exchange translation	(1,122)	(772)	1,782
Transfer to profit and loss account	(71)	—	—
At 31 December	<u>788</u>	<u>16</u>	<u>1,798</u>
Other reserves comprise:	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Other non-distributable reserves	108	108	108
Unrealised exchange gains/(losses)	680	(92)	1,690
	<u>788</u>	<u>16</u>	<u>1,798</u>

## 24. Profit and loss account

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
At 1 January	27,363	17,949	21,508
Exchange translation	(958)	2,354	197
Goodwill written back/(written off)	8,951	(848)	(5,497)
Transfer from other reserves	71	—	—
Transfer from revaluation reserve	125	5	6
Bonus share issue	—	(6,560)	—
Retained profit/(loss) for the year	(17,603)	8,608	15,784
At 31 December	<u>17,949</u>	<u>21,508</u>	<u>31,998</u>

## 25. Reconciliation of movements in shareholders' funds

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Retained profit/(loss) for the year	(17,603)	8,608	15,784
Other recognised gains and (losses) (net)	(2,068)	1,582	1,979
Goodwill written back/(written off) during the year	8,951	(848)	(5,497)
	(10,720)	9,342	12,266
Opening shareholders' funds	53,509	42,789	52,131
Closing shareholders' funds	<u>42,789</u>	<u>52,131</u>	<u>64,397</u>

## 26. Pension schemes

The pension costs charged represented contributions payable by the Group in respect of:

	Years ended 31 December		
	1991	1992	1993
	£'000	£'000	£'000
Defined contribution schemes	4,432	4,214	4,106
Defined benefit schemes	561	544	690
	<u>4,993</u>	<u>4,758</u>	<u>4,796</u>

The Group has four significant funded defined benefit schemes in the USA, Switzerland, Germany and Hong Kong. In the USA, Germany and Hong Kong the pension costs are assessed in accordance

with a qualified actuary's advice. The latest actuarial assessment was performed by an independent actuary on 1 January 1993 in the USA, 31 December 1990 in Germany and 1 January 1991 in Hong Kong. At the most recent formal valuation the main assumptions were:

	USA	Germany	Hong Kong
Investment return	8.25%	6%	3%
Salary increases	5.5%	Not applicable	10-15%

The market values of the assets held by the schemes were £3,797,000 and the level of funding was considered to be in accordance with requirements. At the present time there are expected to be no material changes to pension arrangements which would affect future costs.

In Switzerland the defined benefit scheme is wholly reinsured with a Zurich insurance company, with the pension expense being determined by the premiums paid to the reinsurer.

As at 31 December 1993, no deficiencies are considered to exist on the basis of the current funding levels.

## 27. Capital commitments

	31 December		
	1991	1992	1993
	£'000	£'000	£'000
Contracted for	<u>173</u>	<u>198</u>	<u>154</u>
Authorised but not contracted for	<u>—</u>	<u>—</u>	<u>33</u>

## 28. Other commitments

In the normal course of business, the Company and its subsidiary undertakings have entered into forward commitments for the purchase and sale of fixed income securities.

The Group has various commitments in respect of operating leases. The amount charged to the consolidated profit and loss account in 1993 was £8,480,000 (1992: £8,823,000, 1991: £8,764,000). In 1994 the minimum rentals payable under operating leases are as follows:

In respect of leases for land and buildings expiring:

	£'000
— Within one year	451
— Between two and five years	2,328
— In more than five years	5,044
	<u>7,823</u>

In respect of other leases expiring:

— Within one year	227
— Between two and five years	582
— In more than five years	—
	<u>809</u>

At 31 December 1993 the Group was liable to purchase the minority interests in Shorcan International Brokers Limited and Astley & Pearce (Scandinavia) A.S. at purchase prices based on profits. The consideration for the acquisition of CMS is based on a formula linked to future profits of which an estimate has been made. The consideration thus computed has been included in this financial information.

## 29. Contingent liabilities

In the past the Group has acted as broker in a number of interest rate swap and similar transactions entered into by local authorities. The House of Lords decision announced on 24 January 1991 was that all such swap transactions entered into by local authorities were ultra vires. The Group has received claims from third parties which acted as principals in such transactions for the restitution of commission earned by the Group. Although it is not possible to determine how the current state of affairs will eventually be resolved, the directors have made a prudent estimate of the likely financial effect on the Group and accordingly set aside appropriate provision in the accounts for the year ended 31 December 1989. Based on legal advice received, the directors do not believe that any material liability to the Group will result from the broking of such transactions.

The Company has given guarantees on behalf of various subsidiary undertakings in respect of their business. In addition:

- (a) The Company has given a guarantee on behalf of a subsidiary undertaking in respect of bank loans totalling £20,380,000 as at 31 December 1993. The ordinary shares of a subsidiary have been pledged as security for one of these loans.
- (b) A subsidiary undertaking has given a guarantee on behalf of a third party in respect of property with a current passing rent of £104,000 per annum, the lease of which expires in 1999.
- (c) A subsidiary undertaking has given a guarantee to a third party in respect of loans to its employees amounting to C\$245,000 to purchase shares in that subsidiary.
- (d) The Company has issued a counter indemnity to a bank in respect of a guarantee of A\$200,000 given by the bank for a property occupied by a subsidiary undertaking.

**30. Reconciliation of operating profit/(loss) to net cash inflow from operating activities**

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
<b>Continuing activities</b>			
Operating profit	9,953	21,098	36,009
Depreciation of tangible fixed assets	10,195	8,114	6,359
Gain on sale of tangible fixed assets	(375)	(385)	(235)
Gain on sale of fixed asset investments	(70)	(2)	(60)
Amounts written off fixed asset investments	28	—	—
(Increase)/decrease in operating debtors and prepayments	(40,711)	68,467	3,919
Increase/(decrease) in operating creditors and accruals	49,628	(74,328)	(3,926)
Net cash inflow from continuing operating activities	<u>28,648</u>	<u>22,964</u>	<u>42,066</u>
<b>Discontinued activities</b>			
Operating loss	(877)	—	—
Depreciation of tangible fixed assets	171	—	—
Loss on sale of tangible fixed assets	250	—	—
Increase in operating debtors and prepayments	(233,006)	—	—
Increase in operating creditors and accruals	254,059	—	—
Increase in current asset investments	(7,058)	—	—
Net cash inflow from discontinued operating activities	<u>13,539</u>	<u>—</u>	<u>—</u>
Net cash inflow from operating activities	<u><u>42,187</u></u>	<u><u>22,964</u></u>	<u><u>42,066</u></u>

### 31. Sale of subsidiary undertakings

During 1991 and 1992 the Group sold subsidiary undertakings with the following assets and liabilities. The effect of the disposals of the subsidiary undertakings on the consolidated cash flow statements for the two years is summarised below:

	1991 £'000	1992 £'000
Net assets sold		
Goodwill	1,062	—
Fixed assets	511	—
Cash at bank and in hand	366	534
Debtors	1,315,899	1,129
Investments	255,455	4,402
Overdrafts	(154,921)	—
Creditors	<u>(1,402,113)</u>	<u>(6,065)</u>
	16,259	—
Loss on disposal	<u>(4,027)</u>	<u>—</u>
Satisfied by cash	<u>12,232</u>	<u>—</u>

### 32. Purchase of subsidiary undertaking

During 1993 the Company purchased a subsidiary undertaking with the following assets and liabilities. The effect of the acquisition on the consolidated cash flow statement for the year is summarised below:

	1993 £'000
Net assets acquired	
Tangible fixed assets	193
Cash at bank and in hand	1,286
Debtors	1,093
Creditors	(2,070)
Taxation payable	(22)
Deferred liabilities	(8)
Deferred taxation	(42)
	<u>430</u>
Goodwill	<u>5,402</u>
	<u><u>5,832</u></u>
Satisfied by	
Deferred consideration	1,391
Cash	<u>4,441</u>
	<u><u>5,832</u></u>

### 33. Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertaking

	1993 £'000
Cash consideration	4,441
Cash at bank and in hand acquired	<u>(1,286)</u>
Net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertaking	<u><u>3,155</u></u>

34. Analysis of changes in financing during the year

	Loans and		Loans and		Loans and	
	Share	finance	Share	finance	Share	finance
	capital	lease	capital	lease	capital	lease
	(excluding	obligations	(excluding	obligations	(excluding	obligations
	premium)		premium)		premium)	
	1991	1991	1992	1992	1993	1993
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	23,440	273,964	23,440	41,892	30,000	34,392
Cash outflows from financing	—	(32,138)	—	(16,842)	—	(13,290)
Shares issued for non-cash consideration	—	—	6,560	—	—	—
Loans of subsidiary undertakings sold during the year	—	(205,740)	—	—	—	—
Inception of finance lease contracts	—	2,161	—	2,637	—	2,000
Effect of foreign exchange rate changes	—	3,645	—	6,705	—	490
At 31 December	<u>23,440</u>	<u>41,892</u>	<u>30,000</u>	<u>34,392</u>	<u>30,000</u>	<u>23,592</u>

### 35. Cash and cash equivalents

	Years ended 31 December		
	1991 £'000	1992 £'000	1993 £'000
Changes during the year:			
At 1 January	70,409	59,185	60,839
Net cash outflow before adjustments for the effects of foreign exchange rates	(10,818)	(2,105)	(1,856)
Effect of foreign exchange rates	(406)	3,759	248
At 31 December	<u>59,185</u>	<u>60,839</u>	<u>59,231</u>
Analysis of balances:			
Cash at bank and in hand	54,783	51,339	53,831
Short-term investments	<u>4,402</u>	<u>9,500</u>	<u>5,400</u>
Cash and cash equivalents	59,185	60,839	59,231
Bank deposits over three months	8,000	4,400	8,400
Other investments	<u>18,741</u>	<u>16,592</u>	<u>15,287</u>
Cash at bank and in hand and investments	<u>85,926</u>	<u>81,831</u>	<u>82,918</u>

Yours faithfully

Coopers & Lybrand

Chartered Accountants

## PART III — GENERAL INFORMATION

### 1. The Company

The Company was incorporated and registered in England on 24 May 1979 with registered number 1423001 under the Companies Acts 1948 to 1976 as a private limited company under the name Monksilk Limited. On 20 July 1979 the Company changed its name to Exco Securities (1979) Limited and on 26 June 1981 to Exco International Limited. On 21 September 1981 the Company re-registered as a public limited company with the name Exco International Public Limited Company. On 29 May 1992 the Company re-registered as a private limited company with the name Exco International Limited. On 12 June 1992 the Company re-registered as a public limited company with the name Exco International p.l.c. and on 26 April 1994 the Company changed its name to Exco plc. The registered office, head office and the principal place of business in the UK of the Company is at Sherborne House, 119 Cannon Street, London EC4N 5AX.

### 2. Share capital

2.1. The ordinary shares are in registered form. Application has been made to the London Stock Exchange for the ordinary shares to be admitted to the Official List. It is expected that dealings in the ordinary shares will commence on 19 July 1994. Save in respect of the Offer none of the ordinary shares have been sold or are available in whole or in part to the public in conjunction with the application for the ordinary shares to be admitted to the Official List. In connection with the Public Offer temporary documents of title will be issued.

2.2. During the three years immediately preceding the date hereof there have been the following changes in the authorised share capital and the issued and fully paid share capital of the Company:

- (i) Immediately prior to 11 June 1991 the authorised share capital of the Company was £32,500,000 divided into 325,000,000 ordinary shares of 10p each of which 234,400,282 ordinary shares of 10p each were in issue and were all owned by B&C.
- (ii) On 11 June 1991 the authorised share capital of the Company was increased from £32,500,000 to £34,700,000 by the creation of 22,000,000 ordinary shares of 10p each.
- (iii) On 30 April 1992 £6,559,971.80 of the Company's distributable reserves were capitalised and applied in paying up in full 65,599,718 ordinary shares of 10p each in the capital of the Company; the 234,400,282 ordinary shares of 10p each in issue and the 65,599,718 shares paid up in full were then consolidated and divided into 60,000,000 ordinary shares of 50p each; the remaining 47,000,000 authorised and unissued ordinary shares of 10p each in the capital of the Company were also consolidated and divided into 9,400,000 ordinary shares of 50p each.
- (iv) On 1 June 1992 60 per cent. of B&C's holding in the Company was privately placed with a group of institutions and with employees of the Group and associates, in connection with which 24,000,000 issued ordinary shares of 50p each were designated as "A" Ordinary Shares and retained by B&C; 16,400,000 issued ordinary shares of 50p each were designated as "B" Ordinary Shares and purchased by Caledonia Investments plc; 10,600,000 issued ordinary shares of 50p each were designated "C" Ordinary Shares and purchased by English & Scottish Investors PLC (2,200,000), English & Caledonian Investment PLC (200,000), London & Strathclyde Trust PLC (400,000), Gartmore 1990 Fund (600,000), Bank of Scotland Nominees (Save & Prosper) Limited (2,218,000), Royal Bank of Scotland Nominees (Save & Prosper) Limited (2,072,000), Nihon Tanshi Co Limited (1,500,000) and Nittan AP (1,500,000); 9,000,000 issued ordinary shares of 50p each were designated as "D" Ordinary Shares and purchased by senior management, the Employee Benefit Trusts referred to in paragraph 6 below and employees; and the remaining unissued 9,400,000 ordinary shares of 50p each were left unclassified.
- (v) On 28 June 1994 pursuant to resolutions of the shareholders passed on that date and expressed (save for (f) and (g) below) to be conditional upon Admission becoming effective not later than 19 July 1994 or such later date as Rothschild and the Company may agree being not later than 26 July 1994:
  - (a) 24,000,000 issued "A" Ordinary Shares of 50p each were subdivided and redesignated as 48,000,000 ordinary shares of 25p each, 16,400,000 issued "B" Ordinary Shares of 50p each were subdivided and redesignated as 32,800,000 ordinary shares of 25p each, 10,600,000 issued "C" Ordinary Shares of 50p each were subdivided and redesignated as 21,200,000 ordinary shares of 25p each, 9,000,000 issued "D" Ordinary Shares of 50p each were subdivided and redesignated as 18,000,000 ordinary shares of 25p each and the remaining 9,400,000 unissued ordinary shares of 50p each were subdivided and redesignated as 18,800,000 ordinary shares of 25p each; and
  - (b) the authorised share capital of the Company was increased from £34,700,000 to £43,000,000 by the creation of 33,200,000 ordinary shares of 25p each; and

- (c) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) of the Company up to an aggregate nominal amount of £12,250,000 such authority (unless previously revoked, varied or extended) to expire at the conclusion of the Annual General Meeting of the Company to be held in 1995 or on 27 September 1995, whichever is the earlier, but so that the Company may before such expiry make an offer or agreement which would or might require the allotment of all or any of those relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and provided further that the authority shall supersede all other authorities conferred upon the Directors in relation to the allotment of relevant securities; and
- (d) pursuant to and during the period of the authority referred to in (c) above the Directors were empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
  - (aa) the allotment of equity securities pursuant to the terms of the Exco plc Matching Share Option Schemes;
  - (bb) the allotment of equity securities in connection with issues to holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
  - (cc) the allotment (otherwise than pursuant to (aa) or (bb) above) of equity securities up to a maximum aggregate nominal amount of £1,550,000;

such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 1995 or on 27 September 1995, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred thereby had not expired; and
- (e) the new Articles of Association (the "Articles") referred to in paragraph 3 below were adopted; and
- (f) amendments were made to the 1992 Share Option Scheme and the No 2 Share Option Scheme (as hereinafter defined); and
- (g) the rules of the Exco plc Purchased Shares and Nominee Schemes of the Exco plc Purchased Share Option Schemes and the Exco plc Matching Share Option Schemes were approved and the Remuneration Committee of the Board of Directors was authorised to give effect to the Schemes; and
- (h) the scrip dividend alternative described in "Financial Information: Conditional Dividends" in Part I of this document was approved.
- (vi) On 15 June 1994 Exco received notification that the holders will convert the whole of the 1998 stock (as defined in paragraph 2.7 below) in accordance with the provisions therein set out which will result in the issue of 131,586 new ordinary shares on Admission. On 22 June 1994 Exco received notification that holders will convert £494,195 of the 2001 stock (as defined in paragraph 2.7 below) in accordance with the provisions therein set out which will result in the issue of 282,397 new ordinary shares on Admission.
- (vii) Upon Admission, 2,752,651 new ordinary shares will be issued pursuant to the scrip dividend alternative referred to in sub-paragraph 2.2(v)(h) above.

2.3. The issued share capital of the Company following the passing of the resolutions referred to in paragraph 2.2(v) and the events referred to in 2.2(vi) and (vii) above will be £30,791,509 divided into 123,166,034 ordinary shares. There will remain authorised but unissued £12,208,492 of share capital consisting of 48,833,966 ordinary shares comprising 28.4 per cent of the authorised share capital, all of which the Directors will be authorised to allot pursuant to the authority referred to in paragraph 2.2(v)(c) above.

- 2.4. Save as disclosed in this paragraph 2 and save for intra group issues, during the three years immediately preceding the date of this document, there has been no change in the amount of the issued share capital of the Company and no material change in the share capital of any member of the Group.
- 2.5. Save as disclosed in paragraph 6 and in notes 2 and 3 of paragraph 10 below, no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.6. The provisions of Section 89(1) of the Act (which, to the extent not disapplied pursuant to Section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolution referred to in sub-paragraph 2.2(v)(d) above. This disapplication will give the Directors limited flexibility to issue shares for cash following the Offer.
- 2.7. By an instrument dated 7 November 1988 Exco created £1,118,796 of Floating Rate Unsecured Convertible Exchangeable Loan Stock 1998 ("the 1998 stock"). £230,277 of this remains outstanding. Interest is payable at the rate of LIBOR less 0.5% by equal half yearly instalments on 7 May and 7 November in each year. The stock may be redeemed on any such interest payment date. Notice has been received from the holders of the 1988 stock to convert all of their holdings of stock at the Offer Price into 131,586 new ordinary shares.

By an instrument dated 27 June 1991 Exco created £1,752,499 of Floating Rate Secured Convertible Loan Stock 2001 ("the 2001 stock") of which £1,729,299 is outstanding, £11,600 having been redeemed on 27 June 1994. This stock is secured by charges over cash deposited in the amount of the stock created. Interest is payable on the stock at the rate of LIBOR less 1% by equal half yearly instalments on 27 June and 27 December in each year. The stock is convertible into ordinary shares of Exco on any interest payment date, the number of shares to be issued upon conversion being calculated by dividing the nominal value of the stock to be converted by the average middle market quotations of the ordinary shares of Exco as derived from the Stock Exchange Daily Official List for the five dealing days immediately prior to the interest payment date. Notice has been received from certain holders of the 2001 stock to convert £494,195 of stock at the Offer Price into 282,397 new ordinary shares.

Under letters entered into on 27 June 1991 the holders of the loan stocks agreed:

- (i) not, without Exco's consent, to dispose or sell of any shares arising through exercise of conversion rights through Exco's brokers before the announcement of the results for the 6 month period ending 30 June 1994;
- (ii) not, without Exco's consent, to sell more shares than would result from the conversion of £266,666 of loan stock in a similar period; and
- (iii) not to convert more loan stock than would result in a holding of more than 1 per cent. of Exco's ordinary share capital.

### 3. Summary of the Memorandum and Articles of Association of the Company

- 3.1. The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the addresses specified in paragraph 15 below.

- 3.2. The Articles contain provisions, inter alia, to the following effect:

(i) Voting Rights

- (a) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.
- (b) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph (ii) below.

(ii) Restrictions on Ordinary Shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "restriction notice") in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice by the member ("restricted shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. (in nominal value) of the shares in issue the restriction notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest, any election by the member for any scrip dividend alternative shall not be effective and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is a permitted transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(iii) Variation of Class Rights and Alteration of Capital

- (a) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act and any other act relating to companies ("the Statutes"), be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking pari passu therewith.
- (b) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
- (c) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (d) Subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Directors.
- (e) Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.
- (f) Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.

(iv) Transfer of Shares

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

All transfers shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register any transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office to be registered, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year).

(v) **Directors**

- (a) The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Act or by the Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Articles and of the Act, and to such directions, being not inconsistent with any provisions of the Articles or of the Act, as may be given by the Company in general meeting.
- (b) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be subject to any maximum but shall be not less than two. A Director shall not be required to hold any shares in the capital of the Company.
- (c) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a vendor, purchaser or otherwise. Subject to the provisions of the Act and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.
- (d) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) an offer of securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (iv) any other company, provided that he does not hold an interest in shares (as that term is used in Part VI of the Act) representing one per cent. or more of either any class of the equity share capital of such company or the voting rights available to members of such company (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
  - (v) any pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved by the Inland Revenue or is conditional upon such approval or does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; and
  - (vi) any insurance which the Company proposes to purchase or maintain for the benefit of any Directors or for the benefit of persons who include Directors.

- (e) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (f) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he and any connected person (as defined in Section 346 of the Act) has any material interest.
- (g) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum of £200,000 or such larger amount as the Company may by ordinary resolution determine). Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.
- (h) Subject to the provisions of the Statutes the Directors may from time to time appoint one or more of their body to such executive office as they may decide. His appointment shall be automatically determined if he ceases from any cause to be a Director, without prejudice to any claim for damages such Director may have for breach of any service contract between him and the Company. The salary or remuneration of any executive Director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance and other benefits.
- (i) The Directors may entrust to and confer upon a Managing Director or an executive Director any of the powers and discretions exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and discretions and may from time to time revoke, withdraw, alter or vary all or any of such powers or discretions.
- (j) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.
- (k) The Directors may be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings or otherwise in connection with the business of the Company.
- (l) A Director may be or continue as or become a director or other officer servant or member of, or otherwise interested in, any body corporate promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received or receivable by him as a director or other officer, servant or member of, or from his interest in, such other body corporate and shall be entitled to exercise all powers and votes in connection therewith. Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Such remuneration shall be in addition to any remuneration otherwise provided by the Articles.

- (m) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
  - (n) Subject to the provisions of the Statutes, the Company may, by ordinary resolution, suspend or relax certain of these provisions to any extent or ratify any contract, arrangement or transaction not duly authorised by reason of a contravention of those provisions.
  - (o) Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) shall not apply to the Company.
  - (p) Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.
  - (q) At each Annual General Meeting of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office, or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. Directors appointed to executive office (and the director appointed by Caledonia Investments plc under the arrangements referred to in sub-paragraph 3.2(v)(t) below) are not subject to retirement by rotation.
  - (r) Without prejudice to the provisions of the Articles, the Directors shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or subsidiary or in which the Company or any such holding company or subsidiary or any of the predecessors of the Company or of any such holding company or subsidiary has any interest, whether direct or indirect, or of any other body (whether or not incorporated) in which the Company or any such other company has an interest, or who are or were at any time trustees of any pension fund in which employees of the Company or any such other company or body are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other company, body or pension fund.
  - (s) The Directors may give or award pensions, gratuities and superannuation or other allowances or benefits to, inter alia, any director, ex-director, employee or ex-employee of the Company or of any of its subsidiaries (present or past) or the relatives or dependants of any such person and may establish, maintain, participate in and contribute to all kinds of funds, schemes and arrangements.
  - (t) Caledonia Investments plc has the right to appoint one non-executive director of Exco until it ceases to be interested in at least 20 per cent. of Exco's issued ordinary share capital.
- (vi) **Borrowing Powers**
- (a) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
  - (b) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Company and any such subsidiary undertakings (in this paragraph, the Group) and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed two times

the aggregate of (i) the amount paid up on the issued share capital of the Company and (ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

(vii) **Dividends and Distributions on Liquidation to Shareholders**

- (a) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- (b) The Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.
- (c) No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.
- (d) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for each purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- (e) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of ordinary shares the right to elect to receive new ordinary shares credited as fully paid instead of cash in respect of the whole or part of any dividend.
- (f) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

**4. Directors' and other interests**

4.1. R C Lacy and K M Taylor will sell 80,000 and 10,000 ordinary shares respectively as part of the Offer in accordance with the arrangements set out in paragraph 8.1 below. The interests of the Directors (and persons connected with them within the meaning of Section 346 of the Act) in the issued ordinary share capital of the Company immediately following the Offer but before any grant of options pursuant to the employee share plan, all of which are beneficial, and as they will appear in the register maintained under the provisions of Section 325 of the Act, will be as follows.

Director	Number of ordinary shares	Percentage of issued share capital	Number of ordinary shares subject to options*	options†
Carel Maurits Mosselmans	40,000	0.03	60,000	—
Ronald Arnon Sandler	80,095	0.07	—	430,000
Peter Neville Buckley††	—	—	—	—
Peter John Edge	176,000	0.14	264,000	150,000
John Axson Heywood	—	—	—	—
Michael Charles Johns	—	—	—	—
Richard Clifford Lacy	130,000	0.11	315,000	—
James Patrick Magee**	134,897	0.11	192,000	150,000
John Alan Richardson	—	—	—	—
Kim Michael Taylor	50,000	0.04	—	150,000
Marcel Wolf	176,000	0.14	264,000	150,000

\* These options are granted over existing ordinary shares pursuant to the 1992 Share Option Scheme and the No 2 Share Option Scheme as defined in paragraph 6 below and are exercisable at a nominal price.

† These options are granted pursuant to the No 3 Share Option Scheme as defined in paragraph 6 below. Of the options granted to R A Sandler, 280,000 are exercisable at 72.5p per share. The remaining options are all exercisable at 100p per share.

\*\* J P Magee and his family have interests in 210,000 common shares (representing 15.97 per cent.) in Shorcan International Brokers Limited (which are subject to the arrangements referred to in note 3 in paragraph 10 below).

†† P N Buckley is the chairman and chief executive of Caledonia Investments plc whose shareholding is shown below.

- 4.2. The Directors are aware of the following interests which will represent three per cent. or more of the issued share capital of the Company immediately following the Offer:

Name	Number of ordinary shares	Percentage of issued share capital
Caledonia Investments plc	34,693,175	28.17
Exco Trustees Limited*	12,272,011	10.00
Robert Fleming Nominees Limited SPA/c**	6,400,000	5.20
Nittan AP	6,323,318	5.13

\*Exco Trustees Limited holds the ordinary shares on trust in accordance with the deeds of trust referred to in sub-paragraphs 6.1 and 6.2 below (constituting the employee benefit trusts referred to in this document). This number is given prior to the exercise of any options under the 1992 Share Option Scheme and the No 2 Share Option Scheme as defined in paragraph 6 below and any acquisitions in respect of the employee share plan.

\*\*Robert Fleming Nominees Limited hold the ordinary shares on behalf of authorised unit trusts managed by Save & Prosper Securities Limited.

- 4.3. Caledonia Investments plc has a 30 per cent. shareholding in English & Scottish Investors plc. Immediately following the Offer, English & Scottish Investors plc will hold 3,015,998 ordinary shares representing 2.45 per cent. of Exco's issued share capital. The directors of Caledonia Investments plc and of English & Scottish Investors plc consider that, so far as concerns their shareholdings in Exco, the two companies are in this particular instance acting in concert for the purposes of the City Code on Takeovers and Mergers.
- 4.4. The board of Caledonia Investments plc has advised the board of Exco that, consistent with its general investment policy, it considers its shareholding in Exco to be held for the long term and that it has no present intention either of reducing it or of increasing it above the aggregate total presently held by itself and English & Scottish Investors plc save for elections by either party for any scrip dividend offered to all shareholders.
- 4.5. The board of Nittan AP has advised the board of Exco that it considers its shareholding in Exco to be held for the long term and that it has no present intention either of reducing it or (save for election for any scrip dividend offered to all shareholders) of increasing it.
- 4.6. Save as disclosed in note 3 to paragraph 10 below, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or was significant to the business of the Group and which was effected during the current or immediately preceding financial year, or was effected during any earlier financial year and remains in any respect outstanding or unperformed.
- 4.7. No loans are outstanding from any member of the Group to any of the Directors and there are no guarantees provided by any member of the Group for their benefit.
- 4.8. The total aggregate of the remuneration and benefits in kind granted to the Directors by any members of the Group during the financial year ended 31 December 1993 was £3,071,970 (including bonuses). The amounts payable to Directors by any member of the Group for the current financial year under the arrangements currently in force are estimated to equal approximately £1,672,255 (excluding bonuses).

## 5. Directors' service agreements and terms of appointment

Director	Position	Term	Basic Annual Salary	Annual Pension Contribution
R A Sandler	Chief Executive	12 months' notice	£297,465	—
P J Edge	Executive Director	12 months' notice	£242,000	£60,000
J P Magee	Executive Director	31 December 1994	£550,000	—
K M Taylor	Finance Director	12 months' notice	£102,845	£22,500
M Wolf	Executive Director	31 December 1998*	£655,000	£193,408

\*terminable at such time or any time thereafter at not less than 18 months' notice.

P J Edge and K M Taylor are subject to the Exco Group UK Terms of Employment which together with the service agreements of R A Sandler, J P Magee and M Wolf, are available for inspection at the addresses specified in paragraph 15 below. Each of these Directors is eligible to participate in the bonus scheme for Directors of Exco International described in "Directors, Management Structure and Staff: Employees" in Part I of this document.

Save in respect of P N Buckley, who is the Caledonia Investments plc appointee, the terms of appointment are for

a fixed period of 12 months. R C Lacy has been appointed adviser to the Group by a fixed term contract for the period 1 March 1994 to 17 November 1997; his annual remuneration is £100,000 increasing on 1 January 1995, 1996 and 1997 by the amount of the increase in the retail prices index. A pension contribution of £5,000 per annum is also payable. The above payment is inclusive of any entitlement to fees for serving as a non-executive Director. With the exception of C M Mosselmans, who is entitled to £50,000 per annum, the fees of each of the non-executive Directors are £16,500 per annum. Each non-executive Director's terms of appointment are available for inspection, at the addresses specified in paragraph 15 below.

## 6. Share option and incentive schemes of Exco

### 6.1. The Principal Terms of the Exco plc (No 1) 1992 Share Option Scheme (the "1992 Share Option Scheme")

The 1992 Share Option Scheme was established in connection with a Deed of Trust dated 29 April 1992 of which Exco Trustees Limited is trustee (the "Trustee"). It has not been submitted to the Inland Revenue for approval under Schedule 9 to the Income and Corporation Taxes Act 1988. No further options will be granted under this Scheme.

#### (i) Eligibility

Options may be granted by the Trustee, on the advice of the Board, to any employee, including any executive director, of the Company or its subsidiaries.

#### (ii) Scheme limits

The total number of shares which may be transferred by the Trustee pursuant to the exercise of options when aggregated with the number of ordinary shares transferred pursuant to the exercise of options granted under the No. 2 Share Option Scheme (as defined in paragraph 6.2. below) shall not exceed 10,800,000 ordinary shares.

#### (iii) Exercise Price

The exercise price is determined by the Trustee not later than the date of grant of an option taking into account any proposal made by the Board and may be expressed as a price per ordinary share or a price per occasion of exercise or otherwise as the Trustee shall so determine.

#### (iv) When Options may be exercised

In normal circumstances, options may be exercised at any time on and after the earlier of:

- (i) the third anniversary of the date of grant; and
- (ii) the date on which any of the following shall first occur:
  - (a) admission of the ordinary share capital of the Company to the Official List of the London Stock Exchange;
  - (b) a disposal by B&C of the "A" Ordinary Shares of 50p each in the capital of the Company such that the aggregate direct or indirect holding of B&C is less than or equal to 5 per cent. of the Company's issued ordinary share capital; and
  - (c) the winding up of the Company other than for the purposes of a capital reorganisation;

and before the seventh anniversary of the date of grant of such option.

#### (v) Voting, Dividend, Transfer and other rights

- (a) Until options are exercised, optionholders have no voting rights in respect of the shares covered by their options.
- (b) A participant who exercises an option shall be entitled to receive all dividends and other distributions paid in relation to the ordinary shares so acquired by reference to a record date falling on or after the date of the participant's registration as a holder of shares.
- (c) Options are non-transferable.

(vi) *Administration and amendment*

- (a) The 1992 Share Option Scheme is administered under the direction of the Board who may amend or augment the rules of the Scheme by resolution provided that no amendment shall operate to affect adversely in any way any rights already acquired by a participant without the approval of that participant and further provided that no amendment which would effect the terms of options may be made without the consent of the Trustee. Certain amendments require prior approval of the Company in general meeting. In particular, approval in general meeting will be required to any amendment to the advantage of participants or employees affecting:
- (aa) the determination of the exercise price or the class of eligible employees;
  - (bb) the maximum number of shares which may be placed under option in respect of any one eligible employee;
  - (cc) any transfer or other rights attaching to options;
  - (dd) the basis on which any adjustment may be made to the exercise price or the number of shares subject to an option;
  - (ee) the rule relating to amendments to the 1992 Share Option Scheme; and
  - (ff) rules relating to the receipt of dividends in relation to a participant who has already exercised an option.
- (b) The Board may at any time, with the consent of the Trustee, make any amendment by resolution which may be:
- (i) necessary to obtain or maintain Inland Revenue or other approval to the 1992 Share Option Scheme; or
  - (ii) necessary or desirable to take advantage of any rule prevailing in any jurisdiction in which the 1992 Share Option Scheme operates provided that no such amendment as is referred to in paragraph (vi)(aa) to (ff) above shall be made without the prior approval of the Company in general meeting.

(vii) *Termination*

The Scheme may be terminated at any time by a resolution of the Board and shall in any event terminate on the tenth anniversary of the commencement date. Termination shall not affect outstanding rights of participants.

6.2. **The Principal Terms of the Exco plc 1992 (No 2) Share Option Scheme (the "No 2 Share Option Scheme")**

The No 2 Share Option Scheme was established in connection with a Deed of Trust dated 28 April 1992 of which Exco Trustees Limited is Trustee (the "No 2 Trustee"). The No 2 Share Option Scheme has not been submitted to the Inland Revenue for approval under Schedule 9 to the Income and Corporation Taxes Act 1988. No further options will be granted under this Scheme.

(i) *Eligibility*

Options may be granted by the No 2 Trustee, on the advice of the Board, to Carol Mosselmans (while he is ineligible to participate in the 1992 Share Option Scheme) and to any employee, including any executive director, of Nittan AP, KAF Astley & Pearce Sdn Bhd, PT AP Nusantara Indonesia and any other company in which the Company directly or indirectly holds a beneficial interest in respect of 20 per cent. or more of its issued share capital and which is, on any date of grant, designated to be a participating company by the Board.

(ii) *Scheme limits*

The total number of shares which may be transferred by the No 2 Trustee pursuant to the exercise of options when aggregated with the number of ordinary shares transferred pursuant to the exercise of options granted under the 1992 Share Option Scheme shall not exceed 10,800,000 ordinary shares in the capital of the Company

(iii) *Exercise Price*

The exercise price is determined by the No 2 Trustee not later than the date of grant of an option taking into account any proposal made by the Board and may be expressed as a price per ordinary share or a price per occasion of exercise or otherwise as the Trustee shall so determine.

(iv) *When Options may be exercised*

In normal circumstances, options may be exercised at any time on and after the earlier of:

- (i) the third anniversary of the date of grant; and
- (ii) the date on which any of the following shall first occur:
  - (a) admission of the ordinary share capital of the Company to the Official List of the London Stock Exchange;
  - (b) a disposal by B&C of the "A" Ordinary Shares of 50p each in the capital of the Company such that the aggregate direct or indirect holding of B&C is less than or equal to 5 per cent. of the Company's issued ordinary share capital; and
  - (c) the winding up of the Company other than for the purposes of a capital reorganisation;

and before the seventh anniversary of the date of grant of such option.

(v) *Voting, Dividend, Transfer and other rights*

- (a) Until options are exercised, optionholders have no voting rights in respect of the shares covered by their options.
- (b) A participant who exercises an option shall be entitled to receive all dividends and other distributions paid in relation to the shares so acquired by reference to a record date falling on or after the date of the participant's registration as a holder of ordinary shares.
- (c) Options are non-transferable.

(vi) *Administration and amendment*

- (a) The No 2 Share Option Scheme is administered by the Board who may amend or augment the rules or the Scheme by resolution provided that no amendment shall operate to affect adversely in any way any rights already acquired by a participant without the approval of that participant and further provided that no amendment that would affect the terms of any option may be made without the consent of the No 2 Trustee. Certain amendments require prior approval of the Company in general meeting. In particular, approval in general meeting will be required to any amendment to the advantage of participants or employees affecting:
  - (aa) the determination of the exercise price;
  - (bb) the maximum number of shares which may be placed under option in respect of any one eligible employee;
  - (cc) the definition of eligible employee;
  - (dd) any transfer or other rights attaching to options;
  - (ee) the basis on which any adjustment may be made to the exercise price or the number of shares subject to an option;
  - (ff) the rule relating to amendments to the No 2 Share Option Scheme; and
  - (gg) rules relating to the receipt of dividends in relation to a participant who has already exercised an option.
- (b) The Board may at any time, with the consent of the No 2 Trustee, make any amendment by resolution which may be:

- (i) necessary to obtain or maintain Inland Revenue or other approval to the No 2 Share Option Scheme; or
- (ii) necessary or desirable to take advantage of any rule prevailing in any jurisdiction in which the No 2 Share Option Scheme operates provided that no such amendment as is referred to in paragraph (vi)(aa) to (gg) above shall be made without the prior approval of the Company in general meeting.

(vii) *Termination*

The Scheme may be terminated at any time by a resolution of the Board and shall in any event terminate on the tenth anniversary of the commencement date. Termination shall not affect outstanding rights of participants.

6.3. **The Principal Terms of the Exco plc 1992 (No 3) Share Option Scheme (the "No 3 Share Option Scheme")**

The No 3 Share Option Scheme has not been submitted to the Inland Revenue for approval under Schedule 9 to the Income and Corporation Taxes Act 1988. No further options will be granted under this Scheme.

(i) *Eligibility*

Options may be granted (by the Company or the Trustee or the No 2 Trustee) at the discretion of the Board to any employee or director of the Company or its subsidiaries (and which is under the Company's control) or any company in which the Company holds a beneficial interest in respect of 20 per cent. or more of its issued share capital and which has been designated as an associated company by the Board.

(ii) *Scheme limits*

The total number of shares issued or issuable pursuant to grants made under this scheme shall not exceed 6,000,000 shares.

(iii) *Individual limit*

No option may be granted to any individual if as a result the aggregate cost of shares issuable pursuant to options and other rights held by him at that time (excluding options and rights which have lapsed or been exercised, renounced, released or surrendered) under the No 3 Share Option Scheme or any other share option scheme (not being a savings related share option scheme) of the Company would exceed, broadly, four times his cash earnings (including bonuses) from the Group for the current or preceding tax year (whichever is the greater).

(iv) *Exercise Price*

- (a) The exercise price is determined by the grantor not later than the date of grant of an option and shall not be less than the higher of the nominal value of a share (in the case of an option to subscribe for shares) and the fair value of an ordinary share which shall be, in respect of an option granted on or before 30 November 1992, 62.5p, and, in respect of an option granted after that date the sum last certified, prior to the date of grant, by the auditors of the Company.
- (b) The exercise price may be adjusted in the event of a rights issue, bonus issue, share split and certain other alterations of share capital subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that the exercise price of an option to subscribe for shares is not adjusted below the nominal value of an ordinary share.

(v) *When Options may be exercised*

In normal circumstances, an option may be exercised:

- (i) as to one third of the shares in respect of which it was granted on and after the third anniversary of its date of grant;
- (ii) as to an additional one third of such ordinary shares on and after the fourth such anniversary; and
- (iii) as to the remaining one third of such ordinary shares on and after the fifth such anniversary; and in each case before the seventh such anniversary.

Options will become exercisable immediately on the death of a participant or on his ceasing to be an eligible employee by reason of injury, disability, redundancy or retirement and shall remain exercisable for a period of 12 months after such date. The Board also has a discretion to permit exercise where the participant ceases to be an eligible employee for any other reason. Rights of exercise will also arise in the case of certain corporate events, such as takeover.

(vi) *Voting, Dividend, Transfer and other rights*

- (a) Until options are exercised, optionholders have no voting rights in respect of the shares covered by their options.
- (b) Shares issued pursuant to the No 3 Share Option Scheme will rank *pari passu* in all respects with the shares already then in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.
- (c) Options are non-transferable.

(vii) *Administration and amendment*

- (a) The No 3 Share Option Scheme is administered by the Board who may amend or augment the same by resolution provided that no amendment may be made to the advantage of participants without the approval of the Company in general meeting affecting:
  - (aa) the calculation of the exercise price;
  - (bb) the calculation of the total number of shares available for the No 3 Share Option Scheme;
  - (cc) the maximum number of shares which may be placed under option in respect of any one eligible employee;
  - (dd) the definition of eligible employee;
  - (ee) any transfer or other rights attaching to options;
  - (ff) the basis on which any adjustment may be made to the exercise price or the number of shares subject to an option;
  - (gg) the rules relating to the grant or exercise of options; and
  - (hh) the rule relating to amendments to the No 3 Share Option Scheme.
- (b) The Board may make any amendment by resolution which may be:
  - (i) necessary to obtain or maintain Inland Revenue or other approval to the No 3 Share Option Scheme; or
  - (ii) necessary or desirable to take advantage of any rule prevailing in any jurisdiction in which the No 3 Share Option Scheme operates.

(viii) *Termination*

The Scheme may be terminated at any time by a resolution of the Board or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the commencement date. Termination shall not affect outstanding rights of participants.

- 6.4. Options are outstanding under the terms of the 1992 Share Option Scheme and the No 2 Share Option Scheme exercisable at a nominal price and under the No 3 Share Option Scheme at the prices referred to below to acquire 10,152,000 issued ordinary shares held by the Trustee and the No 2 Trustee. These options will become exercisable forthwith upon Admission. Options are outstanding under the No 3 Share Option Scheme to acquire 16,000 ordinary shares at a price of 62.5p per share, 280,000 ordinary shares at a price of 72.5p per share and to acquire 1,950,000 ordinary shares at a price of 100p per share. The options granted at 62.5p and 72.5p under the No 3 Share Option Scheme are over existing ordinary shares of Exco and are exercisable as to one third, in each of November 1995, 1996 and 1997 and in each of May 1996, 1997 and 1998 respectively. Of the options exercisable at 100p per share 335,332 are over existing issued ordinary shares and 1,614,668 are to subscribe for new ordinary shares of Exco. These options are exercisable as to a third, in each of February 1997, 1998 and 1999.

#### 6.5. The Principal Terms of the Exco plc Long Term Employee Share Plan (the "Plan")

As explained in "Directors, Management Structure and Staff: Employee participation" in Part I of this document, the Plan is intended to obtain a commitment from selected employees to take or (in the case only of the first operation of the Plan) to retain an interest in a certain number of shares and to match that commitment with a right to acquire further shares subject to continued employment within the Group and, to a certain extent, to the Group fulfilling certain performance conditions. To this end, there are three sets of rules. The first set of rules governs the grant of options over shares which have been purchased by the Trustee with sums contributed by group companies which might otherwise have been subsequently paid out by way of discretionary cash bonus (a "purchased share option"). The second set of rules covers arrangements under which employees may acquire shares outright out of their net pay and voluntarily submit those shares to dealing restrictions (the "nominee arrangements"). The third set of rules governs the terms of options to be granted either to those to whom a purchased share option has been granted or to those who have acquired shares under the nominee arrangements ("matching options"). Identical (though separate) arrangements are to be made for employees of the associated undertakings described in paragraph 10 of Part III of this document. Accordingly, the description of the Plan applies equally to these separate arrangements so that participation is restricted to employees of the associated undertakings who are beneficiaries or potential beneficiaries of the employee benefit trust established by trust deed dated 28 April 1992 made between B&C and Abacus (CI) Limited.

On the first operation of the Plan only, options held under the 1992 Share Option Scheme or the No 2 Share Option Scheme may be used instead of a purchased share option if the holder undertakes to the Trustee not to exercise such option except in circumstances in which a purchased share option could have been exercised, and shares held prior to the establishment of the nominee arrangements may be submitted to the nominee arrangements, so as, in each case, to lead to the grant of a matching option.

The principal terms of each of these three schemes are as follows:

#### A. The Principal Terms of the Exco plc Purchased Share Option Scheme (the "Purchased Option Scheme")

##### (i) Eligibility

Invitations to participate, up to a limit specified in the invitation, in the Purchased Option Scheme may be sent by the Trustee on the recommendation of the Remuneration Committee of the Board to any bona fide employee or director of the Company or its subsidiaries who is a beneficiary or potential beneficiary of the employee benefit trust established by trust deed dated 29 April 1992 made between B&C, the Company and Abacus (CI) Limited.

Options may only be granted:

- (a) until the day immediately preceding Admission, provided that any such grant must be conditional on Admission taking place; and thereafter
- (b) at any time other than the period of 8 weeks immediately preceding the announcement of the Company's annual or interim results; provided that
- (c) the Trustee shall not grant any options at a time when directors and employees would be prevented from dealing in the Company's shares by the Model Code of the London Stock Exchange and the Criminal Justice Act 1993.

##### (ii) Acquisition Price

The amount payable in relation to the exercise of an option shall be determined by the Trustee not later than the date on which the option is granted, and is intended to be a nominal sum.

##### (iii) When Options may be exercised

In normal circumstances, options may be exercised any time between the second and tenth anniversaries of their date of grant. Options granted to an individual who is resident and ordinarily resident in the UK for income tax purposes may be exercised at any time between the second and the seventh anniversaries of their date of grant.

Options will become exercisable immediately on an option-holder ceasing to hold employment with the Company, its subsidiaries or a company in which the Company holds directly or indirectly a beneficial interest in respect of 20 per cent. or more of its issued share capital.

Rights of exercise will also arise on a change in control or reconstruction of the Company and in the event of a voluntary winding-up or on notification being given to the Trustee by the Company that the ordinary shares are to cease to be listed on the London Stock Exchange.

The Trustee has a discretion to allow an option to be exercised within two years of its date of grant in exceptional circumstances involving financial hardship.

The Trustee has a discretion to extend the period for exercise of an option up to four years and six months from its date of grant when a participant ceases to hold relevant employment after the second anniversary of grant. On

cessation of employment through disability or on the death of a participant, the participant or his personal representative may choose to exercise the option at any time or times from the date of such cessation to the expiry of the period of four years and six months from grant.

- (iv) *Voting, Dividend, Transfer and other rights*  
Options are non-transferable.

Shares acquired under the Purchased Option Scheme shall rank *pari passu* in all respects with shares then in issue and shall be transferred by the Trustee on the exercise of an option with all rights and benefits attaching thereto.

- (v) *Administration and amendment*

The Company with the consent of the Trustee may amend the rules of the Purchased Option Scheme, provided that:

- (a) normally, no amendment shall operate to affect adversely any rights already acquired by an option-holder except with such consent on their part as would be required by the Company's Articles of Association if the existing options were exercised and the shares so acquired constituted a separate class of share capital; and
- (b) the Trustee may alter the administration procedure applying to the Purchased Option Scheme or amend the terms or impose further conditions on the grant and exercise of options to take account of overseas taxation and securities or exchange control laws.

**B. The Principal Terms of the Exco plc Purchased Shares and Nominee Scheme (the "Nominee Scheme")**

- (i) *Eligibility*

Invitations to participate in the Nominee Scheme may be sent by the person from time to time acting as nominee (which will usually be the Trustee acting in a separate capacity) (the "Nominee") on the recommendation of the Remuneration Committee of the Board to any bona fide employee or director of the Company or its subsidiaries who is a beneficiary or potential beneficiary of the Trust.

- (ii) *Scheme Limits*

The maximum value of the ordinary shares which a participant may acquire under or submit to the Nominee Scheme shall be specified in each invitation issued by the Nominee.

- (iii) *When acquisitions can be made*

Acquisitions may only be made:

- (a) until the day immediately preceding Admission provided that any such acquisition must be conditional on Admission taking place; and thereafter
- (b) at any time other than the period of 8 weeks immediately preceding the announcement to the London Stock Exchange of the Company's annual or interim results; provided that
- (c) acquisitions may not be made at a time when directors and employees would be prevented from dealing in the Company's shares by the Model Code of the London Stock Exchange and the Criminal Justice Act 1993.

- (iv) *Acquisition Price*

In relation to any acquisition the acquisition price payable for ordinary shares by participants shall not be less than:

- (a) prior to Admission (but at a time when a prospectus has been issued in respect of Admission) the price at which ordinary shares are offered to the public pursuant to such prospectus together with the associated dealing costs; and
- (b) at any other time, the average price paid by the Nominee in acquiring all the ordinary shares in respect of which acquisitions are being made at that time together with the associated dealing costs.

- (v) *When shares may be transferred*

In normal circumstances the legal ownership of ordinary shares shall not be transferable by the Nominee before the expiry of two years from their date of acquisition and thereafter may be transferred to or at the direction of the participant. The ordinary shares shall be transferred on a participant ceasing to hold employment with the Company and its subsidiaries or a company in which the Company holds directly or indirectly a beneficial interest in respect of 20 per cent. or more of its issued share capital.

Ordinary shares shall also be transferred on a change in control or reconstruction of the Company and in the event of a voluntary winding-up or on notification that the ordinary shares are to cease to be listed on the London Stock Exchange.

The Nominee has a discretion to transfer ordinary shares within two years of their date of acquisition in exceptional circumstances involving financial hardship.

The Nominee has a discretion to retain legal ownership of the ordinary shares until the fourth anniversary of their date of acquisition when a participant ceases to hold relevant employment prior to that anniversary, save that on cessation of employment, disability or death, a participant or his personal representative may choose to require the transfer of the ordinary shares or to leave the relevant ordinary shares in the name of the Nominee.

(vi) *Voting, Dividend, Transfer and other rights*

Dividends paid by the Company to the Nominee shall be paid out to participants.

Participants may not assign or transfer the beneficial interest in shares within two years of their date of acquisition while they are registered in the name of the Nominee.

In the event of a general meeting of the Company the Nominee may only attend and vote on a show of hands if the Nominee has received directions from the participants and all specific directions received from the participants are identical. In the absence of any such direction the Nominee shall abstain from voting. On a poll the Nominee shall act in accordance with the participants' directions.

(vii) *Administration and amendment*

The Company with the consent of the Nominee may from time to time amend the rules, provided that, no amendment shall operate to affect adversely any rights already acquired by a participant under the Nominee Scheme except with such consent on their part as would be required by the Company's Articles of Association if the ordinary shares acquired under the Nominee Scheme formed a separate class of share.

C. *The Principal Terms of the Exco plc Matching Share Option Scheme (the "Matching Scheme")*

(i) *Eligibility*

Options will be granted to any bona fide employee or director of the Company and any of its subsidiaries who is a participant in the Purchased Option Scheme or the Nominee Scheme, over a matching number of shares.

Options may only be granted:

- (a) until the day immediately preceding Admission provided that any such grants must be conditional on Admission taking place; and thereafter
- (b) at any time other than the period of 8 weeks immediately preceding the announcement of the Company's annual or interim results; provided that
- (c) the Company shall not grant any options at a time when directors and employees would be prevented from dealing in the Company's shares by the Model Code of the London Stock Exchange and the Criminal Justice Act 1993.

(ii) *Acquisition Price*

The amount payable in relation to the exercise of an option shall be determined by the Trustee not later than the date on which the option is granted, and is intended to be a nominal sum (but shall not be less than the par value of the ordinary shares in respect of which an option is exercised under the arrangements for employees of the associated undertakings). In the case of Group employees any difference between the nominal sum and par value would be paid up out of distributable reserves.

(iii) *When Options may be exercised*

An option shall not be exercisable before the fourth anniversary of its date of grant or an earlier change in control, Section 425 Companies Act reconstruction, or voluntary winding up of the Company (the "Retention Date"); nor in any circumstances later than the tenth anniversary of its date of grant unless it was granted to an individual who is resident and ordinarily resident in the UK for income tax purposes when the option shall not be exercisable later than 7 years less one day from its date of grant.

An option shall not be exercisable in any circumstances unless the participant continues to hold the relevant option under the Purchased Option Scheme (the "Qualifying Option") or the relevant ordinary shares pursuant to the Nominee Scheme ("Qualifying Shares"), as the case may be, in respect of which the option was granted under the Matching Scheme. To the extent that a Qualifying Option is exercised, or Qualifying Shares are sold, the related option granted under the Matching Scheme shall lapse.

If, before the Retention Date, a participant ceases (other than by reason of death or disability) to hold employment with the Company, its subsidiaries or a company in which the Company holds directly or indirectly a beneficial interest in respect of 20 per cent. or more of its issued share capital then the option will normally lapse unless within three months of such cessation the Remuneration Committee of the Board shall otherwise determine. If, on or after the Retention Date, the participant ceases to hold such employment then he may exercise his option within 6 months of such cessation.

The extent to which an option may be exercised depends in part on the performance of the Company. As to 50 per cent. of the ordinary shares covered by an option, there is no performance condition. However, in the circumstances referred to below, if the market value of an ordinary share does not exceed the Offer Price, no matching options are exercisable. As to the remaining 50 per cent. of the ordinary shares covered by an option, if the Company achieves growth in earnings per share ("eps") between the date of the last audited accounts preceding the date of grant of the option and the date of those preceding the fourth anniversary of such date of grant as set out in column 1 below, exercise will be permitted to the extent set out in column 2 (save that this performance target shall be disapplied on a change in control, a Section 425 Companies Act 1985 reconstruction, winding-up or on the issue of notices of compulsory acquisition under Section 429 of the Companies Act 1985, if the market value of an ordinary share exceeds the Offer Price).

Column 1	Column 2
Growth in EPS	Extent Options Exercisable
a) less than 30%	Nil
b) 30%	50%
c) more than 30% but not more than 49%	50% plus 2½% for every 1% growth in EPS over 30%
d) 50% or more	100%

- (iv) **Individual Limits**  
The maximum number of ordinary shares over which an option may be granted to an individual shall not exceed the number of ordinary shares subject to his related Qualifying Option or which form his related Qualifying Shares, as the case may be.

- (v) **Scheme Limits**  
The maximum number of ordinary shares which may be subscribed for the purposes of the Matching Scheme when added to the aggregate number of ordinary shares issued or issuable in the immediately preceding 10 years under any other share scheme adopted by the Company but, excluding any ordinary shares already in issue and subject to option arrangements, shall not exceed 10 per cent. of the ordinary share capital of the Company in issue from time to time.

- (vi) **Voting, Dividend, Transfer and other rights**  
Options are non-transferable.

Ordinary shares issued under the Matching Scheme shall rank *pari passu* in all respects with shares then in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the relevant option.

- (vii) **Administration and amendment**  
The Company may amend the rules of the Matching Scheme provided that prior approval of the Company in general meeting will be required to any significant change to the advantage of a participant.

No amendment shall operate to affect adversely any rights already acquired by a participant except with such consent on their part as would be required by the Company's Articles of Association if the existing options were exercised and the shares so acquired constituted a separate class of share capital.

The Company may make any amendment without the prior approval of the Company in general meeting which the Company considers is necessary or desirable to take account of proposed or existing legislation, or to obtain or maintain favourable taxation treatment for the Company or its subsidiaries or any option holder provided any such alteration does not affect the basic principles of the Matching Scheme.

The Remuneration Committee of the Board may alter the administration of the Scheme and amend the terms or impose conditions on the grant and exercise of options to take account of overseas taxation and securities or exchange control laws provided such changes are not inconsistent with the provisions of the Matching Schemes.

## 7. Taxation

- 7.1. The Directors have been advised that, in the context of the Offer, no material liability for capital transfer tax or inheritance tax is likely to fall upon the Company.

- 7.2. Exco has been advised that it is not considered likely that any additional tax liabilities will be incurred by the Company in relation to accounting periods commencing before Admission in excess of those provided for in the accounts or indemnified.

- 7.3. Under current UK taxation legislation, no tax will be withheld from dividend payments by the Company but the Company will generally have to account to the UK Inland Revenue for advance corporation tax ("ACT") in respect of any dividend it pays at the rate equal to one-quarter of the cash dividend.

Individual shareholders resident in the UK (for tax purposes) will generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their total income tax liability (or in appropriate cases reclaim in cash from the Inland Revenue). The value of the tax credit attached to dividends is equal to 20 per cent. of the dividend plus the tax credit (equivalent to one-quarter of the cash dividend). Lower and basic rate taxpayers will have no further liability to tax on their dividends. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 40 per cent., against which liability they can offset the 20 per cent. tax credit.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received and will generally be able to treat any dividend received (together with the associated tax credit) as franked investment income and accordingly such a shareholder can, generally, offset the tax credit against its own liability to account for ACT on its own distributions.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

The above summary assumes that the Company will not elect for any of its dividends to be treated as foreign income dividends for tax purposes. If the Company does so elect, details of the resulting tax consequences will be given to shareholders.

- 7.4. The Vendors have undertaken to pay any stamp duty/stamp duty reserve tax which may be payable on the acquisition of the ordinary shares being sold pursuant to the Offer.

Any person who is in doubt as to his taxation position or requires more detailed information than the general outline above should consult his professional advisers.

## 8. Placing and Public Offer arrangements

- 8.1 (a) By an agreement (the "Underwriting Agreement") dated 29 June 1994 between the Company (1), the shareholders of the Company, including B&C, who are selling shares (the "selling shareholders") (2), the Directors (3), the directors of Exco International (the "Exco International directors") (4) and Rothschild (5), Rothschild has agreed, as agent for the selling shareholders, to seek to place 53,117,726 ordinary shares at the Offer Price, to make the Public Offer, and to procure persons to purchase or, failing that, itself as principal to purchase any ordinary shares which have not been disposed of under the Placing or Public Offer. 13,279,432 ordinary shares which are the subject of the Offer are to be placed subject to a right of recall to satisfy valid applications under the Public Offer. The obligations of Rothschild under the Underwriting Agreement are conditional, *inter alia*, on Admission taking place not later than 19 July 1994 or such later date (not being later than 26 July 1994) as Rothschild and the Company may agree.
- (b) The selling shareholders will pay to Rothschild a commission of 2 per cent. on the value at the Offer Price of the number of ordinary shares offered for sale on their behalf under the Public Offer and a commission of 0.75 per cent. on the value at the Offer Price of the remainder of the ordinary shares comprised in the Offer. Out of the commissions payable to Rothschild, Rothschild will pay commissions to Kleinwort Benson Securities Limited, S.G. Warburg Securities Ltd. and to placees. In addition, Rothschild will receive fees of £52,500 from the Company and £247,500 from B&C in connection with its services as sponsor. Value added tax will, where appropriate, be paid on such commissions and fees.
- (c) The Underwriting Agreement also provides for the costs, charges and expenses of and incidental to the Placing and Public Offer to be apportioned between B&C and the Company. The Company's maximum liability in respect thereof is limited to an amount equal to 17.5 per cent. of all such costs, charges and expenses in excess of £250,000 save for certain costs, charges and expenses in respect of the employee share plan which will be apportioned equally as agreed between B&C and the Company.

(d) The Underwriting Agreement contains:

- (i) representations and warranties given by the Company, the executive Directors and the Exco International directors as to the accuracy of information contained in this document and other matters related to the Group and its business. The non-executive Directors have also given a number of such representations and warranties;
  - (ii) representations from the selling shareholders as to title and their authority to sell. B&C's liability in respect of any claim pursuant to such warranty and otherwise under the Underwriting Agreement (save in the case of certain of the indemnities referred to in (iii) below) is limited to an amount equal to the proportion of the Offer proceeds to which it is entitled less the costs, fees and expenses payable by it under the terms of the Underwriting Agreement and is excluded completely unless notice of any such claim is given to B&C in writing prior to 29 June 1996. The net proceeds of sale attributable to B&C will be retained in a separate designated account of B&C until the later of 9 September 1994 and the date falling fourteen days after the despatch of share certificates to the purchasers of the B&C Shares (as defined below) (by which date such purchasers will have been entered on the register of members of Exco), at which time such moneys may be released from such account unless and to the extent that prior thereto written notice of any claim shall have been given by any purchaser of B&C Shares to B&C in respect of the shares sold by it;
  - (iii) indemnities given by the Company, the executive Directors, the Exco International directors and the selling shareholders to Rothschild. In the case of certain indemnities from B&C, B&C's liability is limited to £2 million and excluded completely unless notice of any such claim is given to B&C in writing prior to 29 June 2000; and
  - (iv) certain tax indemnities given by the executive Directors and the Exco International directors to the Company (for itself and as trustee for its subsidiaries). The Company is indemnified for certain taxation liabilities to the extent that the executive Directors and the Exco International directors have been a party to or benefited from the transaction giving rise to the tax liability.
- (e) The obligations of Rothschild under the Underwriting Agreement may be terminated in certain circumstances by Rothschild giving notice to the Company prior to Admission including where there has been a material breach of any of the representations and warranties contained therein or where, prior to 5.00 p.m. on 29 June 1994, there shall, in the reasonable opinion of Rothschild, have occurred any adverse change in national or international financial, market, industrial, economic or political conditions which is of such magnitude or severity as to be material in the context of the Placing or Public Offer.
- (f) Each of the executive Directors and the Exco International directors has undertaken not to, and to procure that the trustees of their respective trusts will not, sell any ordinary shares held by them (other than any ordinary shares being sold in the Offer and any ordinary shares arising on the conversion of the 1998 stock and the 2001 stock referred to in paragraph 2.7 above) without the prior written consent of Rothschild (such consent not to be unreasonably withheld) prior to the date of publication of the accounts of the Company for the year ending 31 December 1994. Certain of the selling shareholders have undertaken not, without prior consultation with Rothschild and Kleinwort Benson Securities Limited, to dispose of any ordinary shares in the Company (other than in the Offer) prior to the publication of the report and accounts of the Company for the financial period ending 31 December 1994 and only to effect such disposals through the Company's brokers and on the basis that such disposals shall be conducted in an orderly fashion as reasonably advised by the brokers.

- 8.2 B&C has been advised by its solicitors, Lovell White Durrant, on the basis of certain assumptions and qualifications of a formal nature, that a bona fide purchaser for value under the Offer of any of its ordinary shares in Exco which are to be sold under the Offer (the "B&C Shares") will, on registration as a member, acquire the B&C Shares free from any third party claim which may exist unless that purchaser has notice of any such claim prior to his payment for the B&C Shares.
- 8.3 By a counter indemnity dated 29 June 1994 B&C has agreed to indemnify the executive Directors of Exco and the directors of Exco International against certain liabilities which may be incurred by them under the Underwriting Agreement and otherwise in connection with the Offer.
- 8.4 Exco Trustees Limited has agreed, conditionally upon Admission, to purchase 900,000 ordinary shares at the Offer Price from English & Scottish Investors plc as referred to in "The Offer Structure" in Part I of this document. Exco Trustees Limited will not be entitled to the dividends referred to in "Financial Information: Conditional dividends" in Part I of this document in respect of these shares.

## 9. Material contracts

9.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group since 30 June 1992 and are or may be material:

- (a) A Shareholders' Agreement dated as of 17 December 1987 among Shorcan and the shareholders of Shorcan as amended by agreements dated 20 December 1988, 31 December 1991 and 18 February 1994 amending such Shareholders Agreement and making RMJ Securities (Canada) Limited, Exco and Shorcan Employee Holding Corp a party relating to the shareholdings in Shorcan and containing the terms set out in Note 3 in paragraph 10 below.
- (b) An agreement dated 10 November 1992 between Exco and Exco International Inc ("the Borrowers") (a) Exco (b) Lloyds Bank Plc (c) Lloyds Bank Plc Capital Markets Group (d) and the Banks (as therein defined) (e) whereby the Banks agreed to grant the Borrowers a multi currency revolving credit facility in an aggregate amount of £22,500,000 repayable over 5 years at a rate of one per cent. over LIBOR. The facility is unsecured.
- (c) A Sale and Purchase Agreement dated 10 December 1993 made between (1) Marc Kipfer (2) Charles Walser (3) Urs Lichtsteiner and (4) the Company in respect of the purchase by the Company of all the shares of CMS Capital Market Services A.G., Zurich ("CMS") for a total consideration based on a multiple of average earnings of CMS for the calendar years 1993 to 1996 inclusive as calculated by 28 February 1997. Part of the consideration was paid on completion and a further payment is due on 30 June 1994. The further sums payable in March 1997 and any interest thereon have been estimated on the basis of CMS's 1993 earnings and full provision has been made as at 31 December 1993. The Directors do not anticipate further material sums, beyond that for which provision has been made, to be payable. CMS is a stock corporation incorporated in Switzerland and is engaged in the broking of capital market transactions and associated products and provides information and consultancy services.
- (d) The Underwriting Agreement.

## 10. Principal subsidiary and associated undertakings

The Company acts as the holding company of the Group.

The following are the principal operating subsidiary and associated undertakings of the Company:

Subsidiary Undertakings	Country of Incorporation	Nature of Business	Issue Share Capital
Astley & Pearce (Australia) Pty Limited	Australia	Moneybroking	A\$600,000
Astley & Pearce (C.I.) Limited	Guernsey	Moneybroking	£7
Astley & Pearce (Hong Kong) Limited	Hong Kong	Moneybroking	HK\$5,000,000
Astley & Pearce (Proprietary) Limited (80%) (note 1)	South Africa	Moneybroking	Rand 100,000
Astley & Pearce (Pte) Limited	Singapore	Moneybroking	S\$100,000
Astley & Pearce S.A.	Switzerland	Moneybroking	SF50,000
CMS Capital Market Services A.G.	Switzerland	Moneybroking	SF300,000
Astley & Pearce (Scandinavia) A.S. (77%) (note 2)	Denmark	Moneybroking	DKr300,000
Godsell, Astley & Pearce Limited	UK	Moneybroking	£14,071,156
Noonan, Astley & Pearce, Inc	US	Moneybroking	US\$438,000
Godsell, Astley & Pearce (Derivative Products) Limited	UK	Capital Markets Broking	£1,371,000

Subsidiary Undertakings	Country of Incorporation	Nature of Business	Issued Share Capital
F.I.B.(Australia) Pty Limited	Australia	Fixed Interest Broking Securities	A\$300,000
RMJ Securities Corp	US	Broking Securities	US\$400,000
Shorcan International Brokers Limited (75.59%) (note 3)	Canada	Broking Securities	Can\$67,263
RMJ Europe Limited	US	Securities Broking	US\$100
Shorcan/London Limited (75.59%)	UK	Securities Broking	£350,000
Williams, Cooke, Lott and Kissack Limited	UK	Gilt Inter Dealer Broking	£5,400,000
Exco (Treasury) Limited	UK	Investment Company	£2
Exco International, Inc	US	Holding Company	US\$5,220
Exco International plc	UK	Holding Company	£731,668
Exco (Management Services) Limited	UK	Central Services	£1,000

The Company's interest directly and indirectly is 100 per cent. unless otherwise stated. All companies incorporated in the UK are registered in England and Wales and (save for Williams, Cooke, Lott and Kissack Limited) the registered office of each is Sherborne House, 119 Cannon Street, London EC4N 5HX. The registered office of Williams, Cooke, Lott and Kissack Limited is 30 Cornhill, London EC3V 3ND. The registered office of Astley & Pearce (Australia) Pty Limited and F.I.B. (Australia) Pty Limited is 9th Floor, 9-13 Castlereagh Street, Sydney, NSW 2000, Australia. The registered office of Astley & Pearce (C.I.) Limited is Warwick House, The Grange, St Peter Port, Guernsey, GY1 4HB; of Astley & Pearce (Hong Kong) Limited, 8/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central Hong Kong; and of Astley & Pearce (Proprietary) Limited, 15th Floor, 35 Pritchard Street, Johannesburg, 2001 South Africa. The registered office of Astley & Pearce (Pte) Limited is 6 Battery Road, 41-01 Singapore 0104; of Astley & Pearce S.A., Talacker 41 CH-8001, Zürich, Switzerland; and of CMS Capital Market Services A.G., Seefeldstr. 35, CH-8008 Zürich, Switzerland. The registered office of Astley & Pearce (Scandinavia) A.S. is Vestergade 33, DK-1456 Copenhagen K; of Noonan, Astley & Pearce, Inc. and Exco International, Inc., 10 Exchange Place, Jersey City NJ 07302; and of RMJ Securities Corp and RMJ Europe Ltd., 199 Water Street, New York, N.Y. 10038. The registered office of Shorcan International Brokers Limited is 20 Adelaide Street East, Suite 1000, Toronto, Ontario, Canada M5C 2T6.

Note 1. The remaining 20 per cent. is held by senior management.

Note 2. The remaining 23 per cent. is held by employees of the company. If employees owning shares leave the company, Exco may be required to purchase those shares at a multiple equivalent to a three-year trailing average of five times post-tax profits, but the maximum number of shares that Exco may be required to purchase in any 12-month period is 7 per cent. of the company's share capital. Exco has not been called upon to purchase any shares in the last 3 years.

Note 3. The remaining 24.41 per cent. is owned by employees of the company. Employees may require members of the Group to purchase those shares at a multiple equivalent to a three-year trailing average of six times pre-tax profits. In any year (provided at least such number of shares has been put to a member of the Group) up to 15,000 of the shares of the company (representing 1.14 per cent. of its share capital) together with any unallocated balance of up to 15,000 shares from prior years may be required by the company to be transferred to employees at a multiple of three times average pre-tax profits as referred to above and such shares then become subject to the put option arrangements referred to above. Such shares may not be put in the year in which they were acquired and for the two years thereafter and may not be put in their entirety until the fifth year after their acquisition. In the last three years Exco has paid £nil, £721,000 and £113,000 respectively in respect of its obligations under these arrangements.

Associated Undertakings	Country of Incorporation	Nature of Business	Issued Share Capital
KAF Astley & Pearce Sdn Bhd (40%) (note 4)	Malaysia	Money broking	Ringgit 200,000
The Nittan AP Company Limited (33%) (note 5)	Japan	Money broking	Y300,000,000
PT AP Nusantara Indonesia (25%) (note 6)	Indonesia	Money broking	Rp1,000,000,000

The financial year ends of KAF Astley & Pearce Sdn Bhd and Nittan AP are 31 May and 30 September respectively.

Note 4. The remaining 60 per cent. of the shares are held by third party investors; the registered office is 18th Floor, Menara Boustead, Jalan Raja, Chulan, JO200 Kuala Lumpur, Malaysia.

Note 5. The remaining 67 per cent. of the shares is held by Nihon Tanshi. Nittan AP's shareholding in Exco is referred to in paragraph 4.2 above; the registered office is 3-14, 3-chome, Nihonbashi-Hongokuchuo, Chuo-ku, Tokyo 103, Japan.

Note 6. The remaining 75 per cent. of the shares are held by third party investors; the registered office is Gedung BR1 11 Suite 807 J1, Jendral Sudirman no. 44-46 Jakarta 10210, Indonesia.

## 11. Principal establishments

The following are details of the principal establishments of the Group:

Establishment	Nature of Establishment	Area (Sq ft)	Leasehold expires
80 Cannon Street, London	Office	18,668	March 2002
Sherborne House, 119 Cannon Street, London	Office	33,718	October 2009
10 Exchange Place, Jersey City, New Jersey, USA	Office	49,862	June 2006
127 John Street, New York NY 10038, USA	Office	23,478	March 1995
199 Water Street, New York NY 10038, USA	Office	30,763	December 2000

## 12. Litigation

Save as disclosed below and in note 29 to the Accountants' Report set out in Part II of this document, there are no legal or arbitration proceedings, and as far as the Company is aware, no such proceedings are pending or threatened which may have, or have had in the last 12 months, a significant effect on the Group's financial position.

Noonans is being sued by a former employee for alleged wrongful dismissal and alleged creation of a hostile work environment based upon such employee's race. The employee left to join a competitor in respect of which Noonans has lodged a claim against that employee. Noonans has been advised that the claim by the employee is without foundation and the Directors are of the view that no material liability will fall on the Group as a result of such litigation.

**13. Working capital**

In the opinion of the Directors, the working capital available to the Group is sufficient for the Group's present requirements.

**14. General**

- 14.1. Save as disclosed in "Current Trading" in Part I of this document no significant change in the financial or trading position of the Group has occurred since 31 December 1993 the date to which the last audited consolidated accounts of the Company were made up.
- 14.2. The total costs and expenses payable by the Company in connection with the Offer are estimated to amount to approximately £500,000 (exclusive of value added tax). Details relating to remuneration of financial intermediaries are set out in paragraph 8.1 above.
- 14.3. Coopers & Lybrand have given and have not withdrawn their written consent to the inclusion in this document of their letter and report and the references to such letter and report and their name in the form and context in which they are respectively included.
- 14.4. Rothschild has given and has not withdrawn its written consent to the inclusion in this document of its letter and the references to such letter and its name in the form and context in which they are respectively included.
- 14.5. Lovell White Durrant have given and have not withdrawn their written consent to the inclusion in this document of the reference to their name in the form and context in which it is included.
- 14.6. The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Coopers & Lybrand of Plumtree Court, London EC4A 4HT have audited the consolidated accounts of the Company in accordance with the laws of England for each of the three financial years ended 31 December 1993. Copies of accounts for each of those years (which had an unqualified audit opinion) have been filed with the Registrar of Companies in England and Wales.
- 14.7. The average number of employees of the Group during each of the financial years ended 31 December 1991, 31 December 1992 and 31 December 1993 was 1,668, 1,599, and 1,620 respectively.
- 14.8. Rothschild, a member of The Securities and Futures Authority Limited, is registered in England and Wales with No. 925279 and its registered office is at New Court, St Swithin's Lane, London EC4P 4DU. C M Mosselmans is a director of Rothschild Asset Management Limited which is, as is Rothschild, a subsidiary of Rothschilds Continuation Limited.
- 14.9. M C Johns is a partner of Ashurst Morris Crisp which will be receiving a fee for services in connection with the Offer.
- 14.10. Since 31 December 1992 there has not occurred any public takeover bid by a third party in respect of the Company's issued share capital nor has any public takeover been made by the Company in respect of any other company's shares.
- 14.11. The Directors consider that the Group has effected satisfactory insurance cover for all material risks facing the Group which would reasonably be expected to be the subject of insurance cover.
- 14.12. In common with most other groups which have been in business for some time the Group has contingent liabilities under leases it has assigned.
- 14.13. In the opinion of the Directors, the Company is not a close company within the meaning of Part XI of the Income and Corporation Taxes Act 1988.
- 14.14. 1,127,726 ordinary shares will be made available under the Placing to London Stock Exchange member firms which are independent of Rothschild and Kleinwort Benson Securities Limited.
- 14.15. R C Lacy was a non-executive director of British & Commonwealth Holdings PLC when an administration order was placed on that company in June 1990. J A Heywood was a non-executive director of Ferranti International plc when that company invited its bankers to appoint receivers in December 1993.

**15. Documents Available for Inspection**

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA and at the registered office of the Company up to and including 13 July 1994:

- (a) the Memorandum of Association of the Company;
- (b) the Articles of Association of the Company which become effective on Admission;
- (c) the audited consolidated accounts of the Company for the two financial years ended 31 December 1993;
- (d) the letters from Coopers & Lybrand and Rothschild regarding the profit forecast set out in Part I of this document;
- (e) the Accountants' Report set out in Part II of this document and the statement of adjustments thereto;
- (f) the loan stock instruments referred to in paragraph 2.7 above;
- (g) the contracts, terms and conditions of employment and terms of appointment referred to in paragraph 5 above;
- (h) the rules of the share plans, the share incentive schemes and the employee benefit trust deeds referred to in paragraph 6 above;
- (i) the material contracts referred to in paragraph 9 above;
- (j) the letters of consent referred to in paragraph 14 above; and
- (k) the letter from Lovell White Durrant referred to in paragraph 8.2 above.

Dated 29 June 1994

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## **PART IV — APPLICATIONS AND DEALINGS**

### **TERMS AND CONDITIONS OF APPLICATION**

The "Guide to the Public Application Form" set out below, forms part of these "Terms and Conditions of Application".

1. The contract resulting from each acceptance of an application under the Public Offer of ordinary shares of 25p each in Exco at the Offer Price will be conditional on the whole of the issued ordinary share capital of the Company being admitted to the Official List of the London Stock Exchange and such admission becoming effective in accordance with the rules of the London Stock Exchange not later than 19 July 1994 (or such later date, being not later than 26 July 1994, as Rothschild and the Company may agree) and on the obligations of Rothschild under the Underwriting Agreement (the "Underwriting Agreement") referred to in paragraph 8.1 of Part III of the Listing Particulars dated 29 June 1994 relating to the Offer (the "Listing Particulars") becoming wholly unconditional and not being terminated in accordance with its terms before such admission becomes effective. If these conditions are not satisfied, money collected in respect of applications will be returned through the post to the address of the first-named applicant at the risk of that person and any joint applicant(s) by returning the applicant's cheque or banker's draft or by sending a non-transferable cheque in favour of the applicant or, in the case of joint applicants, the first-named applicant, without interest or where the Money Laundering Regulations 1993 have not been complied with to the satisfaction of Lloyds Bank Registrars by cheque, banker's draft or banker's payment to the bank or society on which the cheque was drawn at the risk and expense of the applicant and any other person on whose account the cheque was drawn. In the meantime such money will be retained by Lloyds Bank Registrars, in a separate account.
2. The right is reserved to present cheques and banker's drafts for amounts payable on application for payment on receipt thereof by Lloyds Bank Registrars before the conditions stated in paragraph 1 above are satisfied and for Lloyds Bank Registrars to retain Letters of Allocation and surplus application money pending clearance of each applicant's cheque or banker's draft. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared by 3.00 p.m. on 14 July 1994.
3. Subject to the arrangements for employees referred to in paragraph 6.5 of Part III of the Listing Particulars, the basis of allocation for applications will be determined by Rothschild in its absolute discretion after consultation with the Company. An applicant may be allocated ordinary shares being sold by B&C and ordinary shares being sold by other selling shareholders or any of them in such proportions as Rothschild in its absolute discretion may determine. Each acceptance of an application (whether in whole or in part) shall constitute separate contract(s) for the purchase of ordinary shares from the selling shareholder(s) and these terms and conditions shall be construed accordingly. The remedies available to persons

purchasing shares from B&C will differ from those available to persons contracting with other selling shareholders as referred to in paragraph 10 below.

4. Subject to the arrangements for employees, the right is reserved to reject in whole or in part or to scale down any application including, without limitation, multiple or suspected multiple applications or any application considered by Rothschild to have been made by a nominee (unless such application is accompanied by written confirmation of the identity of the intended beneficial owner) and to reject any application from (or suspected to be from) or made on behalf of (or suspected to be made on behalf of) a person within the US or a Canadian person (as defined in paragraphs 5(p) and (q) below) unless the Company and Rothschild are satisfied that such application is made pursuant to an applicable exemption. If any application is not accepted, or is accepted for fewer ordinary shares than the number applied for, the application moneys or the balance thereof (as the case may be) will be returned by returning the applicant's cheque or banker's draft or by sending a non-transferable cheque in favour of the first-named applicant in each case by post at the risk of the person(s) entitled thereto to the address of the applicant or, in the case of joint applicants, the first-named applicant without interest. The right is also reserved to treat as valid any application which has not been completed in all respects in accordance with the instructions accompanying the Public Application Form or which is not accompanied by a power of attorney where necessary or which is accompanied by a cheque or banker's draft for the wrong amount.
5. The Offer is being made by Rothschild as agent of the selling shareholders. Applications must be made on the accompanying Public Application Form. By completing and delivering a Public Application Form each applicant:
  - (a) offers to acquire the number of ordinary shares specified in his Public Application Form (or such smaller number for which his application may be accepted) at the Offer Price on the terms and subject to the conditions set out in the Listing Particulars and in the Public Application Form (as the case may be) and subject to the Memorandum and Articles of Association of the Company;
  - (b) authorises Lloyds Bank Registrars to send a Letter of Allocation (issued by Rothschild on behalf of the selling shareholders) for the number of ordinary shares for which his application is accepted and/or a non-transferable cheque for any moneys returnable (without interest) by post, at the risk of the person(s) entitled thereto, to his address (or that of the first-named applicant) as set out in his Public Application Form and to procure that his name (together with the name(s) of any other joint applicant(s)) is/are placed on the register of members of the Company in respect of such ordinary shares the entitlement to which has not been duly renounced;

- (c) in consideration of Rothschild agreeing that it will consider and process applications for ordinary shares in accordance with the procedures referred to in the Listing Particulars, and as a separate collateral contract between him and Rothschild which will become binding on despatch by post of his Public Application Form to, or, in the case of applications delivered by hand, upon receipt of his Public Application Form by, Lloyds Bank Registrars:
- (i) agrees that his application may not be revoked until after 26 July 1994;
  - (ii) warrants that his cheque or banker's draft will be honoured on first presentation;
  - (iii) agrees that any Letter of Allocation and money returnable may be retained by Lloyds Bank Registrars pending clearance of his cheque or banker's draft or pending investigation of any suspected breach of the warranties contained in sub-paragraphs (p) and (q) below and such money will not bear interest;
  - (iv) agrees that promptly upon request being made he will supply Rothschild with any information requested in respect of his application and authorises Rothschild to disclose any information in relation to his application as Rothschild may consider appropriate; and
  - (v) agrees, on request by Lloyds Bank Registrars and within such time as it may specify in such request, to disclose in writing to it such evidence of identity as may be requested by it to ensure compliance with the Money Laundering Regulations 1993. If, at the end of the period specified in its request for verification of identity, Lloyds Bank Registrars has not received evidence satisfactory to it as aforesaid, Rothschild or the Company may at their absolute discretion reject the application concerned in which event the moneys payable on application will be returned (without interest) to the bank or building society on which the cheque was drawn at the risk of the persons entitled thereto;
- (d) agrees that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and submits to the non-exclusive jurisdiction of the English courts;
- (e) warrants that if he signs a Public Application Form on behalf of any other person(s) or a corporation he has due authority to do so and that such person will also be bound accordingly and be deemed to have given the confirmation, warranties and undertakings contained herein;
- (f) warrants that he is not, and is not applying as nominee or agent for, a person who is

or may be liable to stamp duty or stamp duty reserve tax under any of Sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);

- (g) authorises Rothschild or any person authorised by Rothschild, on his behalf to make returns to the Inland Revenue in relation to stamp duty reserve tax (if any) payable on the contract resulting from the acceptance of his application and in relation to stamp duty (if any) payable on any transfer of ordinary shares as a result of such contract or any renunciation;
- (h) warrants that he is not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are market maker(s) in the shares of the Company within the meaning of Section 81 of the Finance Act 1986;
- (i) warrants that he is not applying as, or as (a) nominee(s) or trustee(s) for, a body of persons established for charitable purposes only;
- (j) confirms that in making his application he is not relying on any information or representation in relation to the Company or any member of the Group or any associate other than such as may be contained in the Listing Particulars and he accordingly agrees that neither Rothschild nor the Company nor the Directors nor the selling shareholders nor any other person acting on behalf of any of them nor any person responsible solely or jointly for the Listing Particulars or any part thereof shall have any liability for any such other information or representation;
- (k) agrees that his Public Application Form is addressed to Rothschild, the Company and the selling shareholders;
- (l) authorises Lloyds Bank Registrars or Rothschild as his agent to do all things necessary to effect registration into his name(s) or into the names of any person(s) in whose favour the entitlement to shares shall have been renounced of any ordinary shares acquired by him and authorises any representative of Lloyds Bank Registrars or Rothschild to execute and/or complete any renounceable or other document of title required therefor;
- (m) warrants that no other application is being made by him for his own account or by another on his behalf or for his benefit and with his knowledge for such purpose or, if he is applying as agent or nominee of another, that other person is not, to his knowledge, acting in concert with any other person or persons as aforesaid;
- (n) warrants that, in connection with his application, he has complied with and observed the laws of all relevant territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his application in any territory

(other than United Kingdom stamp duty and stamp duty reserve tax), and that he has not taken any action or omitted to take any action which will or may result in the Company or Rothschild or any of the selling shareholders or any of their respective directors, officers, agents or employees acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his application;

- (o) agrees that Rothschild will not treat him as its customer by virtue of such application being accepted or otherwise and that Rothschild will not owe him any duties or responsibilities concerning the price of the ordinary shares or the suitability of such shares for him as an investment;
- (p) warrants that he is not a person in the US as provided under Regulation S under the US Securities Act of 1933 and is not applying for ordinary shares on behalf of, or with a view to, their re-offer, sale, renunciation, transfer or delivery to, or for the account or benefit of, any such person;
- (q) warrants that he is not a Canadian person which expression shall mean any individual resident in Canada, any corporation, partnership or firm organised under or governed by the laws of Canada or any political sub-division thereof, except for a branch of such entity located outside Canada, any branch in Canada of a corporation, partnership or firm incorporated or established outside Canada and any investment fund, estate or trust organised under or governed by the laws of Canada or any political sub-division thereof and is not acquiring ordinary shares offered hereby for the account of any Canadian person or with a view to their re-offer, sale or transfer to, or for the benefit of, any such person in Canada or to any Canadian person;
- (r) agrees that, having had the opportunity to read the Listing Particulars, he shall be deemed to have notice of all information and representations contained therein; and
- (s) warrants that he is not applying on behalf of anyone else engaged in money laundering.

If an applicant is a US or Canadian person and cannot give warranty (p) or (q), as the case may be, but still wishes to apply for shares, he should contact Rothschild.

6. Acceptance of an application will be effected, at the election of Rothschild (on behalf of the selling shareholders), either by notification to the London Stock Exchange of the basis of allocation or by notification of such acceptance by Rothschild to Lloyds Bank Registrars.
7. No person receiving a copy of the Listing Particulars and/or a Public Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use such a Public Application Form, unless in the relevant

territory such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any regulatory and other legal requirements and without any action being required on the part of the Company, Rothschild or any selling shareholder for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by a person outside the UK that he has satisfied himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required and compliance with other necessary formalities and paid any issue, transfer or other taxes required to be paid in such territory in respect of any shares acquired under the Offer.

8. All documents, cheques and banker's drafts sent by post will be at the risk of the person(s) entitled thereto.
9. The dates and times referred to in these "Terms and Conditions of Application" may be altered by Rothschild so as to be consistent with the Underwriting Agreement (as the same may be varied from time to time in accordance with its terms).
10. By completing and delivering a Public Application Form each applicant agrees that, save for any liability with regard to the warranties under the Underwriting Agreement as to title to the ordinary shares being sold by the selling shareholders and with regard to their authority to sell the ordinary shares being sold by them or as otherwise provided in the Underwriting Agreement, all representations, warranties and conditions, express or implied, and whether statutory or otherwise, are expressly excluded upon, and in relation to, the sale of the ordinary shares by selling shareholders and the selling shareholders shall have no liability to the purchasers of such shares. The aggregate liability of B&C is accordingly limited to an amount equal to the proportion of the Offer proceeds to which it is entitled less the costs, fees and expenses payable by it under the Underwriting Agreement and is excluded completely unless notice of any claim is given to B&C in writing prior to 29 June 1996.

#### **BASIS OF ALLOCATION AND DEALING ARRANGEMENTS**

Applications must be sent by post or delivered by hand to Lloyds Bank Registrars, or by hand only to Lloyds Bank Registrars, so as to be received no later than 10.00 a.m. on Friday, 8 July 1994. The basis on which applications have been accepted will be announced as soon as possible after the application list closes. It is expected that Letters of Allocation will be posted to successful applicants under the Public Offer on Monday, 18 July 1994 and that dealings in the ordinary shares will commence on Tuesday, 19 July 1994. Dealings prior to receipt of Letters of Allocation will be at the risk of the applicant(s). A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

Letters of Allocation will be renounceable until 3.00 p.m. on Tuesday, 2 August 1994. In cases of renunciation, Letters of Allocation (duly completed in accordance with the instructions contained

therein) must be lodged by post or by hand with Lloyds Bank Registrars, or by hand only to Lloyds Bank Registrars, by 3.00 p.m. on Tuesday, 2 August 1994. After that time an instrument of transfer must be used. Definitive share certificates are expected to be despatched on Friday, 12 August 1994. After and pending despatch of definitive share certificates, transfers will be certified against the Register of Members of the Company.

### **STAMP DUTY AND STAMP DUTY RESERVE TAX**

The Company has been advised that:

(a) *Renunciation of Letters of Allocation*

Where a person agrees with another for a consideration in money or money's worth to transfer rights represented by a Letter of Allocation, that other person (the renounee) will generally be liable to stamp duty reserve tax at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration. Renounees will be responsible for the discharge of any such liability.

(b) *Sales of shares*

The conveyance or transfer on sale of ordinary shares otherwise than by delivery of a renounced Letter of Allocation or following registration of renunciation will be subject to *ad valorem* stamp duty on the instrument of transfer, generally at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration. A charge to stamp duty reserve tax (at the same rate) may also arise if an unconditional agreement to transfer such shares is not completed by a duly stamped instrument of transfer within two months of the date of the agreement or if the shares are so conveyed or transferred prior to registration of renunciation.

(c) *Arrangements to meet liability*

Any liability of applicants or their renounees to stamp duty (at the rate of 50p per £100) arising in respect of the transfer of ordinary shares to such applicants by selling shareholders or renounees pursuant to the registration of Letters of Allocation on or before the latest time for registration will be discharged on behalf of applicants and renounees by Rothschild on behalf of selling shareholders. However, these arrangements will not apply to any charge to stamp duty or stamp duty reserve tax under any of Sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where the applicant or renounee is, or is a nominee for, either a person whose business is or includes issuing depositary receipts or a person whose business is or includes the provision of clearance services for the purchase or sale of chargeable securities). Furthermore, as mentioned above, renounees are responsible for the discharge of their own liability to stamp duty reserve tax.

Subject to these comments, no stamp duty or stamp duty reserve tax will be payable by applicants or renounees in respect of the registration of Letters of Allocation on or before the latest time for registration.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or stamp duty reserve tax, and others may be liable at higher rates or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person, who is in doubt as to his tax position should consult his own professional adviser.



## PART V — AVAILABILITY OF LISTING PARTICULARS AND PUBLIC APPLICATION FORMS

Copies of this document and the Public Application Form may be obtained from:

LONDON            N M Rothschild & Sons Limited  
New Court  
St Swithin's Lane  
London EC4P 4DU  
  
Kleinwort Benson Securities Limited  
20 Fenchurch Street  
London EC3P 3DB  
  
Lloyds Bank Plc  
Lloyds Bank Registrars  
PO Box 1000  
Antholin House  
71 Queen Street  
London EC4N 1SL

CARDIFF           N M Rothschild & Sons Limited  
Pembroke House  
20 Cathedral Road  
Cardiff CF1 9LJ

MANCHESTER      N M Rothschild & Sons Limited  
Trinity Court  
16 John Dalton Street  
Manchester M2 6HY

and the following branches of Lloyds Bank Plc

BIRMINGHAM	125 Colmore Row, Birmingham B3 3AD
BRISTOL	55 Corn Street, Bristol BS99 7LE
CAMBRIDGE	3 Sidney Street, Cambridge CB2 3HQ
CARDIFF	27 High Street, Cardiff CF1 1QZ
EDINBURGH	113/115 George Street, Edinburgh EH2 4TF
GLASGOW	12 Bothwell Street, Glasgow G2 6NY
LEEDS	6-7 Park Row, Leeds LS1 1NX
MANCHESTER	53 King Street, Manchester M60 2ES
NEWCASTLE UPON TYNE	102 Grey Street, Newcastle upon Tyne NE99 1SL
OXFORD	1-5 High Street, Carfax, Oxford OX1 4AA



# GUIDE TO THE PUBLIC APPLICATION FORM

The following instructions should be read in conjunction with the Public Application Form.

1. Insert in Section 1 (in figures) the number of ordinary shares for which you are applying. Applications must be for a minimum of 200 ordinary shares and in one of the following multiples:
  - for more than 200 shares, but not more than 500 shares, in a multiple of 100 shares;
  - for more than 500 shares, but not more than 2,000 shares, in a multiple of 250 shares;
  - for more than 2,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares;
  - for more than 10,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares; and
  - for more than 50,000 shares, in a multiple of 10,000 shares.

A Public Application Form for any other number of shares may be rejected.

If the value of your application exceeds £10,000 (and is or is one of a series of linked applications, the aggregate value of which exceeds that amount), the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the identity of the applicant(s) will be required. A failure to provide the necessary evidence of identity may result in the rejection of your application or in delays in the despatch of a share certificate or the return of application moneys.

2. Insert in Section 2 (in figures) the amount of your payment.  
The amount of your cheque or banker's draft should be the Offer Price of 175p multiplied by the number of ordinary shares inserted in Section 1. For example:

Number of ordinary shares applied for	Amount you must pay	Number of ordinary shares applied for	Amount you must pay
200	£350.00	750	£1,312.50
300	£525.00	1,000	£1,750.00
400	£700.00	1,500	£2,625.00
500	£875.00	2,000	£3,500.00

3. Sign and date the Public Application Form in Section 3.  
The Public Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised by power of attorney to do so, but the power of attorney pursuant to which this is done (or copy certified by a solicitor) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised officer whose representative capacity must be stated.
4. Insert your full name and address in BLOCK CAPITALS in Section 4.  
Applications may only be made by persons aged over 18. However, a parent, grandparent or guardian of a person under 18 may apply for the benefit of that minor. To apply for the benefit of a minor, you should put your own name in full in Section 4 and complete the minor's details box, within Section 4, with the full names of the minor and the minor's date of birth. You are not thereby precluded from making a single application for your own benefit. Insert "PARENT", "GRANDPARENT" or "GUARDIAN" as the applicant's status in Section 4. See notes 6 and 7 for joint applications.
5. You must pin to your completed Public Application Form a single cheque or banker's draft for the full amount payable at Section 5. Your cheque or banker's draft must be payable to "Lloyds Bank Plc A/C Exco plc Offer" for the amount payable on application inserted in Section 2 and should be crossed "Account Payee". No receipt will be issued for this payment, which must be solely for this application.  
Cheques or banker's drafts must be drawn in sterling on an account at a branch of a bank in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those companies or those committees and must bear the appropriate sort code number in the top right hand corner.  
Applications may be accompanied by a cheque or a banker's draft drawn by someone other than the applicant(s), but any monies to be returned will be sent by cheque crossed "Account Payee" in favour of the person named in Section 4 (if any).  
Where verification is required pursuant to the Money Laundering Regulations 1993 and verification is not provided within the time specified (normally 7 days maximum) the remittances accompanying the application will be returned without interest by cheque to the offices of the Bank or Building Society on which the remittance was drawn. All returned monies/remittances are despatched at the risk of the persons entitled thereto.
6. You may apply jointly with up to three other persons.  
If you do so, you must then arrange for the Public Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons, in addition to the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in Section 6. A letter of allocation in the names of joint applicants will be sent to the applicant named in Section 4.  
**IMPORTANT:** If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your name only.
7. Section 6 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in Section 3 and complete Section 4).  
If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney (or a copy (copies) certified by a solicitor) must be enclosed for inspection.
8. Your attention is drawn to paragraph 10 of the terms and conditions of application in Part IV of the Listing Particulars (which sets out limitations on the liability of the selling shareholders and, in particular, of B & C). Your attention is also drawn to the warranties in paragraph 5 of the terms and conditions of application in Part IV of the Listing Particulars and in particular to the warranties that you are not a US or Canadian person.  
You must send the completed Public Application Form together with the cheque or banker's draft by post to Lloyds Bank Plc, Lloyds Bank Registrars, "Exco Share Offer", The Causeway, Worthing, West Sussex BN99 6DA, or deliver it by hand, to Lloyds Bank Plc, Lloyds Bank Registrars, Receiving Bank Services, (London Office), PO Box 1000, Antholin House, 71 Queen Street, London EC4N 1SL, so as to be received not later than 10.00 a.m. on Friday, 8 July 1994.
9. The Money Laundering Regulations 1993 came into force on 1 April 1994. Under the provisions of the regulations an applicant may be required to produce satisfactory evidence of his identity or the identity of any person on whose behalf he is applying under the Offer. Failure to do so may result in the application being rejected.

If you post your Public Application Form, you are recommended to use first class post and allow at least two working days for delivery. Photostat copies of Public Application Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety.



Exco plc

## PUBLIC APPLICATION FORM

Public Offer by N M Rothschild & Sons Limited of 13,279,432 ordinary shares of 25 pence each in Exco plc ("ordinary shares") at 175 pence per share, payable in full on application. Before making any application to acquire shares, you are recommended to consult an independent financial adviser authorised under the Financial Services Act 1986. To help fill out each section of this form please refer to the corresponding section number in the Guide to the Public Application Form set out in the Listing Particulars.

### SECTION 1

I/We offer to acquire

ordinary shares

at the Offer Price of 175 pence per share (or any smaller number of shares for which this application is accepted) payable in full on application on the terms and conditions set out in the Listing Particulars dated 29 June 1994 and subject to the Memorandum and Articles of Association of Exco plc.

### SECTION 2

I/We attach a cheque or banker's draft for the amount payable to "Lloyds Bank Plc A/C Exco plc Offer" (175 pence multiplied by the number of shares inserted in Section 1).

£

### SECTION 3

Signature

Dated

1994

### SECTION 4

Applicant's name and address: PLEASE USE BLOCK CAPITALS

Forename(s) (in full) Mr., Mrs., Ms., Miss or title

Designation (if any):

Surname

Address (in full)

Postcode

Minor's forename(s) (in full) Mr., Mrs., Ms., Miss or title

Applicant's Status:

Surname

Date of birth

### SECTION 5

☐ Pin your cheque or banker's draft here made payable to "Lloyds Bank Plc A/C Exco plc Offer" and crossed "Account Payee" for the amount set out in Section 2.

### SECTION 6

Additional joint applicant(s) (if any): PLEASE USE BLOCK CAPITALS

	APPLICANT 2	APPLICANT 3	APPLICANT 4
Forename(s) (in full) Mr., Mrs., Ms., Miss or title			
Surname			
Signature			

### SECTION 7

Warranties given

Except to the extent that I/we have deleted any of the following, I/we warrant that:

- I am/We are not applying as, or as (a) nominee(s) or agent(s) of, (a) person(s) who is/are or may be (a) person(s) mentioned in any of Sections 67, 70, 93 or 96 of the Finance Act 1985 (depository receipts and clearance services).
- I am/We are not applying as, or as (a) nominee(s) or agent(s) of, (a) person(s) who is/are, (a) market maker(s) in ordinary shares in Exco plc within the meaning of section 81 of the Finance Act 1986. If this warranty is deleted, please state the date on which application for registration as a market maker in respect of such ordinary shares was made to the London Stock Exchange.
- I am/We are not applying as, or as (a) nominee(s) or trustee(s) of, a body of persons established for charitable purposes only. If this warranty is deleted, please state the name of the charity and its registered number (where applicable).

Applications must be received by 10 a.m. on Friday, 8 July 1994. The completed Public Application Form together with a cheque or banker's draft for the amount payable should be posted to Lloyds Bank Plc, Lloyds Bank Registrars, "Exco Share Offer", The Causeway, Worthing, West Sussex, BN99 6DA or delivered by hand, to Lloyds Bank Plc, Lloyds Bank Registrars, Receiving Bank Services, Antholin House, 71 Queen Street, London EC4N 1SL. Any person signing this Public Application Form under a power of attorney must enclose the original power of attorney (or a copy certified by a solicitor) for inspection.

If you have any questions as to how to complete this Public Application Form please telephone 0800 800400.