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EXCO plc



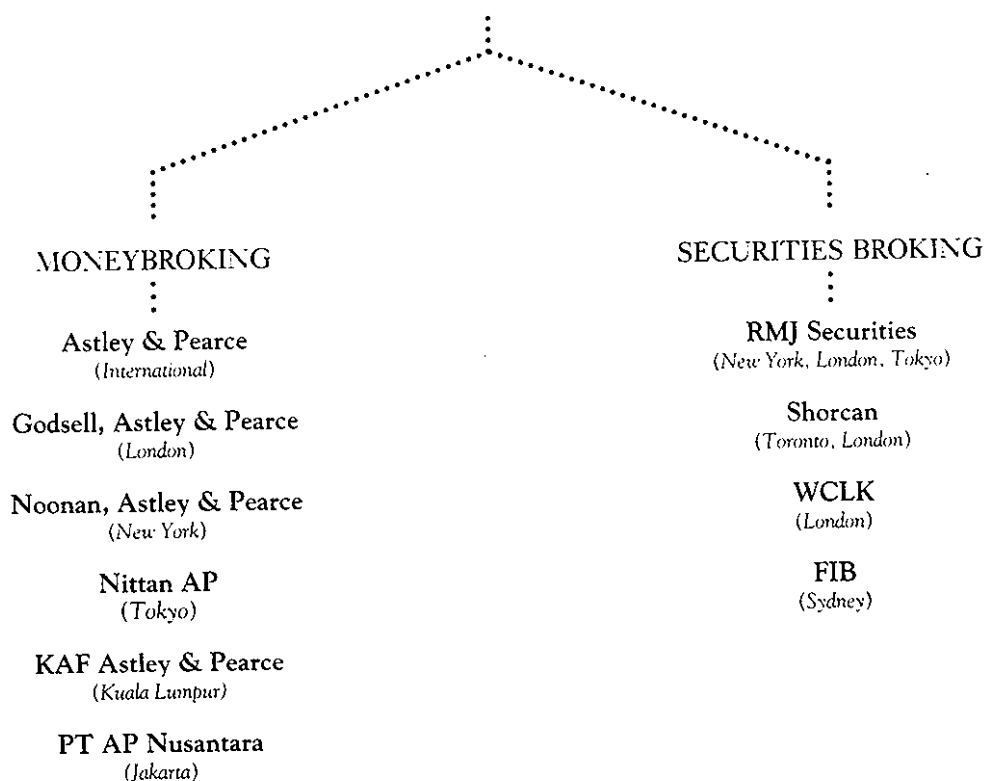
REPORT & ACCOUNTS  
1994

EXCO

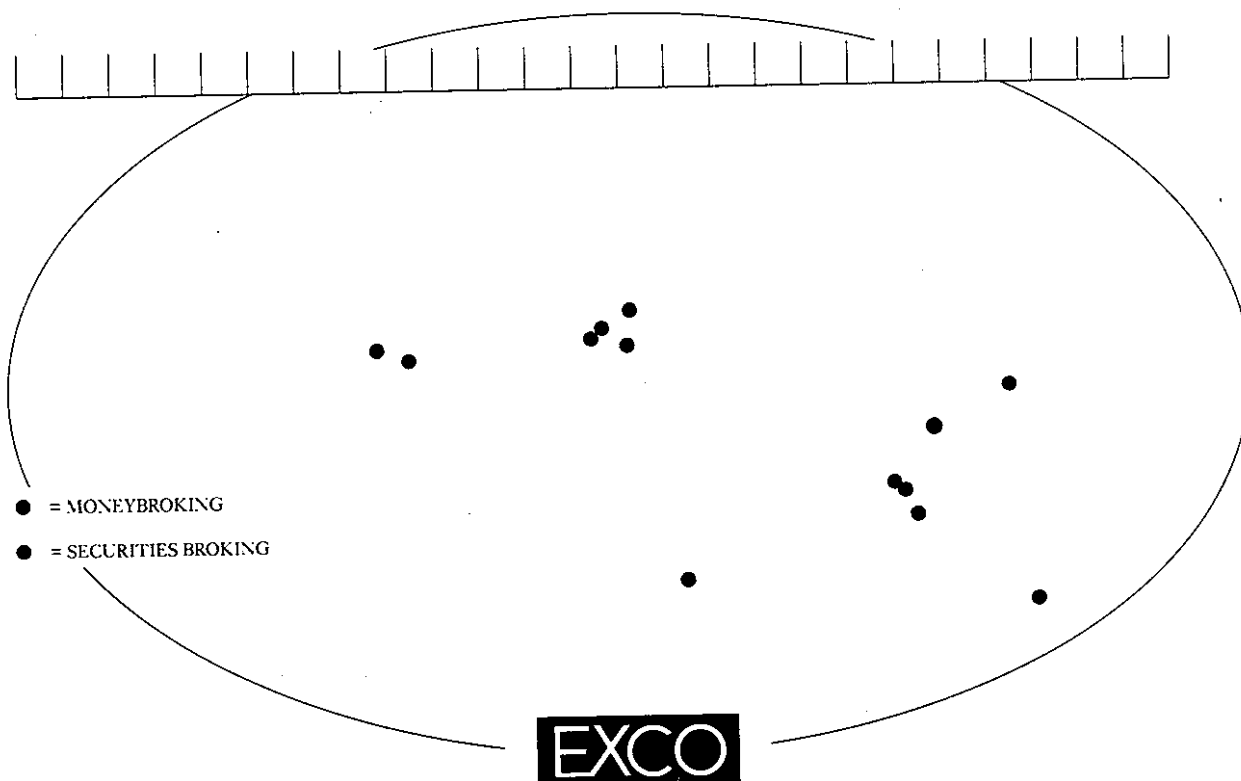


**EXCO**

## Exco plc



..... **EXCO** .....



**Directors**

Carel Maurits Mosselmans\* (Chairman)  
 Peter John Edge (Chief Executive)  
 Peter Neville Buckley\*  
 John Axson Heywood\*  
 Michael Charles Johns\*  
 Richard Clifford Lacy\*  
 James Patrick Magee  
 John Alan Richardson\*  
 Joseph Thomas Sciametta  
 Kim Michael Taylor  
 Marcel Wolf

\* *non-executive*

**Remuneration Committee**

Carel Maurits Mosselmans  
 Peter Neville Buckley  
 John Axson Heywood  
 Richard Clifford Lacy

**Audit Committee**

Michael Charles Johns  
 Jonathan Harry Cartwright\*  
 John Axson Heywood

\* *co-opted member*

**Secretary and Registered Office**

Edward Charles Pank  
 119 Cannon Street, London EC4N 5AX

**Registered Auditors**

Coopers & Lybrand  
 Chartered Accountants  
 Plumtree Court, London EC4A 4HT

**Registrars**

Lloyds Bank Registrars  
 The Causeway  
 Worthing  
 West Sussex BN99 6DA

**Merchant Bankers**

N M Rothschild & Sons Ltd  
 New Court  
 St. Swithins Lane  
 London EC4P 4DL

**Solicitors**

Ashurst Morris Crisp  
 Broadwalk House  
 5 Appold Street  
 London EC2A 2HA

**Bankers**

Lloyds Bank Plc  
 St. George's House  
 P.O. Box 787  
 6-8 Eastcheap  
 London EC3M 1LL

**Stockbrokers**

Kleinwort Benson Securities Limited  
 20 Fenchurch Street  
 London EC3P 3DB

## CHAIRMAN'S STATEMENT

The flotation of Exco in 1994 on the London Stock Exchange after an absence of seven years marked a significant milestone in the life of the company. It gives me great pleasure to report on the performance of Exco in 1994.

**Operating Results**

For the Group as a whole, profit before tax amounted to £43.5 million, an increase of 5 per cent over 1993. Earnings per share rose by 5 per cent to 19.3p per share. Operating profit rose to £38.6 million, compared to the £36.0 million achieved in 1993, an increase of 7 per cent, whilst turnover grew by 11 per cent to £234 million. The contribution from our associated company in Japan was however much reduced.

In what has at times been a difficult year for a number of the markets in which we operate, these results are creditable and represent a satisfactory outcome for the year.

A final dividend of 3.0p per share is proposed, making a total of 6.0p since the company achieved its listing in July 1994. These dividends, taken together, are in line with the statements in the Listing Particulars issued on 29th June 1994.

**Market Conditions**

As I outlined in the Interim Statement the Group benefited from exceptional market conditions in the first quarter. The combination of a general economic recovery, increases in US and other interest rates and continuing political and economic uncertainty in Japan gave rise to high levels of volatility in many of Exco's markets, with a consequent increase in trading activity by our customer base. In the second quarter, markets were generally more subdued, as the factors which produced the high volumes of the first quarter ceased to be so influential. The pressure on the US dollar in June did, however, produce a brief upsurge in trading volumes as the first half of the year drew to a close.

Wholesale financial markets were subdued in the third quarter and continued to be so for the remainder of the year. It is clear from the public statements made by many of our customers on their own trading results that they spent the latter six months of the year recovering from the difficulties caused to them by just the factors which enabled Exco to experience such an exceptional first quarter.

The year as a whole therefore was most uneven. It served to re-emphasise the fact that Exco, as a broker, is greatly influenced by the ability and willingness of its customers to trade actively. In addition there was no let-up in the competitive pressures in the moneybroking industry or customer pressures on commission levels.

## CHAIRMAN'S STATEMENT

## Board Changes

Paul Myners resigned on 10th June 1994. Paul was associated with Exco when the company was listed in the 1980's and he returned to the Board in 1992 as a result of the private placing in that year. We are grateful to him for the insight and wide experience which he brought to bear.

I am pleased to report that John Heywood, who was a non-executive director of Exco in the 1980's, rejoined the Board on 10th June 1994 bringing a wealth of experience in international business. He has already made a valuable contribution.

Peter Edge was appointed Chief Executive of the Group with effect from 1st January 1995, following the resignation of Ron Sandler. Peter has been with Exco for fourteen years and has been a member of the Board for the past five years.


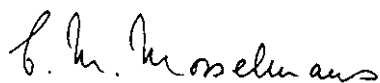
## Staff

Our most important asset is the quality, dedication and commitment of our staff. I would like to express our appreciation and thanks to them for their efforts and commitment which enabled the Group to achieve these results in 1994. I am also pleased to report an increase, as part of the flotation process, in the number of staff members who are shareholders in the company. The convergence of the interests of employees and shareholders can only be beneficial in the long term.

## Prospects

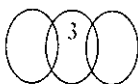
After the adverse conditions experienced in the second half of 1994, market activity has increased but without reaching the levels seen in the early part of that year. The outlook therefore must be tempered by caution at the present time, but, in the longer term, worldwide economic growth, growth in the supply of money and the expanding use of technologies to make money flow at higher velocities should be beneficial to the industry in which Exco operates. Notwithstanding recent events we expect the derivative markets, in which we act as a broker, to continue to expand in the longer term.

In recent years the management of Exco has succeeded in strengthening the business in many areas. Whilst I remain cautious about the prospects for 1995, I am confident that Exco has the quality of staff, range of products and geographical spread to enable it to prosper in the years ahead.



C. M. Mosselmans

Chairman



## CHIEF EXECUTIVE'S REVIEW

The markets in which Exco operates remained highly competitive throughout the year under review. Pressure on commissions and salaries continued in all major financial centres.

All parts of the Group benefited from the exceptional market conditions of the first quarter. As the year moved on, market volumes decreased particularly in Spot Foreign Exchange as different factors came into play. The weakness of the Japanese economy had a pronounced dampening effect on trading volumes in the Asian Pacific region.

**Spot Foreign Exchange**

The foreign exchange markets began the year very actively but volumes decreased as the year progressed. In the quieter markets of the second half of 1994 the three electronic matching systems operating in the spot foreign exchange markets were able to establish themselves more securely and capture an increased market share.

**Money Markets**

The Money Markets operations of the Group experienced much less uneven trading conditions. There were lulls in these markets, particularly in the summer months, but Exco made good progress throughout the year notably in US Dollar Deposits and Forwards as a result of the improvements in staff quality achieved in 1993. The steps taken to integrate forward foreign exchange and deposits more closely and to enhance capability in arbitrage broking also bore fruit.

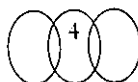
**Derivatives**

Market volumes for derivatives in 1994 as a whole compared favourably with the previous year. The Group maintained its leading position in currency options and, assisted by a first full year contribution from CMS, registered creditable growth in interest rate derivatives, including medium term swaps and interest rate options.

**Fixed Income Securities**

Trading conditions in each of the major centres in which Exco operates in the broking of Fixed Income Securities were generally good. The year began with exceptional market conditions for all centres, from which Exco companies benefited greatly. Thereafter overall volumes declined. Our Emerging Market debt broking operation made a successful switch to screen-broking at the start of the year. It is now well established and appears to have good prospects.

In summary, 1994 was a year when, despite adverse market conditions at times, Exco made good progress. The Group is committed to maintaining and improving its position as a leader in global money and fixed income securities



## CHIEF EXECUTIVE'S REVIEW

broking. It has a good spread of business both by product and geography which it continues to develop. Whilst underlying market volumes will always be a great influence on our industry, Exco remains well placed in the markets in which it operates.



P. J. Edge

Chief Executive

## FINANCIAL REVIEW

**Accounting Standards**

This year further Financial Reporting Standards ("FRS") have come into force. FRS 4 – Capital Instruments and FRS 5 – Reporting the Substance of Transactions are effective for these accounts but did not have a significant impact. FRS 6 – Acquisitions and Mergers and FRS 7 – Fair Values in Acquisition Accounting are not effective for Exco until 1995. Neither however would have had any bearing on the 1994 accounts, since the Group made no acquisitions in the year.

**Taxation**

The effective rate of tax for the year is 43 per cent, the same as in 1993, compared to the standard UK corporation tax rate of 33 per cent. The Group's effective tax rate is significantly higher than the standard UK rate due to the proportion of profits which is earned in countries where tax rates are higher than in the UK. In addition, the nature of Exco's business means that it has a significant amount of expenditure, such as entertaining, which is not allowable for tax purposes in certain countries.

**Dividends**

As explained in the Listing Particulars, the dividend payments in respect of the first period of reporting as a listed company, the year ended 31st December 1994, are not in the pattern which is expected to be the norm for the company. The interim dividend, paid in January 1995, and the proposed final dividend, will, taken together, approximately equate to the total final dividend which the company would have paid, had it been listed for the whole of 1994. In respect of 1995, and future years, the company intends that it will pay an interim dividend in October and a final dividend in May of the following year, in the proportion of approximately one-third and two-thirds respectively.

Note 10 to the accounts sets out the dividends which have already been paid in respect of 1994, the majority of which related to the period prior to Listing.

**Capital expenditure**

Capital expenditure approved by the Board in 1994 totalled some £9.1 million. Of this sum £2.2 million was authorised but not contracted for at the end of the year. In 1994 we moved our Hong Kong office to new premises and carried out major re-equipment in Singapore. In Toronto telecommunications systems have been replaced, whilst our new back office system is now operational in Copenhagen and New York. Expenditure plans approved by the Board include an office move in Zurich to integrate our two existing offices, and the installation of the new back office system.

**Cash, cash equivalents and borrowings**

Inclusive of exchange effects, cash and cash equivalents have decreased by £9.8 million to £49.4 million. This is after the payment of dividends of £16.2 million (1993: £6.1 million) and the repayment of a further £6.7 million in long term loans denominated in US dollars. Overall Group borrowings have reduced from £20.4 million to £12.8 million. These are relatively short term, with a remaining



## FINANCIAL REVIEW

maturity of some four years, and are not subject to seasonal fluctuations. At the end of 1994 bank borrowing facilities amounted to £18 million of which £12.8 million was drawn down. These facilities are sufficient for present requirements.

**Going concern**

The Group's finances are sound and the balance sheet remains strong. The directors are confident that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing these accounts.

**Exchange rates**

Exchange rate movements can have a significant effect on the net assets, turnover and operating costs of the Group, as reported in sterling terms in the accounts.

In 1994 exchange rate movements had no material impact on reported profits or net assets when compared to the previous year.

Group policy is to hedge transaction exposure, but to allow locally earned profits to accumulate in local currency. The exposures which arise from the need to translate into sterling the earnings, assets and liabilities of non-sterling operations are not hedged.



K. M. Taylor

Finance Director

## DIRECTORS' REPORT

### Exco plc and Subsidiary Undertakings

1. The directors have pleasure in presenting their annual report together with the group accounts for the year ended 31st December 1994.

#### 2. Principal activities

The principal activity of the Group is international wholesale money and fixed income securities broking. The profit and loss account for the year is set out on page 11.

#### 3. Review of business

A review of the business of the Group and its development during the financial year is set out on pages 2 to 7.

#### 4. Dividends and transfers to reserves

An interim dividend of £3,150,000 in respect of 1993 was paid on 28th April 1994. In respect of 1994's profit the company paid a first interim dividend on 22nd July 1994 of £17,816,132 and a second interim dividend of 3.0p net per ordinary share on 20th January 1995 amounting to £3,694,981. A final dividend of 3.0p net per ordinary share, amounting to £3,694,981, payable on 25th May 1995 to shareholders on the register on 12th May 1995 will be proposed at the Annual General Meeting. Out of the profit for the financial year, a loss of £1,743,000 will be deducted from reserves.

#### 5. Changes in presentation of the group accounts

Financial Reporting Standard No. 4, "Capital Instruments", introduced new requirements which are as follows:

- shareholders' funds and minority interests to be analysed between equity interests and non-equity interests; and
- convertible debt to be separately disclosed within current and long-term liabilities.

The company has complied with the above requirements.

#### 6. Directors

The directors as at the date of this report are set out on page 1.

P. W. Burnand, C. J. Cooke, K. Fujii, Goh Say Jim, W. H. G. Kissack, G. W. Lott, P. Myners, R. A. Sandler and W. Wong also held office during the year. C. J. Cooke, W. H. G. Kissack, G. W. Lott and J. P. Magee were appointed directors on 27th January 1994. P. W. Burnand, C. J. Cooke, K. Fujii, Goh Say Jim, W. H. G. Kissack, G. W. Lott, J. T. Sciametta and W. Wong resigned on 26th April 1994. On 10th June 1994 J. A. Heywood was appointed a director, P. Myners resigned and M. Douglas ceased to be an alternate director. J. H. Cartwright ceased to be an alternate director on 13th June 1994. R. A. Sandler resigned on 1st January 1995. J. T. Sciametta was reappointed as a director on 26th January 1995.

Biographical details of the independent non-executive directors are shown below:

Carel M. Mosselmans, aged 66, Chairman. He is a non-executive director of Coutts & Co. and Rothschild Asset Management Limited and chairman of Janson Green Limited and formerly chairman of Sedgwick Group plc. He was appointed Chairman in July 1991.

Peter N. Buckley, aged 52, 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. 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.

John A. Heywood, aged 57, served on the board of Exco as a non-executive Director between 1982 and 1986. He is currently executive chairman of Clayhithe PLC and chairman of The Mauritius Fund.

## DIRECTORS' REPORT

### Exco plc and Subsidiary Undertakings

Michael C. Johns, aged 47, 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 47, joined the Astley & Pearce Group in 1966. Between 1987 and 1993 he was successively Executive Chairman and then Chief Executive of Exco. In April 1993, he relinquished his executive position but remains on the Board.

John A. Richardson, aged 52, was appointed a non-executive Director in October 1992. He resigned as joint deputy chairman of Sketchley plc on 31st October 1994 and became chairman and chief executive of BZW-Barclays Group (Asia Region) and chairman of Barclays de Zoete Wedd (Asia) Ltd on 1st November 1994.

#### 7. Directors' interests

The interests of the directors holding office at 31st December 1994 and their families in the shares of the company, as required to be notified under the Companies Act 1985, are set out in note 27 on pages 35 to 38 of the accounts.

R. C. Lacy has been appointed adviser to the Group by a fixed term contract for the period 1st March 1994 to 17th November 1997.

J. T. Sciametta has a fixed term contract for the period 1st January 1994 to 31st December 1998 and M. Wolf has a contract terminable on not less than 18 months' notice expiring not earlier than 31st December 1998.

There were no other contracts of significance subsisting during or at the end of the financial year in which a director of the company was materially interested (other than service contracts).

#### 8. Substantial shareholdings

At 1st March 1995 the directors are aware of the following interests, each of which represent three per cent or more of the issued share capital of the company:

Name	Number of ordinary shares	Percentage of issued share capital
Caledonia Investments plc	34,693,175	28.17
Exco Trustees Limited	9,790,285	7.95
The Nittan AP Co. Ltd	6,323,318	5.13

#### 9. Contracts of significance with controlling shareholders

No contracts of significance to which the Group or its subsidiary undertakings were a party and in which a controlling shareholder had a material interest whether directly or indirectly subsisted at the end of the year or at any time during the year.

#### 10. Changes in fixed assets

Details of movements in tangible fixed assets are shown in note 12 to the accounts.

#### 11. Subsidiary and associated undertakings

Details of changes in subsidiary and associated undertakings are shown in note 13 (a) to the accounts.

#### 12. Donations

In the United Kingdom the Group contributed £8,197 (1993: £3,550) to charitable organisations.

#### 13. Change of name

On 26th April 1994 the company changed its name from Exco International p.l.c. to Exco plc.

#### 14. Taxation status

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

DIRECTORS' REPORT  
Exco plc and Subsidiary Undertakings

**15. Corporate governance**

The Board considers that during the period from 19th July 1994, when the company was admitted to the Official List, the company has complied fully with the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee) with the exception of the provision relating to the length of directors' service contracts and the term of appointment of the Caledonia representative. As set out elsewhere in this directors' report, certain directors were already in possession of contracts with an unexpired term of more than three years at the date of Listing. In addition the guidance for directors relating to the provisions on internal control has only very recently been issued. The provisions are effective from 1st January 1995 but as a transitional measure companies may report on the systems in place from 1st July 1995. In order to give time for proper evaluation of this document and its application in the context of Exco's business, the Board intends to achieve compliance with these provisions in the 1995 accounting period and to report in line with the transitional measures.

Our auditors have reported to the company that in their opinion the directors' comments on going concern on page 7 provide the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance) and are not inconsistent with the information of which they are aware from their audit work on the accounts. They have also reported to the company that the above statement appropriately reflects the company's compliance with the other paragraphs of the Code specified by the London Stock Exchange for their review. They have not carried out the additional work necessary to, and do not, express any opinion on the effectiveness of the Group's corporate governance procedures or the ability of the Group to continue in operational existence.

The statement of Directors' Responsibilities for preparing the accounts is set out on page 40.

**16. Special business to be conducted at the Annual General Meeting – Notice: page 43**

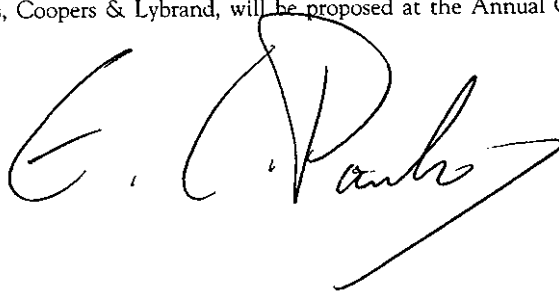
Resolution 8 proposes to renew the directors' authority to allot authorised but unissued share capital of the company in the event that they consider it appropriate to do so. This authority, which will lapse on 10th April 2000, is in respect of £11,777,739 nominal of share capital, representing 38 per cent of the issued share capital of the company as at the date of this report. The directors do not have a present intention of exercising this authority other than to satisfy obligations to issue 6,055,610 shares (which represents the excess over one third of the company's unissued share capital) under the arrangements described in notes 20 and 27 to the accounts.

Resolution 9 renews the directors' authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as such issue does not exceed £1,539,600 (representing 5 per cent of the issued Ordinary Share capital of the company) or so long as the issue is a rights issue or pursuant to a scrip dividend offer or a pre-emptive invitation. The company will have regard to the Investor Protection Committee's ("IPC") guidelines in relation to any exercise of this authority. These guidelines require prior consultation with the IPC before making any issue under the 5 per cent element of the authority which exceeds 7.5 per cent in any rolling three-year period. If given, this authority will expire at the next Annual General Meeting or on 10th July 1996, whichever is the earlier.

**17. Auditors**

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board,  
E. C. Pank  
Secretary  
London  
14th March 1995



CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31st December 1994  
Exco plc and Subsidiary Undertakings

	Note	1994 £'000	1993 £'000
Turnover – Continuing operations	2	234,387	211,293
Total operating expenses	3	(195,780)	(175,284)
Operating profit – Continuing operations		38,607	36,009
Income from interests in associated undertakings	4	2,702	3,569
Profit on ordinary activities before interest		41,309	39,578
Other interest receivable and similar income	7	3,718	3,872
Interest payable and similar charges	8	(1,499)	(1,951)
Profit on ordinary activities before taxation		43,528	41,499
Tax on profit on ordinary activities	9	(18,606)	(17,981)
Profit on ordinary activities after taxation		24,922	23,518
Minority interests		(1,459)	(1,434)
Profit for the financial year		23,463	22,084
Ordinary dividends	10	(25,206)	(6,300)
(Loss)/retained profit for the year	21(a)	(1,743)	15,784
Earnings per ordinary share	11	19.3p	18.4p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	23,463	22,084
Exchange adjustments on foreign currency net investments	1,128	1,979
Total recognised gains and losses since the last annual report	24,591	24,063

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

The notes on pages 15 to 39 and 42 form part of these accounts

Auditors' report – page 41

CONSOLIDATED BALANCE SHEET  
31st December 1994  
Exco plc and Subsidiary Undertakings

	Note	1994 £'000	1994 £'000	1993 £'000	1993 £'000
Fixed assets					
Tangible fixed assets	12		17,143		15,817
Investments:					
Interests in associated undertakings	13(e)		19,547		17,582
Other investments	13(d)		661		500
			<u>37,351</u>		<u>33,899</u>
Current assets					
Debtors	14	34,883		44,849	
Investments	15	22,668		20,687	
Cash at bank and in hand	16	44,186		62,231	
		<u>101,737</u>		<u>127,767</u>	
Creditors: amounts falling due within one year	17				
Other creditors		(50,541)		(75,041)	
Convertible debt		(1,235)		(1,971)	
		<u>(51,776)</u>		<u>(77,012)</u>	
Net current assets			<u>49,961</u>		<u>50,755</u>
Total assets less current liabilities			<u>87,312</u>		<u>84,654</u>
Creditors: amounts falling due after more than one year	18		(17,496)		(19,319)
Net assets			<u><u>69,816</u></u>		<u><u>65,335</u></u>
Capital and reserves:					
Called up share capital	20		30,792		30,000
Share premium account	21(a)		5,273		523
Revaluation reserve	21(a)		72		78
Other reserves	21(a)		3,160		1,798
Profit and loss account	21(a)		29,658		31,998
Equity shareholders' funds	22		<u>68,955</u>		<u>64,397</u>
Equity minority interests			861		938
Total capital employed			<u><u>69,816</u></u>		<u><u>65,335</u></u>

Approved by the Board on 14th March 1995 and signed on its behalf by

P. J. EDGE  
K. M. TAYLOR

} Directors

The notes on pages 15 to 39 and 42 form part of these accounts

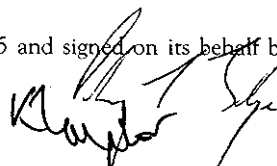
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COMPANY BALANCE SHEET  
31st December 1994  
Exco plc

	Note	1994 £'000	1994 £'000	1993 £'000	1993 £'000
Fixed assets					
Investments:					
Shares in group undertakings	13(b)		59,929		59,776
Loans to group undertakings	13(c)		5,834		10,250
Other investments	13(d)		1		1
			<u>65,764</u>		<u>70,027</u>
Current assets					
Debtors	14	68,533		77,565	
Cash at bank and in hand	16	3,431		4,204	
		<u>71,964</u>		<u>81,769</u>	
Creditors: amounts falling due within one year	17				
Other creditors		(70,767)		(64,423)	
Convertible debt		(1,235)		(1,971)	
		<u>(72,002)</u>		<u>(66,394)</u>	
Net current (liabilities)/assets			<u>(38)</u>		<u>15,375</u>
Total assets less current liabilities			65,726		85,402
Creditors: amounts falling due after more than one year	18		—		(2,478)
Provisions for liabilities and charges	19		—		(91)
Net assets			<u>65,726</u>		<u>82,833</u>
Capital and reserves:					
Called up share capital	20		30,792		30,000
Share premium account	21(b)		5,273		523
Profit and loss account	21(b)		29,661		52,310
Equity shareholders' funds			<u>65,726</u>		<u>82,833</u>

Approved by the Board on 14th March 1995 and signed on its behalf by

P. J. EDGE  
K. M. TAYLOR } Directors



The notes on pages 15 to 39 and 42 form part of these accounts

Auditors' report - page 41

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31st December 1994  
Exco plc and Subsidiary Undertakings

	Note	1994 £'000	1993 £'000
Net cash inflow from operating activities	28	37,291	42,066
Returns on investments and servicing of finance			
Interest received		3,626	3,796
Interest paid		(1,027)	(1,362)
Interest paid on finance leases		(482)	(623)
Dividends received from associated undertakings		230	662
Dividends paid		(16,150)	(6,148)
Dividends paid to minorities		(1,418)	(1,483)
Net cash outflow from returns on investments and servicing of finance		(15,221)	(5,158)
Taxation			
UK corporation tax paid		(5,431)	(2,398)
Overseas tax paid		(15,580)	(13,696)
Tax paid		(21,011)	(16,094)
Investing activities			
Purchase of tangible fixed assets		(7,734)	(3,618)
Sale of tangible fixed assets		2,265	2,344
Purchase of fixed asset investments		(184)	(63)
Sale of fixed asset investments		148	171
Purchase of minority interests		(214)	(2,615)
Investment in associated undertaking		(93)	—
Sale of current asset investments		5,790	—
Purchase of current asset investments		—	(2,444)
Purchase of subsidiary undertaking (net of cash and cash equivalents purchased)		—	(3,155)
Deferred consideration in respect of subsidiary undertaking		(1,570)	—
Net cash outflow from investing activities		(1,592)	(9,380)
Net cash (outflow)/inflow before financing		(533)	11,434
Financing			
Repayment of long term loans		(6,672)	(10,599)
Payment of principal under finance leases		(2,123)	(2,691)
Net cash outflow from financing	29	(8,795)	(13,290)
Decrease in cash and cash equivalents	30	(9,328)	(1,856)



NOTES TO THE ACCOUNTS  
31st December 1994

**1. Principal accounting policies**

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

**(a) Changes in presentation of the accounts**

The company has adopted the provisions of Financial Reporting Standard No. 4 "Capital Instruments". Accordingly, the amount of shareholders' funds attributable to equity and non-equity interests has been separately identified. Convertible debt is separately disclosed and is regarded as debt until conversion actually occurs. Comparative figures have been amended where necessary for the change.

**(b) Basis of accounting**

The accounts are prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets.

**(c) Basis of consolidation**

The consolidated profit and loss account and the balance sheet include the accounts of the company and its subsidiary undertakings made up to 31st 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 arising on consolidation of subsidiary undertakings, representing the excess of the cost of shares over the fair value of the identifiable net tangible assets acquired, is written off against reserves.

**(d) Associated undertakings**

Entities in which the Group has an interest comprising not less than 20 per cent and not more than 50 per cent of the voting capital and over which it exerts significant influence are treated as associated undertakings.

The consolidated profit and loss account includes 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 31st December. The Group's share of post-acquisition retained profits and reserves is added to the cost of investment in the consolidated balance sheet. Goodwill attaching to interests in associated undertakings is written off against reserves.

**(e) 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	15-33%
Motor vehicles	25-33%

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.

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

Profits or losses on the disposal of tangible fixed assets are included in the calculation of operating profit.

NOTES TO THE ACCOUNTS  
31st December 1994

**1. Principal accounting policies (continued)**

**(f) 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.

**(g) Leased assets**

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.

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

**(h) Deferred taxation**

Tax deferred or accelerated is accounted for in respect of all material timing differences, including those arising from the provision of employee pensions, to the extent that it is probable that an asset or liability will crystallise.

**(i) 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.

**(j) 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 statement of total recognised gains and losses.

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.

**(k) Brokerage income**

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

**(l) Turnover**

Turnover, exclusive of sales taxes, represents:

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

NOTES TO THE ACCOUNTS  
31st December 1994

2. 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.

The geographical analysis of turnover is as follows:

	1994	1993
	£'000	£'000
Europe	97,779	82,297
North America	103,096	98,458
Asia Pacific	33,512	30,538
	<hr/>	<hr/>
Continuing operations	234,387	211,293
	<hr/>	<hr/>

The geographical analysis of profit before interest and taxation is as follows:

	1994	1993
	£'000	£'000
Europe	13,100	7,915
North America	20,288	22,876
Asia Pacific – subsidiary undertakings	5,219	5,218
– associated undertakings	2,702	3,569
	<hr/>	<hr/>
Continuing operations	41,309	39,578
	<hr/>	<hr/>

The geographical analysis of net operating assets is as follows:

	1994	1993
	£'000	£'000
Europe	40,492	43,492
North America	30,370	35,854
Asia Pacific – subsidiary undertakings	11,640	8,668
– associated undertakings	19,547	17,582
	<hr/>	<hr/>
Net operating assets	102,049	105,596
Non operating liabilities	(32,233)	(40,261)
	<hr/>	<hr/>
Net assets	69,816	65,335
	<hr/>	<hr/>

Cash and current asset investments have been included in net operating assets. Turnover analysis is based on turnover by origin. The results for turnover by destination would not be different.

## NOTES TO THE ACCOUNTS

31st December 1994

## 3. Total operating expenses

	1994 £'000	1993 £'000
Staff costs (see note 6)	124,167	109,237
Amounts written off current asset investments:		
Due to permanent diminution in value	—	4
Due to temporary fluctuations in value	688	—
Depreciation and amounts written off:		
Tangible fixed assets	5,441	5,504
Assets held under finance leases	758	855
	6,199	6,359
Other operating expenses:		
Auditors' remuneration (including expenses) (Company: £45,500, 1993: £42,000)	301	315
Hire of plant and machinery	3	6
Flotation costs	390	—
Other expenses	64,032	59,563
	64,726	59,884
Total operating expenses	195,780	175,284

The remuneration of the Group's auditors for provision of non-audit services to the Group in the United Kingdom was £466,000 (1993: £263,000).

## 4. Income from interests in associated undertakings

The Group's share of profits less losses of associated undertakings includes dividends of £231,000 (1993: £662,000).

## 5. Directors' emoluments

Directors' remuneration is fixed by the Remuneration Committee of the Board, comprising non-executive directors and the Chairman, and consists of annual salary and annual performance related bonuses.

The bonus pool for the executive directors of Exco plc is based upon a formula which takes into account both profit on ordinary activities before taxation and growth in such profit (excluding differences caused only by exchange rate changes). This pool is distributed amongst the directors at the discretion of the Remuneration Committee of the Board.

NOTES TO THE ACCOUNTS  
31st December 1994

5. Directors' emoluments (continued)

(a) The emoluments of directors of Exco plc were:

	1994	1993
	£'000	£'000
Fees as directors	68	67
Salary payments (including benefits in kind)	1,943	2,577
Pension contributions	229	317
Annual performance related bonuses	1,111	2,658
Compensation for termination of executive office including (in 1993) pension augmentation	280	322
	<u>3,631</u>	<u>5,919</u>

(b) Particulars of any emoluments of directors of the company, except for those directors who discharge their duties as such wholly or mainly outside the United Kingdom, are as follows:

	1994	1994	1993	1993
	Chairman	Highest paid director	Chairman	Highest paid director
	£	£	£	£
Salary including benefits in kind	50,000	299,129	50,000	255,779
Annual performance related bonuses	—	201,000	—	435,000
	<u>50,000</u>	<u>500,129</u>	<u>50,000</u>	<u>690,779</u>
Fees and other emoluments before pensions	50,000	500,129	50,000	690,779
Pension contributions	—	—	—	61,099
	<u>50,000</u>	<u>500,129</u>	<u>50,000</u>	<u>751,878</u>

These directors, including the Chairman and highest paid director, received emoluments (excluding pension contributions) in the following ranges:

£	1994	1993
	Number	Number
5,001— 10,000	1	—
10,001— 15,000	1	1
15,001— 20,000	3	3
45,001— 50,000	1	1
65,001— 70,000	2	—
90,001— 95,000	1	—
110,001—115,000	1	—
155,001—160,000	1	—
160,001—165,000	—	1
165,001—170,000	—	1
175,001—180,000	—	1
450,001—455,000	—	1
495,001—500,000	1	—
500,001—505,000	1	—
530,001—535,000	—	1
690,001—695,000	—	1

For details of directors' interests, see pages 35 to 38.

NOTES TO THE ACCOUNTS  
31st December 1994

**6. Staff costs**

Staff costs, including executive directors of the Group, during the year amounted to:

	1994	1993
	£'000	£'000
Wages and salaries	111,685	96,698
Social security costs	7,873	7,543
Other pension costs	4,609	4,796
	<u>124,167</u>	<u>109,037</u>

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

	1994	1993
	Number	Number
Sales and broking	1,333	1,210
Administration	409	410
	<u>1,742</u>	<u>1,620</u>

**7. Other interest receivable and similar income**

	1994	1993
	£'000	£'000
Income from fixed asset investments:		
Listed overseas	—	1
Income from current asset investments:		
Unlisted	659	594
Bank interest and other income	3,059	3,277
	<u>3,718</u>	<u>3,872</u>

**8. Interest payable and similar charges**

	1994	1993
	£'000	£'000
On finance leases	482	597
On loans repayable within 5 years	1,017	1,354
	<u>1,499</u>	<u>1,951</u>

NOTES TO THE ACCOUNTS  
31st December 1994

9. Taxation

The tax charge is based on the profit for the year and comprises:

	1994	1993
	£'000	£'000
UK corporation tax at a rate of 33% (1993: 33%)	8,050	4,621
Deferred taxation	177	(667)
	<hr/>	<hr/>
Less: Relief for overseas taxation	8,227	3,954
	(4,076)	(2,192)
Overseas taxation	12,641	14,328
Advance corporation tax recoverable	—	(279)
	<hr/>	<hr/>
Taxation arising on profit of the Group	16,792	15,811
Tax attributable to share of profits of associated undertakings	1,814	2,170
	<hr/>	<hr/>
	18,606	17,981
	<hr/>	<hr/>

10. Dividends in respect of equity shares

	1994	1994	1993	1993
	£'000	£'000	£'000	£'000
(a) In respect of the period prior to Listing				
– Interim paid 22nd July 1994	13,000		—	
– Scrip dividend alternative paid 22nd July 1994	4,816		—	
	<hr/>		<hr/>	
		17,816		—
(b) In respect of the period since Listing				
– Interim payable and paid 20th January 1995	3,695		—	
– Proposed final	3,695		—	
	<hr/>		<hr/>	
		7,390		—
(c) In respect of 1993				
– Interim paid 7th October 1993		—		3,150
– Interim payable and paid 28th April 1994		—		3,150
		<hr/>		<hr/>
		25,206		6,300
		<hr/>		<hr/>

11. Earnings per ordinary share

Earnings per share has been calculated based on the profit on ordinary activities after taxation and minority interests. The weighted average number of ordinary shares in issue during the year was 121,439,895 (1993: 120,000,000). The dilutive effect of unexercised options and convertible loan stocks on earnings per share is not material.

NOTES TO THE ACCOUNTS  
31st December 1994

12. Tangible fixed assets

	Land and Buildings			Furniture Fixtures & Equipment	Motor Vehicles	Total
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	£'000	£'000	£'000
Cost or valuation						
At 1st January 1994						
Cost	506	—	7,513	49,566	6,965	64,550
Valuation	—	205	—	—	—	205
Exchange adjustments	24	(11)	(304)	(703)	155	(839)
Additions	—	—	665	5,800	3,097	9,562
Disposals	—	—	(15)	(3,728)	(3,814)	(7,557)
At 31st December 1994						
Cost	530	—	7,859	50,935	6,403	65,727
Valuation	—	194	—	—	—	194
	530	194	7,859	50,935	6,403	65,921
Depreciation						
At 1st January 1994	145	21	4,371	42,050	2,351	48,938
Exchange adjustments	5	(1)	(133)	(683)	93	(719)
Charge for the year	9	—	648	4,196	1,346	6,199
Disposals	—	—	(15)	(3,714)	(1,911)	(5,640)
At 31st December 1994	159	20	4,871	41,849	1,879	48,778
Net book value						
At 31st December 1994	371	174	2,988	9,086	4,524	17,143
At 31st December 1993	361	184	3,142	7,516	4,614	15,817

Motor vehicles include assets held under finance leases with a net book value of £2,851,000 (1993: £3,314,000).

The long leasehold properties were professionally revalued during 1984 on an existing use basis.



NOTES TO THE ACCOUNTS  
31st December 1994

12. Tangible fixed assets (continued)

The original cost, and depreciation based on cost, of land and buildings included at valuation is as follows:

	Long Leasehold 1994 £'000	Long Leasehold 1993 £'000
Original cost	40	43
Accumulated depreciation based on original cost	(16)	(17)
	<u>24</u>	<u>26</u>

13. Fixed asset investments

(a) Movement in subsidiary and associated undertakings

There were no acquisitions or disposals of operating subsidiary or associated undertakings during the year.

(b) Shares in group undertakings

	Company £'000
Cost and net book value:	
At 1st January 1994	59,776
Additions	153
	<u>59,929</u>
At 31st December 1994	<u>59,929</u>

Principal subsidiary undertakings of the Group are set out on page 42.

In the opinion of the directors, the value of shares in group undertakings is not less than the amount shown in these accounts.

(c) Loans to group undertakings

	Company £'000
Cost and net book value:	
At 1st January 1994	10,250
Repayments	(4,416)
	<u>5,834</u>
At 31st December 1994	<u>5,834</u>

NOTES TO THE ACCOUNTS  
31st December 1994

13. Fixed asset investments (continued)

(d) Other investments

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

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Unlisted	661	500	1	1
	<u>661</u>	<u>500</u>	<u>1</u>	<u>1</u>
	<u><u>661</u></u>	<u><u>500</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

The aggregate market value of other fixed asset investments was:

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Unlisted at directors' valuation	661	500	1	1
	<u>661</u>	<u>500</u>	<u>1</u>	<u>1</u>
	<u><u>661</u></u>	<u><u>500</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

The movement on other fixed asset investments during the year was as follows:

	Group £'000
Cost:	
At 1st January 1994	
Exchange adjustments	528
Additions	16
Disposals	184
	(48)
At 31st December 1994	<u>680</u>
Amounts written off:	
At 1st January 1994	
Exchange adjustments	(28)
Disposals	(1)
	10
At 31st December 1994	<u>(19)</u>
Net book value at 31st December 1994	<u><u>661</u></u>
Net book value at 31st December 1993	<u><u>500</u></u>

NOTES TO THE ACCOUNTS  
31st December 1994

13. Fixed asset investments (continued)

(c) Interests in associated undertakings

The movement on interests in associated undertakings was as follows:

	Group £'000
Cost or valuation:	
At 1st January 1994	21,036
Additions	94
Share of retained profit for year	658
Exchange adjustments	1,213
	<hr/>
At 31st December 1994	23,001
	<hr/>
Amounts written off:	
At 1st January 1994 and 31st December 1994	(3,454)
	<hr/>
Net book value at 31st December 1994	19,547
	<hr/>
Net book value at 31st December 1993	17,582
	<hr/>

The Group's investment in associated undertakings comprises:

	Group	
	1994 £'000	1993 £'000
Cost less amounts written off	(853)	(952)
Share of retained reserves	20,400	18,534
	<hr/>	<hr/>
Net book value	19,547	17,582
	<hr/>	<hr/>
Representing:		
Share of tangible net assets of associated undertakings	19,547	17,582
	<hr/>	<hr/>

All associated undertakings are unlisted.

Details of associated undertakings are set out on page 42.

NOTES TO THE ACCOUNTS  
31st December 1994

## 14. Debtors

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Debtors due within one year:	32,903	41,791	68,533	77,565
Debtors due after one year:	1,980	3,058	—	—
	<u>34,883</u>	<u>44,849</u>	<u>68,533</u>	<u>77,565</u>
	<u><u>34,883</u></u>	<u><u>44,849</u></u>	<u><u>68,533</u></u>	<u><u>77,565</u></u>
	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Debtors due within one year:				
Trade debtors (see note)	19,293	32,887	—	—
Amounts owed by group undertakings	—	—	63,295	74,011
Amounts owed by associated undertakings	467	457	—	—
Other debtors	5,492	3,094	657	108
Prepayments and accrued income	2,123	2,945	—	—
Dividends receivable from group undertakings	—	—	172	302
Taxation receivable	—	—	937	2,330
Advance corporation tax recoverable	3,472	914	3,472	914
Deferred taxation (see note 19)	2,056	1,494	—	—
	<u>32,903</u>	<u>41,791</u>	<u>68,533</u>	<u>77,565</u>
	<u><u>32,903</u></u>	<u><u>41,791</u></u>	<u><u>68,533</u></u>	<u><u>77,565</u></u>
	Group 1994 £'000	Group 1993 £'000		
Debtors due after more than one year:				
Other debtors	942	996		
Prepayments and accrued income	559	641		
Deferred taxation (see note 19)	479	1,421		
	<u>1,980</u>	<u>3,058</u>		
	<u><u>1,980</u></u>	<u><u>3,058</u></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, at which time control is released. To reflect the substance of these transactions only the net commission receivable is included in trade debtors. At 31st December 1994 the gross amount of these transactions was £460,854,000 (1993: £499,658,000).

NOTES TO THE ACCOUNTS  
31st December 1994

15. Current asset investments

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

	Group	
	1994	1993
	£'000	£'000
Unlisted	22,668	20,687
	<u>22,668</u>	<u>20,687</u>
Their aggregate market value was:		
Unlisted at directors' valuation	22,668	20,687
	<u>22,668</u>	<u>20,687</u>

Unlisted investments consist principally of certificates of deposit and Treasury Bills.

16. Cash at bank and cash in hand

Cash at bank and in hand includes £1,235,104 (1993: £1,740,899) which is charged to a third party creditor, (see note 20).

NOTES TO THE ACCOUNTS  
31st December 1994

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

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

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Bank loans and overdrafts repayable in one year or less	154	5,515	—	—
Trade creditors (see note 14)	5,015	18,881	—	—
Amounts owed to group undertakings	—	—	58,965	54,698
Amounts owed to associated undertakings	60	9	—	—
Obligations under finance leases	923	1,675	—	—
Other creditors:				
Taxation payable	9,869	12,291	412	22
ACT on dividends paid and proposed	1,847	1,821	1,847	1,821
Social security and taxation	2,675	3,209	—	—
Other	5,745	7,309	82	1,440
Convertible Secured Loan Stock 2001 (see note 20)	1,235	1,741	1,235	1,741
Convertible Unsecured Loan Stock 1998 (see note 20)	—	230	—	230
Proposed dividends:				
Minority shareholders	483	321	—	—
Company shareholders – interim	3,695	3,150	3,695	3,150
– final	3,695	—	3,695	—
Accruals and deferred income	16,380	20,860	2,071	3,292
	<u>51,776</u>	<u>77,012</u>	<u>72,002</u>	<u>66,394</u>

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

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Bank loans				
– repayable between one and two years	3,846	3,716	—	—
– repayable between two and five years	8,974	11,149	—	—
Amounts owed to group undertakings	—	—	—	2,478
Obligations under finance leases payable within two to five years	2,025	1,537	—	—
Other creditors	2,457	2,861	—	—
Taxation	194	56	—	—
	<u>17,496</u>	<u>19,319</u>	<u>—</u>	<u>2,478</u>

The amounts due to group undertakings are unsecured with varying rates of interest and there are no fixed terms for repayment.

## NOTES TO THE ACCOUNTS

31st December 1994

## 19. Provision for liabilities and charges

The provision for liabilities and charges comprises:

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
(a) Deferred taxation:				
Amount recognised:				
Capital and other investment allowances on fixed assets and finance leases	(193)	(156)	—	—
Other timing differences	2,728	3,071	—	(91)
	<u>2,535</u>	<u>2,915</u>	<u>—</u>	<u>(91)</u>
Deferred taxation asset/(liability)				
Amount not recognised:				
Capital and other investment allowances on fixed assets and finance leases	562	712	—	—
Other timing differences	2,221	2,274	—	—
	<u>2,783</u>	<u>2,986</u>	<u>—</u>	<u>—</u>

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

	Group	Company
	£'000	£'000
At 1st January 1994	2,915	(91)
Exchange adjustment	(203)	—
(Charged)/credited to profit and loss account	(177)	91
	<u>2,535</u>	<u>—</u>
At 31st December 1994		

The deferred taxation asset for the Group at 31st December 1994 and 1993 has been included in debtors.

(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 in such a way as to crystallise such tax liabilities.

NOTES TO THE ACCOUNTS  
31st December 1994

20. Share capital

	Group and Company	
	1994	1993
	£'000	£'000
Authorised:		
24,000,000 A ordinary shares of 50p each	—	12,000
16,400,000 B ordinary shares of 50p each	—	8,200
10,600,000 C ordinary shares of 50p each	—	5,300
9,000,000 D ordinary shares of 50p each	—	4,500
9,400,000 ordinary shares of 50p each	—	4,700
172,000,000 ordinary shares of 25p each	43,000	—
	<u>43,000</u>	<u>34,700</u>

	Group and Company	
	1994	1993
	£'000	£'000
Allotted, called up and fully paid:		
24,000,000 A ordinary shares of 50p each	—	12,000
16,400,000 B ordinary shares of 50p each	—	8,200
10,600,000 C ordinary shares of 50p each	—	5,300
9,000,000 D ordinary shares of 50p each	—	4,500
123,166,034 ordinary shares of 25p each	30,792	—
	<u>30,792</u>	<u>30,000</u>

On 28th June 1994, a special resolution was passed to subdivide 24,000,000 issued 'A' ordinary shares of 50p each and redesignate them as 48,000,000 ordinary shares of 25p each, to subdivide 16,400,000 issued 'B' ordinary shares of 50p each and redesignate them as 32,800,000 ordinary shares of 25p each, to subdivide 10,600,000 issued 'C' ordinary shares of 50p each and redesignate them as 21,200,000 ordinary shares of 25p each and to subdivide 9,000,000 issued 'D' ordinary shares of 50p each and redesignate them as 18,000,000 ordinary shares of 25p each. The remaining 9,400,000 unissued ordinary shares of 50p each were subdivided and redesignated as 18,800,000 ordinary shares of 25p each. Also on that day 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.

Holders of Floating Rate Secured Convertible Loan Stock 2001 in the sum of £1,235,104 (1993: £1,740,899) (included in creditors due within one year) have the right to convert their stock into ordinary shares of the company at their then market value. The right can be exercised at any time up to 27th June 2001, provided that the ordinary shares of the company are listed on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited.



NOTES TO THE ACCOUNTS  
*31st December 1994*

**20. Share capital (continued)**

On 15th June 1994, the holders of the whole of the Floating Rate Unsecured Convertible Exchangeable Loan Stock 1998 issued notice to convert their stock in accordance with its provisions, which resulted in the issue of 131,586 new ordinary shares on 19th July 1994 with an aggregate nominal value of £32,897. On 22nd June 1994, the holders of £494,195 of the 2001 Stock issued notice to convert their stock in accordance with its provisions, which resulted in the issue of 282,397 new ordinary shares on 19th July 1994 with an aggregate nominal value of £70,599.

Further to note 10 to these accounts, dividends were declared on 28th June 1994 payable to shareholders on the register on 23rd June 1994 comprising an aggregate cash sum of £13 million and the issue of 2,752,051 ordinary shares by way of scrip dividend alternative, with an aggregate nominal value of £688,013.

Of the total of 2,230,000 options outstanding under the 1992 No. 3 Share Option Scheme described in note 27 to these accounts, at 31st December 1994, 1,545,815 were to subscribe for new ordinary shares of the company. The options are exercisable up to 16th February 2001 (but not before 17th February 1997) at a price of £1.00 per share, except for 280,000 options, which have lapsed since 31st December 1994 where the options were exercisable at a price of 72.5p per share. At 31st December 1994, 3,858,000 matching share options were outstanding under the Long Term Employee Share Plan described in note 27 to these accounts. All these options are to subscribe for new ordinary shares of the company. The options are exercisable up to 19th July 2004 but not before 19th July 1998 at a price of 1.0p per share.

NOTES TO THE ACCOUNTS  
31st December 1994

21. Reserves

(a) Group

	Share Premium Account £'000	Revaluation Reserve £'000	Other Reserves £'000	Profit & Loss Account £'000
At 1st January 1994	523	78	1,798	31,998
Exchange translation	—	—	1,360	(232)
Goodwill written off	—	—	—	(369)
Premium on issue of shares	4,750	—	—	—
Transfer from revaluation reserve to profit and loss account	—	(6)	2	4
Loss for the year	—	—	—	(1,743)
At 31st December 1994	<u>5,273</u>	<u>72</u>	<u>3,160</u>	<u>29,658</u>

Other reserves comprise:

	Group	
	1994 £'000	1993 £'000
Other non-distributable reserves	110	108
Unrealised exchange gains	3,050	1,690
	<u>3,160</u>	<u>1,798</u>

(b) Company

	Share Premium Account £'000	Profit & Loss Account £'000
At 1st January 1994	523	52,310
Loss for the year	—	(22,649)
Premium on issue of shares	4,750	—
At 31st December 1994	<u>5,273</u>	<u>29,661</u>

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these accounts. The parent company's profit for the financial year was £2,557,000 (1993: £3,313,000).

NOTES TO THE ACCOUNTS  
31st December 1994

**22. Reconciliation of movements in equity shareholders' funds**

	1994 £'000	1993 £'000
Profit for the financial year	23,463	22,084
Ordinary dividends	(25,206)	(6,300)
	<hr/>	<hr/>
Other recognised gains and losses relating to the year (net)	(1,743)	15,784
Goodwill written off during the year	1,128	1,979
New share capital issued	(369)	(5,497)
Premium on issue of shares	792	—
	4,750	—
	<hr/>	<hr/>
Net addition to shareholders' funds	4,558	12,266
Opening shareholders' funds	64,397	52,131
	<hr/>	<hr/>
Closing shareholders' funds	68,955	64,397
	<hr/>	<hr/>

**23. Profit and loss account**

The movement during the year in net goodwill written off was as follows:

	Group £'000
At 1st January 1994	123,294
Written off to reserves in year	369
Goodwill re dormant companies struck off	(22)
	<hr/>
At 31st December 1994	123,641
	<hr/>

**24. Pension costs**

(a) Defined contribution schemes

The Group operates a number of defined contribution schemes throughout the world.

The total pension cost for the Group was £3,773,000 (1993: £4,106,000) of which £1,637,000 (1993: £1,736,000) related to overseas schemes. At the year end contributions accrued but not paid totalled £1,066,000 (1993: £1,048,000).

(b) Defined benefit schemes

The Group has two significant funded defined benefit schemes in the USA and Hong Kong and two schemes in Switzerland.

In the USA and Hong Kong the pension costs are assessed in accordance with a qualified actuary's advice. The last actuarial assessment was performed by an independent actuary as at 1st January 1994 in the USA and Hong Kong.

At the most recent formal valuation the main assumptions were:

	USA	Hong Kong
Investment return	8.25%	4%
Salary increases	5.5%	10%-15%

The market values of the schemes were £4,143,000 (1993: £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 pensions arrangements which would affect future costs.

NOTES TO THE ACCOUNTS  
31st December 1994

**24. Pension costs (continued)**

In Switzerland the defined benefit schemes are wholly reinsured with Zurich insurance companies, with the pension expense being determined by the premiums paid to the reinsurers.

During the year defined benefit contributions charged to the profit and loss account were £836,000 (1993: £690,000) and at the year end contributions accrued but not paid totalled £1,017,000 (1993: £792,000).

As at 31st December 1994 no deficiencies are considered to exist on the basis of the current funding levels.

**25. Contingent liabilities and commitments**

(a) Capital commitments:

	Group	
	1994	1993
	£'000	£'000
Contracted for	394	154
Authorised but not contracted for	2,215	33

(b) Other commitments

(i) In the normal course of business, the company and its subsidiary undertakings have entered into forward commitments for the purchase and sale of securities.

(ii) The Group has various commitments in respect of operating leases. The amount charged to the consolidated profit and loss account in 1994 was £8,346,000 (1993: £8,480,000). In 1995 the minimum rentals payable under operating leases are as follows:

In respect of leases for land and buildings expiring:

	£'000
- within one year	208
- between two and five years	1,706
- in more than five years	5,995
	<u>7,909</u>

In respect of other leases expiring:

	£'000
- within one year	76
- between two and five years	377
- in more than five years	—
	<u>453</u>

(iii) At the balance sheet date 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.

(c) Contingent liabilities

The company has given guarantees on behalf of various subsidiary undertakings in respect of their business.

NOTES TO THE ACCOUNTS  
31st December 1994

25. Contingent liabilities and commitments (continued)

In addition:

The company has given a guarantee on behalf of a subsidiary undertaking in respect of bank loans totalling £12,821,000 (1993: £20,380,000).

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.

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.

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.

A subsidiary undertaking is being sued by a former employee for alleged wrongful dismissal. The subsidiary undertaking has been advised that it has a valid defence to such claim and the directors are of the view that no material liability will fall on the Group as a result of such litigation.

In the past the Group has acted as broker in a number of interest rate swap and similar transactions entered into by UK local authorities. The House of Lords decision announced on 24th 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 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 31st December 1989. Based on legal advice received, the directors do not believe that any material unprovided liability to the Group will result from the broking of such transactions.

26. Regulatory capital

Regulatory authorities require that a minimum amount be maintained in liquid assets. Therefore the use of those funds may be restricted in accordance with such requirements.

27. Directors' interests

The interests of directors and their families in the share capital of Exco plc, as adjusted for the 2 for 1 share split (see note 20), are set out below:

	Ordinary 25p Shares	
	31st December 1994	1st January 1994
	Beneficial	Beneficial
C. M. Mosselmans	43,233	40,000
P. N. Buckley	—	—
P. J. Edge	632,225	176,000
J. A. Heywood	—	—*
M. C. Johns	—	—
R. C. Lacy	146,974	210,000
J. P. Magee	387,243	128,000*
J. A. Richardson	—	—
R. A. Sandler	80,095	76,000
K. M. Taylor	52,962	24,000
M. Wolf	190,225	176,000

\* at date of appointment

NOTES TO THE ACCOUNTS  
31st December 1994

**27. Directors' interests (continued)**

The mid market price of the ordinary shares of the company at 19th July 1994 and 31st December 1994 was 199p and 159p respectively.

J. P. Magee and his family have interests in 210,000 common shares (representing 15.97 per cent) of Shorcan International Brokers Limited.

Details of the share options granted as adjusted for the 2 for 1 share split (see note 20) are as follows:

**1992 No. 1 Share Option Scheme**

	Number of options			Market price at date of exercise	Date from which exercisable	Expiry date
	At 01.01.94	Granted	Exercised			
		During the year				
		Granted	Exercised	At 31.12.94	£	
C. M. Mosselmans	60,000	—	—	60,000	—	19.07.94 31.05.99
P. N. Buckley	—	—	—	—	—	—
P. J. Edge	264,000	—	(242,000)	22,000	1.60	19.07.94 31.05.99
J. A. Heywood	—	—	—	—	—	—
M. C. Johns	—	—	—	—	—	—
R. C. Lacy	315,000	—	—	315,000	—	19.07.94 31.05.99
J. P. Magee	192,000	—	(192,000)	—	1.75	19.07.94 31.05.99
J. A. Richardson	—	—	—	—	—	—
R. A. Sandler	—	—	—	—	—	—
K. M. Taylor	36,000	—	(36,000)	—	1.75	19.07.94 31.05.99
M. Wolf	264,000	—	—	264,000	—	19.07.94 31.05.99

The exercise price is £1.00 for each event of exercise.

The options are over existing ordinary shares of the company. They may be exercised at any time, but before the seventh anniversary of the date of grant of such options. The date of grant was 1st June 1992.

The 1992 No. 1 Share Option Scheme was established in connection with a Deed of Trust dated 29th April 1992 of which Exco Trustees Limited is trustee. The scheme was a part of the arrangements put in place at the time of the private placement of 60 per cent of the share capital of the company in June 1992. 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 can be granted under this scheme.

**1992 No. 3 Share Option Scheme**

	Number of options			Date from which exercisable	Expiry date
	At 01.01.94	Granted	Exercised		
		During the year			
		Granted	Exercised	At 31.12.94	
C. M. Mosselmans	—	—	—	—	—
P. N. Buckley	—	—	—	—	—
P. J. Edge	—	150,000	—	150,000	17.02.97 16.02.2001
J. A. Heywood	—	—	—	—	—
M. C. Johns	—	—	—	—	—
R. C. Lacy	—	—	—	—	—
J. P. Magee	—	150,000	—	150,000	17.02.97 16.02.2001
J. A. Richardson	—	—	—	—	—
R. A. Sandler	280,000	—	—	280,000	12.05.96 11.05.2000
" "	—	150,000	—	150,000	17.02.97 16.02.2001
K. M. Taylor	—	150,000	—	150,000	17.02.97 16.02.2001
M. Wolf	—	150,000	—	150,000	17.02.97 16.02.2001

The options held by R. A. Sandler lapsed upon his resignation on 1st January 1995.

NOTES TO THE ACCOUNTS  
31st December 1994

27. Directors' interests (continued)

The exercise price is £1.00 per share, except in the case of the options held by R. A. Sandler where the exercise price was 72.5p per share in respect of the 280,000 options held at 1st January 1994. Of the total of 2,230,000 options outstanding under this scheme, at 31st December 1994 684,185 were exercisable over existing ordinary shares and 1,545,815 were to subscribe for new ordinary shares.

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. All existing options were granted on 17th February 1994. No further options can be granted under this scheme.

In normal circumstances, an option may be exercised:

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

Long Term Employee Share Plan

	Number of options			Date from which exercisable	Expiry date
	At 01.01.94	During the year Granted      Exercised	At 31.12.94		
C. M. Mosselmans	—	—	—	—	—
P. N. Buckley	—	—	—	—	—
P. J. Edge	—	22,000	—	19.07.98	18.07.2001
J. A. Heywood	—	—	—	—	—
M. C. Johns	—	—	—	—	—
R. C. Lacy	—	—	—	—	—
J. P. Magee	—	50,000	—	19.07.98	19.07.2004
J. A. Richardson	—	—	—	—	—
R. A. Sandler	—	100,000	—	19.07.98	18.07.2001
K. M. Taylor	—	40,000	—	19.07.98	18.07.2001
M. Wolf	—	50,000	—	19.07.98	19.07.2004

In the event of exercise, the exercise price of the matching option is 1.0p per share.

The 50,000 matching options held by R. A. Sandler lapsed upon his resignation on 1st January 1995. The 50,000 purchased share options held by R. A. Sandler were cancelled on that date.

This 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 have been made for employees of the associated undertakings. Accordingly, the description of the Plan applies equally to these separate arrangements.

NOTES TO THE ACCOUNTS  
31st December 1994

27. Directors' interests (continued)

In normal circumstances the matching option is not exercisable before the fourth anniversary of its date of grant and is an option to subscribe for new ordinary shares.

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 175p per share, 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 below, exercise will be permitted to the extent also set out below (save that this performance target shall be disappplied 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 175p per share).

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%

The interests set out above were unchanged at 1st March 1995.

28. Reconciliation of operating profit to net cash inflow from operating activities

	1994	1993
	£'000	£'000
Operating profit	38,607	36,009
Depreciation of tangible fixed assets	6,199	6,359
Gain on sale of tangible fixed assets	(358)	(235)
Gain on sale of fixed asset investments	(112)	(60)
Decrease in operating debtors and prepayments	9,010	3,919
Decrease in operating creditors and accruals	(16,055)	(3,926)
Net cash inflow from operating activities	37,291	42,066



NOTES TO THE ACCOUNTS  
31st December 1994

29. Analysis of changes in financing during the year

	Share capital (excluding premium) 1994 £'000	Loans and finance lease obligations 1994 £'000	Share capital (excluding premium) 1993 £'000	Loans and finance lease obligations 1993 £'000
At 1st January	30,000	23,592	30,000	34,392
Cash outflows from financing	—	(8,795)	—	(13,290)
Shares issued for non-cash consideration	792	—	—	—
Inception of finance lease contracts	—	1,857	—	2,000
Effect of foreign exchange rate changes	—	(886)	—	490
At 31st December	<u>30,792</u>	<u>15,768</u>	<u>30,000</u>	<u>23,592</u>

30. Cash and cash equivalents

	1994 £'000	1993 £'000
Changes during the year:		
At 1st January	59,231	60,839
Net cash outflow before adjustments for the effects of foreign exchange rates	(9,328)	(1,856)
Effect of foreign exchange rates	(471)	248
At 31st December	<u>49,432</u>	<u>59,231</u>

	1994 £'000	1993 £'000	Change in year £'000
Analysis of balances			
Cash at bank and in hand	44,186	53,831	(9,645)
Short-term investments	5,400	5,400	—
Bank overdrafts	(154)	—	(154)
Cash and cash equivalents	<u>49,432</u>	<u>59,231</u>	<u>(9,799)</u>
Bank deposits over three months	6,400	8,400	
Other investments	10,868	15,287	
Cash at bank and in hand, investments and short term overdrafts	<u>66,700</u>	<u>82,918</u>	

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate so to do.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the Board,  
E. C. Pank  
Secretary  
London, 14th March 1995

## REPORT OF THE AUDITORS

To the Members of Exco plc.

We have audited the accounts on pages 11 to 39 and 42.

**Respective responsibilities of directors and auditors**

As described on page 40 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosure in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and the Group at 31st December 1994 and of the result, total recognised gains and cashflows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

14th March 1995

*Coopers & Lybrand*

# SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Exco plc

The following were the principal operating subsidiary and associated undertakings of the Group at 31st December 1994:

Subsidiary undertakings	Country of Incorporation and Operation	Nature of Business	Issued Ordinary Share Capital
Astley & Pearce (Australia) Pty Limited	Australia	Money Broking	A\$600,000
Astley & Pearce (C.I.) Limited	Guernsey	Money Broking	£7
Astley & Pearce (Hong Kong) Limited	Hong Kong	Money Broking	HK\$5,000,000
Astley & Pearce (Proprietary) Limited (80%)	South Africa	Money Broking	Rand 100,000
Astley & Pearce (Pte) Limited	Singapore	Money Broking	S\$1,000,000
Astley & Pearce S.A.	Switzerland	Money Broking	Sfr50,000
Astley & Pearce (Scandinavia) A.S. (77%)	Denmark	Money Broking	Dkr300,000
*CMS Capital Market Services A.G.	Switzerland	Money Broking	Sfr300,000
Godsell, Astley & Pearce Limited	Great Britain	Money Broking	£14,071,156
Godsell, Astley & Pearce (Derivative Products) Limited	Great Britain	Money Broking	£1,371,000
Noonan, Astley & Pearce, Inc	U.S.A.	Money Broking	US\$438,000
F.I.B. (Australia) Pty Limited	Australia	Fixed Income Securities Broking	A\$300,000
RMJ Securities Corp	U.S.A.	Fixed Income Securities Broking	US\$400,000
Shorcan International Brokers Limited (75.43%)	Canada	Fixed Income Securities Broking	Can\$67,263
Shorcan/London Limited (75.43%)	Great Britain	Fixed Income Securities Broking	£350,000
*Williams, Cooke, Lott and Kissack Limited	Great Britain	Fixed Income Securities Broking	£1,000,000
*Exco (Treasury) Limited	Great Britain	Investment Company	£2
*Exco International Inc	U.S.A.	Holding Company	US\$5,220
*Exco (Management Services) Limited	Great Britain	Central Services	£1,000
<b>Associated undertakings</b>			
KAF Astley & Pearce Sdn Bhd (40%)	Malaysia	Money Broking	Ringgit 200,000
Nittan AP Company Limited (33%)	Japan	Money Broking	Y300,000,000
PT AP Nusantara Indonesia (25%)	Indonesia	Money Broking	Rp2,100,000,000

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

Except where asterisked the above undertakings are owned indirectly. The Group's interest is 100 per cent unless otherwise stated. All undertakings incorporated in Great Britain are registered in England and Wales.

NOTICE OF ANNUAL GENERAL MEETING  
Exco plc

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take you are recommended to consult an appropriate independent adviser. If you have sold or transferred all your ordinary shares in Exco plc please pass this document to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 119 Cannon Street, London EC4N 5AX on Tuesday, 11th April 1995 at noon for the following purposes:

**Ordinary Business**

1. That the Directors' Report and the Audited Accounts of the Company for the year ended 31st December 1994 be received and adopted.
2. That Coopers & Lybrand be re-appointed auditors of the Company and that the directors be authorised to determine their remuneration.
3. That a final dividend in respect of the year ended 31st December 1994 be declared.
4. That Mr J. A. Heywood be re-elected a director of the Company.
5. That Mr M. C. Johns be re-elected a director of the Company.
6. That Mr R. C. Lacy be re-elected a director of the Company.
7. That Mr J. T. Sciametta be re-elected a director of the Company.

**Special Business**

To consider and, if thought fit, to pass the following resolutions of which resolution 8 will be proposed as an Ordinary Resolution and resolution 9 will be proposed as a Special Resolution.

8. That in substitution for any other authority previously conferred on them, the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £11,777,739. This authority shall expire on 10th April 2000 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. That subject to the passing of Resolution 8 above, the directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 8 above as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(a) in connection with a rights issue in favour of Ordinary Shareholders where the equity securities offered are proportionate (as nearly as practicable) to the respective number of Ordinary Shares held by such holders but subject to such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements, record dates, or legal or practical problems under the laws of, or the requirements of, any regulatory authority in any territory or otherwise howsoever; and/or

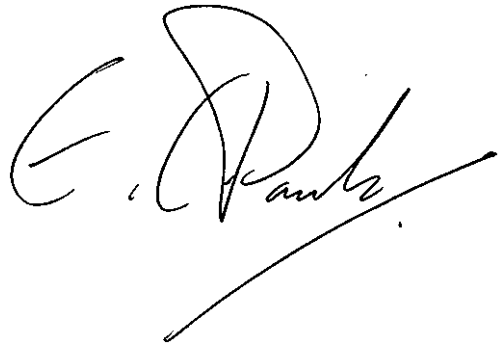
(b) pursuant to the acceptance of any scrip dividend offer; and/or

(c) otherwise than pursuant to (a) or (b) above for cash up to an aggregate nominal amount of £1,539,600, representing 5 per cent of the issued Ordinary Share capital of the Company as at the date hereof.

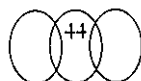
NOTICE OF ANNUAL GENERAL MEETING  
Exco plc

This power shall expire on the date of the Annual General Meeting of the Company to be held in 1996 or, if earlier, on 10th July 1996, 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 in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board  
E. C. Pank  
Secretary  
Registered Office: 119 Cannon Street, London EC4N 5AX  
14th March 1995



1. A member of the Company entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company.
2. A form of proxy is enclosed for use in connection with the above Meeting. To be valid the instrument appointing a proxy and the Power of Attorney (if any) under which it is signed must be deposited at the office of the Company's Registrars not later than noon on 9th April 1995. Completion of the form of proxy will not affect the right of a shareholder to attend and vote at the above meeting should he or she afterwards so decide.
3. The following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting and at the venue of the Meeting from 11.45 am on 11th April 1995 until the conclusion of the Meeting:
  - (i) copies of the service contracts of the directors; and
  - (ii) the register of directors' interests in the share capital of the Company.



FORM OF PROXY  
Exco plc

For use at the Annual General Meeting on 11th April 1995.

I/We \_\_\_\_\_  
(Please complete in block capitals)

of \_\_\_\_\_  
(Address)

being (a) holder(s) of Shares in the above Company hereby appoint Mr C. M. Mosselmans or failing him the Chairman of the Meeting/ \_\_\_\_\_ (see Note 6 below)  
as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held on 11th April 1995 and at any adjournment thereof.

Ordinary Business	For	Against
1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31st December 1994.		
2. To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the directors to determine their remuneration.		
3. To declare a final dividend on the ordinary shares.		
4. To re-elect Mr J. A. Heywood as a director of the Company.		
5. To re-elect Mr M. C. Johns as a director of the Company.		
6. To re-elect Mr R. C. Lacy as a director of the Company.		
7. To re-elect Mr J. T. Sciametta as a director of the Company.		
<b>Special Business</b>		
8. To authorise the directors to allot shares.		
9. Special Resolution – to disapply pre-emption rights.		

Signed \_\_\_\_\_ Dated \_\_\_\_\_ 1995

Notes:

1. A member who is entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
2. Please indicate with an x how you wish your vote to be cast in respect of the Resolutions. In the absence of any specific directions, the proxy will vote or abstain at his discretion.
3. Only one of joint holders needs to sign. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
4. Corporations should affix their common seal or sign by a duly authorised officer or attorney.
5. To be valid, this Form of Proxy and the Power of Attorney (if any) under which it is signed or a duly certified copy of such power or authority must reach Lloyds Bank Registrars, the Registrars of the Company, at the address overleaf not later than noon on 9th April 1995.
6. If you wish to appoint some person of your own choosing as your proxy you should complete in block capitals his or her full name in the space provided and delete the words "Mr C. M. Mosselmans or failing him the Chairman of the Meeting". Such proxy need not be a member of the Company. Any alterations must be initialled.
7. Completion of this form will not preclude you from attending and voting at the Meeting in person if you so wish.
8. You should print your name and address in the space provided.
9. You should sign in the space provided.

FOLD

FOLD

BUSINESS REPLY SERVICE  
Licence No. BR 3005



**Lloyds Bank Registrars  
The Causeway,  
Worthing,  
West Sussex,  
BN99 6DB**

TUCK IN