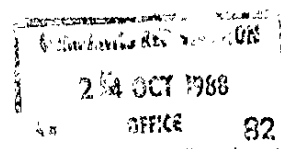


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EXCO INTERNATIONAL PLC

ANNUAL
REPORT & ACCOUNTS
for the year ended
31 December 1987



Esso International p.l.c.

Directors

Richard Clifford Lacy (Chairman)
Paul William Burnand
Philip Joseph D'Angelo (United States)
Geoffrey Richard Dunn
Peter Lawrence Goldie*
John Humphrey Gunn*
Richard Gerard Jackson (United States)
Michael Charles Johns*
Paul Myners*
John Gerard O'Neill
Marcel Wolf (Switzerland)
Richard Philip Worthington

* non-executive

**Secretary and
Registered Office**

Edward Charles Pank
80 Cannon Street, London EC4N 6LJ

Auditors

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

Exco International p.l.c. and Subsidiary Companies

1. The directors have pleasure in presenting their annual report together with the group accounts for the year ended 31st December 1987.
2. Activities The principal activity of the group is the provision of financial services. Changes in the composition of the group during the year are shown in note 12 (e) to the accounts.
3. Parent Company Exco International plc became a subsidiary of British and Commonwealth Holdings PLC on 31st December, 1986, and a wholly-owned subsidiary on 26th May, 1987.
4. Review of operations The group turnover and profit before taxation are analysed as follows:-

	Turnover		Profit before Taxation	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Moneybroking	158,945	96,438	45,670	28,354
Stockbroking	-	25,652	-	(4,045)
Forfaiting	29,863	23,934	16,526	13,627
Other	10,256	6,143	783	1,476
Central Costs - interest (net)	-	-	21,228	36,979
- other	-	-	(4,668)	(6,311)
	-----	-----	-----	-----
	199,064	152,167	79,539	70,080
	-----	-----	-----	-----
Area:				
United Kingdom	72,040	53,303	16,832	11,925
Other Europe	15,576	13,669	4,948	4,153
North America	59,422	25,245	11,154	5,049
Far East	22,163	36,016	13,519	4,658
Forfaiting	29,863	23,934	16,526	13,627
Central Costs - interest (net)	-	-	21,228	36,979
- other	-	-	(4,668)	(6,311)
	-----	-----	-----	-----
	199,064	152,167	79,539	70,080
	-----	-----	-----	-----

The above figures for profit before taxation include the results of associated companies and partnerships, which are excluded from the turnover figures.

Turnover in moneybroking activities grew strongly in the year under review: this resulted both from growth in long-established businesses, particularly in the Far East, and from acquisitions and the development of newer businesses in the U.S.A. and U.K respectively.

Directors' Report
continued

Exco International p.l.c. and Subsidiary Companies

Forfaiting showed a strong advance over 1986; this company was subsequently floated successfully on the Unlisted Securities Market in February 1988, reducing the group's interest to 40%.

Net interest income fell sharply as a result of the payment of a special dividend to the holding company during the year.

For those continuing constituent parts of the group the current year can be expected to be one of consolidation unless the especially favourable market conditions experienced in 1987 are repeated.

5. Dividends

On 24th July 1987 the company paid a special dividend of £209,500,000 to its holding company. A final dividend of £23,000,000 is proposed for the current year.

6. Directors

The directors of the company at the close of business on 31st December 1987 are shown on page 1.

P.L.Goldie, J.H.Gunn and P. Myners were appointed to the Board on 5th January, 1987.

R.G. Jackson and M. Wolf were appointed to the board on 1st June, 1987.

G.R. Dunn was appointed to the Board on 22nd September 1987.

J.A.G. Wilson resigned from the board on 24th February 1987.

M.C. McL Hume resigned from the board on 1st October 1987. J.N.G. Moreton resigned from the board on 30th November 1987.

The beneficial interests of the directors in office at 31st December 1986 (or date of appointment if later) and at 31st December, 1987, in the ordinary stock units and 7 3/4 per cent Convertible Subordinated Unsecured Loan Stock 2000 (CULS) of the ultimate holding company, British and Commonwealth Holdings PLC, were as follows:

	Ordinary Stock Units		CULS £	
	31 December 1987	31 December 1986	31 December 1987	31 December 1986
R.C. Lacy	330,316	530,316	1,111,573	1,611,573
P.W. Burnand	3,600	3,600	10,939	10,939
P.J. D'Angelo	-	-	-	-
G.R. Dunn	1,000	-	-	-
R.G. Jackson	-	-	-	-
M.C. Johns	-	-	-	-
J.G. O'Neill	566,326	566,326	273,500	273,500
M. Wolf	90,000	90,000	333,670	333,670
R.P. Worthington	464,714	464,714	-	-

The beneficial interests of P.L.Goldie, J.H.Gunn, and P.Myners in the ordinary stock units and other securities of the ultimate holding company are shown in the accounts of that company.

Directors' Report
continued

Exco International p.l.c. and Subsidiary Companies

M.C. Johns has a non-beneficial interest, as trustee, in 10,000 ordinary stock units and £123,750 CULS (1986: 40,500 and £123,750 respectively).

There were no other contracts with the company or its subsidiaries (other than service contracts) in which any director of the company had any material beneficial interest, nor did any director of the company have any beneficial interest in the share capital and loan notes of subsidiaries, except R.G. Jackson who has an effective interest of 3.75% in the issued share capital of RMJ Holdings Inc.

- | | |
|--|---|
| 7. Called Up Share Capital | Details of movements in share capital are shown in note 19 to the accounts. |
| 8. Fixed assets | Details of movements in tangible fixed assets are shown in note 11 to the accounts. |
| 9. Associated and subsidiary companies | Details of changes in associated and subsidiary companies are shown in note 12 (e) to the accounts. |
| 10. Employees | The company gives full and fair consideration to all applications from disabled persons. If existing employees became disabled during the course of employment, every effort would be made to enable their continuing employment with the group and retraining would be offered where suitable. Disabled persons, like all employees, are eligible for internal promotions. |
| 11. Donations | In the United Kingdom the group contributed £116,036 (1986 - £44,570) to charitable organisations. |
| 12. Subsequent events | Details of subsequent events are shown in note 24 to the accounts. |
| 13. Close company | The directors are advised that the company is not a close company. |
| 14. Auditors | The auditors, Coopers & Lybrand, have indicated their willingness to continue in office. A resolution for their reappointment as auditors is therefore to be proposed at the forthcoming Annual General Meeting. |

By order of the Board,



E.C. Pank
Secretary.

London, 14th June 1988

Consolidated Profit and Loss Account
for the year ended 31st December 1987

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Exco International p.l.c. and Subsidiary Companies

	Note	1987	1986
		£'000	£'000
Turnover	2	199,064	152,167
Net operating expenses	3	(125,549)	(78,279)
Operating profit		73,515	73,888
Income from share of associated companies and partnerships	4	6,024	3,639
Profit on ordinary activities before exceptional item		79,539	77,527
Exceptional item	7	-	(7,447)
Profit on ordinary activities before taxation	2	79,539	70,080
Tax on profit on ordinary activities	8	(29,546)	(27,525)
Profit on ordinary activities after taxation		49,993	42,555
Minority interests in subsidiaries		(2,262)	(1,483)
Profit after taxation and before extraordinary items		47,731	41,072
Extraordinary items	9	(2,097)	(1,017)
Profit for the financial year		45,634	40,055

Consolidated Statement of Movements in Retained Profits for the year ended 31st December 1987

Retained profits at beginning of year		245,901	226,960
Profit for the financial year		45,634	40,055
Dividends to shareholders	10	(23,000)	(5,622)
- in respect of current year profits		(209,500)	-
- in respect of prior year profits			
Transfers from other reserves in respect of subsidiaries sold		(1,196)	(15,480)
Currency adjustments		(635)	(12)
Retained profits at end of year		57,204	245,901

The notes on pages 2 to 31 form part of these accounts.

Audit report - page 32.

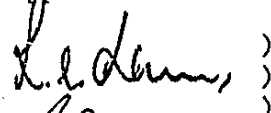
Consolidated Balance Sheet
31st December 1987


6

Exco International p.l.c. and Subsidiary Companies

	Note	<u>1987</u>		<u>1986</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed assets					
...Tangible fixed assets	11		28,757		22,426
Investments:					
Shares in associated companies and partnerships	12 (d)		4,579		7,268
Other investments	12 (c)		922		83,649
			-----		-----
			34,258		113,343
Current assets					
Debtors	13	3,058,355		1,652,084	
Forfaiting assets		275,125		227,902	
Investments	14	228,654		293,320	
Cash at bank and in hand	15	125,500		136,760	
			-----		-----
		3,687,634		2,310,066	
Creditors: amounts falling due within one year	16	(3,402,591)		(1,935,399)	
		-----		-----	
Net current assets			285,043		374,667
			-----		-----
Total assets less current liabilities			319,301		488,010
Creditors: amounts falling due after more than one year	17		(126,971)		(42,258)
Provisions for liabilities and charges	18		(83,430)		(87,874)
			-----		-----
Net assets			108,900		357,878
			-----		-----
Capital and reserves:					
Called up share capital	19		23,440		23,422
Other reserves	20		19,752		81,259
Profit and loss account			57,204		245,901
			-----		-----
Shareholders' funds			100,396		350,582
Minority interests			8,504		7,296
			-----		-----
Total capital employed			108,900		357,878
			-----		-----

Approved by the Board on 14th June, 1988

 Directors

 The notes on pages 9 to 31 form part of these accounts
Auditors' report - page 32

Company Balance Sheet
31st December 1987

Exco International p.l.c.

	Note	<u>1987</u> <u>£'000</u>	<u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>£'000</u>
Fixed assets					
Investments:					
Shares in group companies	12 (a)		59,859		104,858
Loans to group companies	12 (b)		40,210		34,917
			-----		-----
			100,069		139,775
Current assets					
Debtors	13	111,931		60,296	
Investments	14	192		59	
Cash at bank and in hand		1,915		711	
		-----		-----	
		114,038		61,066	
Creditors: amounts falling due within one year	16	(37,438)		(31,949)	
		-----		-----	
			76,600		29,117
Net current assets			-----		-----
			176,669		168,892
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	17		(9,931)		(1,014)
Provisions for liabilities and charges	18		-		(614)
			-----		-----
			166,738		167,264
Net assets			-----		-----
Capital and reserves:					
Called up share capital	19		23,440		23,422
Other reserves	20		139,676		139,336
Profit and loss account	21		3,622		4,506
			-----		-----
			166,738		167,264
Shareholders' funds			-----		-----

Approved by the Board on 14th June, 1988

L. J. O'Connell }

Directors

L. J. O'Connell

The notes on pages 9 to 31 form part of these accounts
Auditors' report - page 32

Consolidated Statement of Source and Application of Funds
for the year ended 31st December 1987

8

Exco International p.l.c. and Subsidiary Companies

	<u>1987</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Profit on ordinary activities before taxation		79,539		70,080
Extraordinary items		-		(1,017)
Items not involving movement of funds:				
Depreciation of tangible fixed assets	7,713		5,493	
Profits retained in associated companies and partnerships	(2,127)		(1,342)	
Exchange adjustments on translation	2,592		(1,073)	
	-----	8,178	-----	3,078
		87,717		72,141
Funds from other sources				
Sale of subsidiaries	38,051		-	
Issue of shares (net of issue expenses)	358		191	
Long term loans	65,798		17,088	
Sales of tangible fixed assets (net)	1,143		1,352	
Sale of fixed asset investments	91,323		96,477	
Contributed by minority	-		524	
	-----	196,673	-----	115,632
Total available funds		284,390		187,773
Application of funds:				
Purchase of subsidiaries	54,202		30,395	
Purchase of tangible fixed assets	11,608		14,252	
Purchase of fixed asset investments	9,823		63,386	
Purchase of associated companies and partnerships	50		500	
Repayment of long term loans	5,648		2,201	
Tax paid	38,288		13,424	
Dividends paid	178,301		11,710	
Dividends paid to minorities	666		300	
Acquisition of minority interest in a subsidiary	-		250	
	-----	298,586	-----	(136,418)
		(14,196)		51,355
Decrease (increase) in working capital:				
Debtors	515,568		322,066	
Forfeiting assets less related overdrafts	25,551		(52,333)	
Creditors	(554,049)		(256,494)	
	-----	(12,930)	-----	13,239
Movement in net liquid funds:				
Bank balances and overdrafts	60,202		(112,763)	
Short term investments	(61,468)		150,879	
	-----	(1,266)	-----	38,116
		(14,196)		51,355

The net effect on the assets and liabilities of the group arising from the acquisition and disposal of subsidiary companies is shown in note 25.

NOTES TO THE ACCOUNTS
31st December 1987

Exco International p.l.c. and Subsidiary Companies

1. Principal accounting policies

A summary of the principal group accounting policies is set out below.

(a) Basis of accounting

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated profit and loss account and the balance sheet include the accounts of the company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during an accounting period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

On 20th November 1986, it was announced that negotiations were taking place concerning the sale of W.I. Carr (UK) Limited and W.I. Carr (Overseas) Holdings Limited, representing the whole of the stockbroking interests of the group. Completion of this sale took place on 25th March 1987, this becoming the effective date of sale of these subsidiaries. The surplus arising on disposal, after full provision for the net loss of the subsidiaries between 20th November 1986 and 25th March 1987, was treated as an extraordinary item in the consolidated accounts of the group at 31st December 1986. The consolidated balance sheet of the group in that year included the assets and liabilities of these subsidiaries as at the dates of their accounts, which for W.I. Carr (UK) Limited was 19th December, 1986. The difference between the net assets consolidated and the consideration for sale of the subsidiaries was included in other debtors.

Intra-group sales and profits are eliminated on consolidation and turnover and profit figures relate to external transactions only.

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

(c) Associated and related companies and partnerships

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 companies. Such entities are also 'related' as defined in the Companies Act 1985, and there are no other related companies.

The consolidated profit and loss account includes the appropriate share of profits less losses of all material associated entities based on audited accounts to 31st December each year, except in the case of Nittan AP Company Limited, where the group's share of results is based on audited accounts to 30th September together with unaudited management accounts for the period from 1st October 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 and related companies and partnerships has been written off against reserves.

NOTES TO THE ACCOUNTS
31st December 1987
continued

Exco International p.l.c. and Subsidiary Companies

(d) Fixed assets

Certain freehold and long leasehold properties are periodically revalued. Other fixed assets are stated at cost. Where 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 fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are as follows:-

	%
	2
Freehold property	15 - 25
Furniture, fixtures and equipment	25 - 33 1/3
Motor vehicles	

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

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

(e) Investments

Investments included in fixed assets are stated at cost less any permanent diminution in estimated realisable value. Cost is adjusted for discount accretion or premium amortisation in respect of certain securities redeemable at fixed dates.

Current asset investments are stated at the lower of cost and net realisable value, except for currency roll up funds (where interest accrues on a daily basis) which are stated at market value. Cost is adjusted for discount accretion or premium amortisation in respect of certain securities redeemable at fixed dates. Investment income is accrued on a daily basis.

Interest income, including interest on government securities, is accrued on a daily basis. Other investment income is accounted for when it becomes receivable.

(f) Finance leases

The net investment in finance leases less appropriate future income arising from financing charges is included in debtors. Principal amounts payable to lessors on back to back leases are included in creditors.

The accounting policy in respect of income recognition is described in note 1 (1) (ii).

(g) Forfeiting assets

Forfeiting assets are stated at the lower of cost and net realisable value.

Exco International p.l.c. and Subsidiary Companies

(h) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences, except where it is considered that tax will not become payable in the foreseeable future.

(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 U.K. contributions are made to funded schemes at rates recommended by the actuaries and are reviewed on a regular basis, at least triennially. The assets of the funds 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 group companies 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 companies are translated at monthly weighted average exchange rates for the year, the difference between these and closing rates being dealt with directly in retained profits.

Translation gains and losses arising on consolidation are dealt with through other reserves against which are offset translation differences arising on currency loans financing investment in overseas group companies.

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.

(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;

NOTES TO THE ACCOUNTS
31st December 1987
continued

Exco International p.l.c. and Subsidiary Companies

- (ii) for leasing transactions, the gross earnings applicable to the year in order to give a constant periodic rate of return on the net cash investment in finance leases, after recognising sufficient gross earnings to cover initial direct costs. Commissions and fees are credited to the profit and loss account on a receivable basis. Turnover is net of finance charges on back to back leases;
- (iii) for forfaiting transactions, the net amount earned from trading in forfaiting assets and includes accrued income on forfaiting assets held at the balance sheet date. Fees and commissions are accounted for on the earnings basis;
- (iv) for broking transactions in Eurobonds and government securities, the net brokerage earned on transactions entered into on or before the balance sheet date. The gross costs and proceeds of transactions not settled at the balance sheet date are included in trade creditors and trade debtors;
- (v) for Stock Exchange moneybroking transactions, net interest earned on lending money and securities;
- (vi) for other transactions, the invoiced value of goods sold or services provided for the year.

2. Group turnover and profit

An analysis of group turnover and profit is set out in paragraph 4 of the directors' report.

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
3. Net operating expenses		
Staff costs (see Note 6)	74,127	56,169
Amounts written off fixed asset investments:		
Due to permanent reductions in value	42	136
Provisions no longer required and written back	(428)	-
	(386)	136
Amounts written off current asset investments:		
Due to temporary fluctuations in value	969	828
Interest payable and similar charges:		
On loans repayable within 5 years	18,160	11,893
On loans repayable (wholly or partly) after 5 years	1,574	1
	19,734	11,894
Depreciation and amounts written off: Tangible fixed assets	7,713	5,493
Other operating expenses:		
Auditors' remuneration	458	407
Hire of plant and machinery	146	62
Other expenses	53,045	47,769
	53,649	48,238
Total operating expenses	155,806	122,758
Income from fixed asset investments:		
Listed in the UK	(1,218)	(6,372)
Listed overseas	(78)	(122)
Unlisted	(357)	(639)
	(1,653)	(7,133)
Other interest receivable and similar income:		
Income from current asset investments	(5,996)	(8,927)
Listed in the UK	(3,374)	(2,948)
Listed overseas	(1,260)	(11,693)
Unlisted	(17,974)	(13,778)
Bank interest and other income	(28,604)	(37,346)
Net operating expenses	125,349	78,279

4. Income from share of associated companies and partnerships

The group's share of profits less losses of unlisted associated companies and partnerships included dividends of £717,000 (1986-£419,000).

5. Directors' emoluments

(a) The emoluments of directors of Exco International p.l.c. (including pension contributions) were:-

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Fees as directors	19	65
Emoluments for management	3,238	3,270
Compensation for loss of office	355	863
	<u>3,612</u>	<u>4,198</u>

Particulars in accordance with Part V of Schedule 5 of the Companies Act 1985 of the emoluments (excluding pension contributions) 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:

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Chairman (and in 1987 highest paid director)	402,940	35,000
Highest paid director	-	354,515

Other directors received emoluments in the following ranges:

£	<u>1987</u> <u>(Number)</u>	<u>1986</u> <u>(Number)</u>
0 - 5,000	3	-
5,001 - 10,000	1	1
10,001 - 15,000	-	2
15,001 - 20,000	-	1
20,001 - 25,000	1	-
25,001 - 30,000	1	-
30,001 - 35,000	-	1
35,001 - 40,000	1	-
40,001 - 45,000	-	1
45,001 - 50,000	-	1
50,001 - 55,000	-	1
55,001 - 60,000	1	-
60,001 - 65,000	-	1
65,001 - 70,000	-	1
70,001 - 75,000	-	1
75,001 - 80,000	-	2
80,001 - 85,000	-	2
85,001 - 90,000	-	1
90,001 - 95,000	3	-

For details of transactions with directors, see page 4.

6. Staff costs

Employees' costs including executive directors of the group during the year amounted to:

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Wages and salaries	64,843	50,199
Social security costs	6,210	3,103
Other pension costs	3,074	2,867
	-----	-----
	<u>74,127</u>	<u>56,169</u>

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

	<u>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
Sales & broking	1,442	1,217
Administration	418	584
	-----	-----
	<u>1,860</u>	<u>1,801</u>

7. Exceptional item:

The exceptional item in 1986 represented a loss arising in W.I.Carr (Overseas) Limited on settlement of bargains on a client's behalf.

8. Taxation

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

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
U.K. Corporation tax at a rate of 35% (1986 - 36.25%)	21,595	18,194
Deferred taxation	(6,081)	2,159
	-----	-----
	15,514	20,353
Less: Relief for overseas taxation	-	(2,176)
	-----	-----
	10,763	7,405
Overseas taxation		
Tax attributable to franked investment income	88	65
	-----	-----
	26,365	25,647
Taxation arising on profit of the group		
Tax attributable to share of profits of associated companies and partnerships	3,181	1,878
	-----	-----
	<u>29,546</u>	<u>27,525</u>

9. Extraordinary Items

Extraordinary items comprise the net of:-

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
(a) Net surplus on disposal of the stockbroking interests of the group	-	696
(b) Further costs provided in connection with the disposal in prior years of the group's effective 52% interest in Telerate Inc	(2,583)	-
(c) Surplus on disposal of Bow Wine Vaults Limited, net of taxation of £289,000	486	-
	-----	-----
	(2,097)	696
(d) Costs incurred by the company in the acquisition of the group by British & Commonwealth Holdings PLC	-	(1,713)
	-----	-----
	<u>(2,097)</u>	<u>(1,017)</u>

10. Dividends

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Interim dividend	-	5,622
Final dividend (proposed) in respect of current year profits	23,000	-
Dividend in respect of prior year profits	209,500	-
	-----	-----
	<u>232,500</u>	<u>5,622</u>

11. Tangible fixed assets

	Land and Buildings			Furniture Fixtures		Total
	<u>Free</u> <u>Hold</u> <u>£'000</u>	<u>Long</u> <u>Lease</u> <u>£'000</u>	<u>Short</u> <u>Lease</u> <u>£'000</u>	<u>&</u> <u>Equipment</u> <u>£'000</u>	<u>Motor</u> <u>Vehicles</u> <u>£'000</u>	
Cost or valuation						
At 1st January 1987						
Cost	403	284	3,109	26,133	5,943	35,872
Valuation	316	203	-	-	-	519
Exchange adjustments	(47)	(43)	(729)	(2,586)	(140)	(3,545)
Additions	45	-	831	7,618	3,114	11,608
Subsidiaries sold	(32)	-	(133)	(7,364)	(671)	(8,200)
Subsidiaries acquired	-	-	2,986	10,924	-	13,910
Disposals	-	-	(73)	(1,435)	(1,715)	(3,223)
At 31st December 1987						
Cost	399	284	5,991	33,290	6,531	46,495
Valuation	286	160	-	-	-	446
	685	444	5,991	33,290	6,531	46,941
Depreciation						
At 1st January 1987	74	40	866	10,853	2,132	13,965
Exchange adjustments	(3)	(2)	(177)	(1,189)	(90)	(1,461)
Charge for the year	11	15	538	5,714	1,435	7,713
Subsidiaries sold	-	-	(47)	(1,559)	(108)	(1,714)
Subsidiaries acquired	-	-	206	1,555	-	1,761
Disposals	-	-	(19)	(1,047)	(1,014)	(2,080)
At 31st December 1987	82	53	1,367	14,327	2,355	18,184
Net book value						
At 31st December 1987	603	391	4,624	18,963	4,176	28,757
At 31st December 1986	645	447	2,243	15,280	3,811	22,426

Certain of the overseas freehold and long leasehold properties were professionally revalued during 1980 and 1984 on an existing use basis.

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

	31st December 1987	
	<u>Free</u> <u>Hold</u> <u>£'000</u>	<u>Long</u> <u>Lease</u> <u>£'000</u>
Original cost	88	34
Accumulated depreciation based on original cost	-	(11)
	88	23

12. Fixed asset investments

(a) Shares in group companies

	<u>Company</u>
	<u>£'000</u>
Cost and net book value	
At 1st January 1987	104,858
Additions	1
Disposals	(45,000)

At 31st December 1987	<u>59,859</u>

No amounts were written off during the year.

Principal subsidiary companies of the group are set out on page 31.

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

(b) Loans to group companies

	<u>Company</u>
	<u>£'000</u>
Cost and net book value	
At 1st January 1987	34,917
Additions	11,220
Reclassifications to current assets	(5,927)

At 31st December 1987	<u>40,210</u>

12. Fixed asset investments (continued)

(c) Other investments

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

	Group	
	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>
Listed in the UK	-	81,540
Listed overseas	637	1,634
	-----	-----
	637	83,174
Unlisted	285	475
	-----	-----
	<u>922</u>	<u>83,649</u>

The aggregate market value of other fixed asset investments was:-

	Group	
	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>
Listed in the UK	-	81,223
Listed overseas	733	4,713
	-----	-----
	733	85,936
Unlisted at directors' valuation	285	475
	-----	-----
	<u>1,018</u>	<u>86,411</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.

The majority of these investments in 1986 were gilt-edged and government securities maturing between one and five years.

12. Fixed asset investments (continued)

20

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

	Group
	<u>£,000</u>
Cost	
At 1st January 1987	88,526
Exchange adjustments	(170)
Additions	9,823
Disposals	(97,257)

At 31st December 1987	922

Amounts written off	
At 1st January 1987	(4,877)
Exchange adjustments	116
Written back on disposal	4,761

At 31st December 1987	-

Net book value at - 31st December 1987	922

Net book value at - 31st December 1986	<u>83,649</u>

12. Fixed asset investments (continued)

21

(d) Shares in associated companies and partnerships

The movement on shares in associated companies and partnerships was as follows:

	<u>Group</u> <u>£'000</u>
Cost or valuation:	
At 1st January 1987	7,476
Additions	50
Share of retained profit for year	2,127
Exchange and other adjustments	(320)

At 31st December 1987	9,333

Amounts written off:	
At 1st January 1987	(208)
Written off during the year	(42)
Written back during the year	215
Exchange adjustments	20
Goodwill written off to reserves	(4,739)

At 31st December 1987	(4,754)

Net book value at 31st December 1987	4,579

Net book value at 31st December 1986	7,268

The group's investment in associated companies and partnerships comprises:-

	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Cost less amounts written off (834)		3,852
Share of retained profits	5,413	3,416
	-----	-----
Net book value	4,579	7,268
	-----	-----
	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Representing:		
Share of tangible net assets of associated companies and partnerships	4,579	2,312
Share of goodwill in the accounts of associated companies and partnerships	-	1,928
Premium on acquisition of shares in associates by the group	-	3,028
	-----	-----
	4,579	7,268
	-----	-----

12. Fixed asset investments (continued)

In the opinion of the directors the value of the investment in associated companies and partnerships at 31st December 1987 is at least equal to that shown in the balance sheet.

Details of associated companies and partnerships are set out on page 31.

(e) Movement in subsidiaries, associated companies and partnerships

On 30th January and 20th March 1987 the group injected into its subsidiary, L.M (Moneybrokers) Limited further capital totalling £10 million by means of subscription for 3,334,000 Variable Rate Cumulative Non-Voting First Preference Shares of £1 each and £1,666,000 of Variable Rate Subordinated Loan Notes on each occasion.

On 16th March and 19th November 1987 the group acquired 55% and 5% respectively of the issued share capital of The Mall Trust Corporation PLC for a total consideration of £1 million.

On 25th March, 1987 the group disposed of the whole of its interest in W.I. Carr (UK) Limited and W.I. Carr (Overseas) Holdings Limited for a consideration of £37.4 million (see note 1).

On 28th May 1987 the group acquired 85% of the issued share capital of RMJ Holdings Inc, a U.S. Government Securities broker, for a consideration of \$85 million (£52 million).

On 4th September 1987 the group disposed of the whole of its interest in Bow Wine Vaults Limited for £840,000.

On 31st December, 1987 the company disposed of its holding of 30,000,000 Floating Rate Cumulative Preference Shares of £1 each in London Forfaiting Company PLC, then its 85% subsidiary, to its ultimate holding company, British & Commonwealth Holdings PLC at par.

13. Debtors

	Group		Company	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(a) Debtors due within one year:	2,988,201	1,610,245	111,931	58,376
Debtors due after one year:	70,154	41,839	-	1,920
	<u>3,058,355</u>	<u>1,652,084</u>	<u>111,931</u>	<u>60,296</u>

	Group		Company	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(b) Debtors due within one year:				
Trade debtors	2,927,969	1,558,533	-	-
Amounts owed by group companies	-	-	99,270	45,754
Amounts owed by associated companies and partnerships	340	368	-	-
Net investment in finance leases	24,388	11,890	-	-
Other debtors	11,016	6,782	242	136
Prepayments & accrued income	24,488	32,672	-	-
Dividends receivable from group companies	-	-	12,419	12,486
	<u>2,988,201</u>	<u>1,610,245</u>	<u>111,931</u>	<u>58,376</u>

Included within trade debtors are money and stocks totalling £1,325,948,000 (1986: £1,129,668,000) lent to third parties by a subsidiary in the normal course of trading. All such amounts lent are fully secured against assets belonging to those third parties. In 1986, the value of non-monetary items was excluded from trade debtors and was disclosed by way of a note. The comparative figures for 1986 have been restated accordingly.

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(c) Debtors due after more than one year:				
Amount owed by group companies	-	-	-	1,861
Net investment in finance leases	66,914	36,449	-	-
Other debtors	2,683	5,261	-	59
Prepayments and accrued income	557	129	-	-
	-----	-----	-----	-----
	70,154	41,839	-	1,920
	=====	=====	=====	=====

	<u>Group</u>	
	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>
(d) Finance leases:		
Investment in new leases during the year	57,511	32,113
	=====	=====

14. Current asset investments

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

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Listed in the UK	5,382	95,174	-	-
Listed overseas	24,567	7,511	-	-
	-----	-----	-----	-----
	29,949	102,685	-	-
Unlisted	198,705	190,635	192	59
	-----	-----	-----	-----
	228,654	293,320	192	59
	=====	=====	=====	=====

Their aggregate market value was:-

Listed in the UK	5,547	95,155	-	-
Listed overseas	24,567	7,524	-	-
	-----	-----	-----	-----
	30,114	102,679	-	-
Unlisted at directors' valuation	198,705	190,635	192	59
	-----	-----	-----	-----
	228,819	293,314	192	59
	=====	=====	=====	=====

No material tax liability would arise if listed investments were sold at market values.

All listed investments shown above are listed on recognised stock exchanges. Unlisted investments consist principally of certificates of deposit and certificates of tax deposit.

15. Cash at bank and cash in hand - Group

Cash at bank and in hand of the group includes £2,318,000 (1986-£10,044,000) in respect of funds held on behalf of clients; in addition £3,000,000 has been deposited by a subsidiary with a third party in order to provide security for overdrafts which arise in the normal course of trading.

16. Creditors: amounts falling due within one year

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

	Group		Company	
	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Bank loans and overdrafts	356,135	345,543	3	-
Trade creditors	2,889,945	1,513,630	-	-
Amounts owed to group companies	-	-	9,195	24,033
Amounts owed to ultimate holding company	31,199	-	1,199	-
Amounts owed to associated companies and partnerships	21	200	-	-
Principal amounts on back to back leases	19,363	9,368	-	-
Other creditors:				
Taxation payable	34,143	35,215	2,423	2,247
ACT on dividends paid and proposed	153	2,359	-	2,236
Social security and taxation	2,939	3,955	-	50
Other	15,772	11,429	86	2,060
Proposed dividends:				
Minority shareholders	282	253	-	-
Company shareholders	23,000	-	23,000	-
Accruals & deferred income	29,639	13,447	1,532	1,323
	<u>3,402,591</u>	<u>1,935,399</u>	<u>37,438</u>	<u>31,949</u>

Bank loans and over drafts include £302,006,000 (1986: £280,334,000) in respect of London Forfaiting Company PLC, and £33,500,000 (1986: £43,750,000) in respect of LM (Moneybrokers) Limited. The latter amount is secured on money market instruments.

Included within trade creditors are money and stocks totalling £1,299,522,000 (1986: £1,078,381,000) borrowed from third parties in the normal course of trading. All such borrowings and short term bank loans are secured. In 1986, the value of non-monetary items was excluded from trade creditors and was disclosed by way of a note. The comparative figures for 1986 have been restated accordingly.

17. Creditors: amounts falling due after more than one year

	Group		Company	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Preferred Stock	3,516	-	-	-
Bank loans & overdrafts	70,708	9,223	-	-
Amounts owed to group companies	-	-	9,931	1,014
Principal amounts on back to back leases	48,017	27,432	-	-
Other creditors	2,960	3,895	-	-
Taxation	1,770	1,708	-	-
	<u>126,971</u>	<u>42,258</u>	<u>9,931</u>	<u>1,014</u>

Of which due wholly or in part by instalment, including an element over 5 years:

	Group				
	<u>1987</u>				<u>1986</u>
	<u>Preferred</u>	<u>Bank Loan</u>	<u>Principal</u>	<u>Total</u>	<u>Principal</u>
	<u>Stock</u>		<u>amounts on</u>		<u>amounts on</u>
			<u>back to back</u>		<u>back to back</u>
			<u>leases</u>		<u>leases</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Due in 1-2 years	611	2,316	17,299	20,226	9,334
Due in 2-5 years	1,328	9,011	29,609	39,948	17,420
Due in more than 5 years	1,577	10,679	1,109	13,365	678
	<u>3,516</u>	<u>22,006</u>	<u>48,017</u>	<u>73,539</u>	<u>27,432</u>

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

Amounts due wholly or in part by instalment, including an element over 5 years, carry the following rates of interest:

	<u>Rate of interest</u>
Preferred Stock	55% of US Prime plus 0.75%
Bank loans	US Prime plus 0.75%
Principal amounts on back to back leases	8 - 10%

18. Provision for liabilities and charges

The provision for liabilities & charges comprises:

	Group		Company	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(a) Deferred taxation: (provided in full)				
Capital and other investment allowances on fixed assets and finance leases	3,749	3,205	-	-
Other timing differences	4,315	11,977	-	614
	-----	-----	-----	-----
	8,064	15,182	-	614
(b) Provision for UK taxation	75,275	72,692	-	-
Other provisions	91	"	-	-
	-----	-----	-----	-----
	<u>83,430</u>	<u>87,874</u>	<u>-</u>	<u>614</u>

- (c) No provision has been made for any taxation which would become payable on the distribution of profits of overseas subsidiaries and associates.
- (d) The provision for taxation of £75,275,000 in (b) above is in respect of the sale of the group's effective 52% interest in Telerate Inc in 1985. The company is proposing to contest this liability.

19. Share capital

	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>
Authorised 325,000,000 ordinary shares of 10p each	<u>32,500</u>	<u>32,500</u>
Issued and fully paid 234,400,282 ordinary shares of 10p each	<u>23,440</u>	<u>23,422</u>

On 12th March, 1987 the company issued 180,000 shares for a cash consideration of £358,000 upon the exercise of options held by a former director. A premium of £340,000 was created by this issue and credited to the share premium account.

20. Other reserves - non distributable

	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
At 1st January 1987	81,259	139,336
Goodwill written off	(69,431)	-
Share premium on issue of shares (note 19)	340	340
Other movements	7,584	-
	-----	-----
At 31st December 1987	<u>19,752</u>	<u>139,676</u>

Comprising:	Group		Company	
	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Surplus on revaluation of fixed assets	234	239	-	-
Other non-distributable reserves	269	222	-	-
Unrealised exchange gains/(losses)	4,526	(3,016)	-	-
Share premium account	523	183	523	183
Former share premium account net of goodwill write off	14,200	83,631	139,153	139,153
	-----	-----	-----	-----
	<u>19,752</u>	<u>81,259</u>	<u>139,676</u>	<u>139,336</u>

The amount transferred from the share premium account on 10th June 1985 becomes fully distributable once all liabilities of Exco International plc existing at that date are discharged.

21. Retained profit

(a) The company

	<u>£'000</u>
At 1st January 1987	4,506
Net profit for the year	231,616
Dividends	(232,500)

At 31st December 1987	<u>3,622</u>

(b) Group retained profits at 31st December 1987 included £453,000 that is non-distributable.

22. Contingent liabilities and commitments

(a) Capital commitments:

	Group	
	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Contracted for	797	2,869
Authorised but not contracted for	1,810	2,155
	-----	-----
	<u>2,607</u>	<u>5,024</u>

(b) Other commitments

- (i) In the normal course of business, the company and subsidiaries have entered into forward commitments for the purchase and sale of securities and foreign exchange and in the case of a subsidiary in respect of interest rate swap transactions.
- (ii) The group has various commitments in respect of operating leases. The amount charged to the group profit and loss account in 1987 was £3,476,000 (1986 - £4,662,000). In 1988 the minimum rentals payable under operating leases are :-

In respect of leases expiring:	f'000

- within one year	416
- between two and five years	2,258
- in more than five years	2,088

	<u>4,762</u>

- (iii) At the balance sheet date the company and subsidiaries were liable to purchase the remaining interests in German money broking partnerships, RMJ Holdings Inc., Milestone Leasing Limited, London Forfaiting Company PLC, Williams, Cooke, Lott & Kissack Limited and LM (Moneybrokers) Limited at purchase prices based on future profits.
- (c) Contingent liabilities

The company has given guarantees on behalf of various subsidiary companies in respect of their business, including an unlimited guarantee on behalf of Exco Futures Limited. The company has given a guarantee on behalf of a subsidiary in respect of a bank loan of US\$9,500,000 (£5,053,000).

23. Subsidiaries, associated companies and partnerships

The principal subsidiaries, associated companies and partnerships are shown on page 31.

24. Subsequent events

On 15 January 1988 the group acquired 72.5% of the issued share capital of Shorcan International Brokers Limited, a Canadian Government Securities broker, for a cash consideration of \$9.5 million (£5.4 million).

As a result of the flotation of London Forfaiting Company PLC on the Unlisted Securities Market on 10th February, 1988 the group's interest in the company was reduced to 40% from that date.

On 31st March, 1988 the group acquired the remaining 5% minority shareholding in Milestone Leasing Limited.

25. Source and Application of Funds

The consolidated statement of source and application of funds is shown on page 8.

The net effect on the assets and liabilities of the group arising from the acquisition and disposal (1986 disposal) of subsidiary companies is set out below:

	<u>1987</u> <u>Assets acquired/</u> <u>disposed</u> <u>£'000</u>	<u>1986</u> <u>Assets disposed</u> <u>£'000</u>
Goodwill	64,692	25,461
Tangible fixed assets	5,693	1,484
Other liabilities	(29,501)	(1,904)
Minority interests	(753)	(1,080)
Working capital	(23,205)	6,434
	<u>16,926</u>	<u>30,395</u>
	<u>Consideration</u> <u>£'000</u>	<u>Consideration</u> <u>£'000</u>
Consideration paid/received (net)	16,151	30,395
Profit on disposal before taxation	775	-
	<u>16,926</u>	<u>30,395</u>

26. Ultimate Holding Company

The ultimate holding company of the group is British and Commonwealth Holdings PLC.

Exco International p.l.c.

The following are the principal operating subsidiary and associated companies and partnerships of the group:

<u>Subsidiary companies</u>	<u>Country of Incorporation</u>	<u>Nature of Business</u>	<u>Issued Ordinary Share Capital</u>
Astley & Pearce Limited	Great Britain	Money Broking	£300,000
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\$100,000
Astley & Pearce (Ireland) Limited	Republic of Ireland	Money Broking	IR£100
Astley & Pearce (New Zealand) Limited	New Zealand	Money Broking	NZ\$10,000
Astley & Pearce (Proprietary) Limited (80%)	South Africa	Money Broking	Rand 100,000
Astley & Pearce (Pte) Limited	Singapore	Money Broking	S\$100,000
Astley & Pearce S.A.	Switzerland	Money Broking	SFr50,000
Astley & Pearce (Scandinavia) A.S. (77%)	Denmark	Money Broking	DKr300,000
* Godsell, Astley & Pearce (Foreign Exchange) Limited	Great Britain	Money Broking	£1,000
Godsell, Astley & Pearce (Sterling) Limited	Great Britain	Money Broking	£2,600
Godsell, Astley & Pearce (Eurocurrency Deposits) Limited	Great Britain	Money Broking	£46,156
Noonan, Astley & Pearce, Inc	U.S.A.	Money Broking	US\$438,000
Astley & Pearce (Bullion) Limited	Great Britain	Bullion Broking	£1,000
Astley & Pearce Bullion (HK) Limited	Hong Kong	Bullion Broking	HK\$10,000
Exco Capital Markets Limited	Great Britain	Capital Markets Broking	£1,000
Exco Finance Limited	Great Britain	Equipment Leasing & Portfolio In- vestment	£2
Exco Futures Limited	Great Britain	Financial Futures Broking	£505,100
F.I.B. (Australia) Pty Limited	Australia	Fixed Interest Broking	A\$300,000
LM (Moneybrokers) Ltd (89%)	Great Britain	Stock Exchange Moneybroking	£95,500
* London Forfaiting Company PLC (85%)	Great Britain	International Finance	£25,000,000
LFC Capital Markets Limited (85%)	Great Britain	Commodity Trading	£1,000,000
LFC Middle East Limited (85%)	Cyprus	International Finance	CY£18,814,815
London Finance SpA (85%)	Italy	International Finance	Lira 5 billion
* Municipal Brokers Limited	Great Britain	Local Authority Loan Broking	£1,000
The Mali Trust Corporation PLC (60%)	Great Britain	Factoring	£1,000
Milestone Leasing Limited (95%)	Great Britain	Sales Aid Leasing	£500,000
Purcell Graham & Co Limited	Great Britain	Eurobond Broking	£1,000
Purcell Graham (Far East) Limited	Hong Kong	Eurobond Broking	HK\$18,250
RMJ Securities Corp (85%)	U.S.A.	Securities Broking	£500,000
* Williams, Cooke, Lott and Kissack Limited (76%)	Great Britain	Gilt Inter Dealer Broking	£1,000,000
Exco International, Inc	U.S.A.	Holding Company	US\$1,050
NAP Holdings U.K. Limited	Great Britain	Holding Company	US\$23,958,340

Except where asterisked the above companies are owned indirectly. The Group's interest is 100% unless otherwise stated.

Associated companies and partnerships

Edgar Hamilton Group Limited (40%)	Great Britain	Insurance Broking	£74,590
KAF Astley & Pearce Sdn Bhd (40%)	Malaysia	Money Broking	Ringgit 200,000
The Nittan AP Company Limited (33%)	Japan	Money Broking	Y300,000,000
Ohms, Partner & Co Intermoney (38 1/3%)	West Germany	Money Broking	Partnership
Ohms, Schmidt-Claasen & Co (25 1/3%)	West Germany	Money Broking	Partnership

AUDITORS' REPORT

To the Members of Exco International p.l.c.

We have audited the financial statements on pages 5 to 31 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants

London, 14th June 1988