

EXCO WCLK LIMITED
FINANCIAL STATEMENTS
for the 15 months ended
31 March 1999



Company Registration No: 1852009

EXCO WCLK LIMITED

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

1 The directors present herewith the audited financial statements of the company for the 15 months ended 31 March 1999.

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

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

Principal activity of the company

2 The principal activity of the company is that of an inter-dealer broker in the United Kingdom gilt-edged market, and is regulated by the Securities and Futures Authority.

Review of business

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

It is expected that a re-organisation of the Securities broking activities of Intercapital Plc will take place in the next financial year. This may result in the sale or acquisition of businesses to or from other fellow subsidiary undertakings. The directors expect that such a re-organisation will have a significant effect on the level of activity in Exco WCLK Limited.

Significant developments during the financial period

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

Dividends

5 The directors declared interim dividends of £1,000,000 (1997: £1,400,000) but do not recommend the payment of a final dividend in respect of the period ended 31 March 1999 (1997: £nil).

Fixed assets

6 The changes in tangible fixed assets during the year are set out in note 8 to the accounts.

Directors

7 The directors who served during the period were:-

C J Cooke
P J Edge (resigned 30 September 1998)
G W Lott
D McClumpha
P H Stannard

EXCO WCLK LIMITED

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

Directors' interests

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

	<u>1 January 1998</u>	<u>31 March 1999</u>
C J Cooke	139,857	266,030
G W Lott	148,713	269,713
D McClumpha	-	-
P H Stannard	13,233	13,233

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

	<u>1 January 1998</u>	<u>Lapsed</u>	<u>Exercised</u>	<u>31 March 1999</u>
C J Cooke	296,000	(25,000)	(121,000)	150,000
G W Lott	296,000	(25,000)	(121,000)	150,000
D McClumpha	40,000	(10,000)	-	30,000
P H Stannard	-	-	-	-

On 22 April and 29 April 1999, D McClumpha exercised 10,000 options and 10,000 matching options respectively. D McClumpha now has interests of 20,000 ordinary shares and 10,000 options over the ordinary shares of Intercapital Plc.

The interests of the directors in the Floating Rate Secured Convertible Loan Stock 2001 of Intercapital Plc were:-

	<u>1 January 1998</u>	<u>31 March 1999</u>
	£'000	£'000
C J Cooke	350	350
G W Lott	219	213

These instruments are convertible into the ordinary shares of Intercapital Plc at any time.

Statement of directors' responsibilities

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

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

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

EXCO WCLK LIMITED

Report of the directors for the year ended 31 March 1999

Taxation status

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

Year 2000

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

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

Policy on payment to creditors

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

Auditors

13 The company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. On 20 June 1996 the company passed an elective resolution dispensing with the obligation to appoint auditors annually.

Donations

14 During the period the company made charitable donations of £32,173. (1997: £nil)

BY ORDER OF THE BOARD



Secretary
LONDON

16.6.99

Report of the auditors to the member of

EXCO WCLK LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

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

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

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

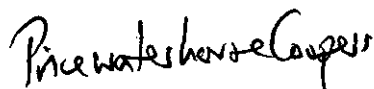
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1999 and of its profit for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
LONDON

16 June 1999

EXCO WCLK LIMITED**Profit and loss account**

		15 months ended 31 March <u>1999</u> £'000	Year ended 31 December <u>1997</u> £'000
	<u>Note</u>		
Turnover	2	6,971	6,295
Operating administrative expenses	3	(6,207)	(4,832)
Operating profit		764	1,463
Interest receivable and similar income		376	387
Profit on ordinary activities before taxation		1,140	1,850
Tax on profit on ordinary activities	6	(458)	(636)
Profit on ordinary activities after taxation		682	1,214
Dividends	7	(1,000)	(1,400)
Retained loss for the financial year		(318)	(186)

STATEMENT OF ACCUMULATED PROFITS

Accumulated profits brought forward	791	977
Retained loss for the period	(318)	(186)
Accumulated profits carried forward	473	791

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

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

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

The notes on pages 7 to 13 form part of these financial statements

EXCO WCLK LIMITED**Balance Sheet**

	<u>Note</u>	31 March <u>1999</u> £'000	31 December <u>1997</u> £'000
FIXED ASSETS			
Tangible fixed assets	8	-	106
CURRENT ASSETS			
Debtors	9	5,121	2,776
Investments	10	2,000	4,400
Cash at bank and in hand		246	1,270
		<hr/> 7,367	<hr/> 8,446
CREDITORS: amounts falling due within one year	11	(195)	(1,187)
		<hr/> 7,172	<hr/> 7,259
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		7,172	7,365
PROVISION FOR LIABILITIES AND CHARGES	12	(125)	-
		<hr/> 7,047	<hr/> 7,365
CAPITAL AND RESERVES			
Called up share capital	13	5,400	5,400
Share premium account		1,174	1,174
Profit and loss account		473	791
EQUITY SHAREHOLDERS' FUNDS	14	<hr/> 7,047	<hr/> 7,365

The financial statements on page 5 to 13 were approved by the board of directors on 16 June 1999 and were signed on its behalf by:



**G W LOTT
DIRECTOR**

The notes on pages 7 to 13 forms part of these financial statements

EXCO WCLK LIMITED

Notes to the financial statements for the 15 months ended 31 March 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently other than in relation to matched principal debtors and creditors, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention.

b) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis, over the expected useful lives of the assets concerned, except for those assets acquired under finance leases, which are depreciated over the lease term less an estimated residual value. The principal annual rates for this purpose are as follows:-

Short leasehold improvements	15% (or lease term if shorter)
Furniture and fittings	15%
Computer equipment	25%
Motor vehicles	33 1/3%

c) Leased assets

Fixed assets held under finance leases and hire purchase contracts are capitalised and depreciated over the term of the lease. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. Costs in respect of operating leases are charged on a straight line basis over the lease term.

d) Operating leases

Costs in respect of operating leases are charged in arriving at the operating profit.

e) Deferred taxation

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

f) Pension costs

The company participates in group pension schemes operated by Intercapital Plc. The pension schemes of the company are funded externally and are defined contribution schemes. The pension costs charged for the period are shown in note 5 to the accounts. There were no outstanding or prepaid contributions at the balance sheet date.

g) Matched Principal

The accounting policy in relation to matched principal debtors and creditors was changed during the year to reflect the substance of the transactions. As a result only the net commission receivable is included in trade debtors. However this only has a balance sheet effect on debtors and creditors with no effect on shareholders funds or the profit and loss account.

2 Turnover

Turnover, exclusive of value added tax represents the net revenue earned from broking British Government Securities.

EXCO WCLK LIMITED**Notes to the financial statements
for the 15 months 31 March 1999 (continued)****3 Operating administrative expenses**

	15 months ended 31 March 1999 £'000	Year ended 31 December 1997 £'000
Staff costs (see note 5)	3,557	3,157
Auditors remuneration for audit services	13	8
Other operating leases	61	49
Exchange gains	(1)	-
Depreciation - owned assets	87	72
- assets held under finance leases and hire purchase contracts	-	1
	=====	=====

The remuneration received by the auditors for non-audit services was £nil (1997: £nil).

4 Directors' emoluments

Aggregate disclosure:- Aggregate emoluments	805	790
	=====	=====
Company pension contributions to money purchase schemes	60	54
	=====	=====
Highest paid director:- Aggregate emoluments	294	276
	=====	=====
Company pension contributions to money purchase scheme	16	13
	=====	=====

2 directors exercised share options during the year.

3 directors were entitled to receive shares under a long term incentive scheme.

Retirement benefits are accruing to 3 directors under a money purchase pension scheme.

EXCO WCLK LIMITED**Notes to the financial statements****15 months ended 31 March 1999 (continued)****5 Employee information**

The average weekly number of persons employed (including executive directors) during the period was as follows:-

	15 months ended 31 March 1999	Year ended 31 December 1997
Broking staff	16	17
Administration	5	6
	<u>21</u>	<u>23</u>
Employee costs (including executive directors):-		
Wages and salaries	2,993	2,629
Social security costs	317	273
Other pension costs	247	255
	<u>3,557</u>	<u>3,157</u>

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

6 Tax on profit on ordinary activities

Corporation tax at 31.0% (1997: 31.5%)	457	636
Under provisions in respect of prior years	1	0
	<u>458</u>	<u>636</u>

7 Dividends

Interim dividends paid on ordinary shares	1,000	1,400
	<u>1,000</u>	<u>1,400</u>

EXCO WCLK LIMITED**Notes to the financial statements
for the 15 months ended 31 March 1999 (continued)****8 Tangible fixed assets**

	<u>Short leasehold improvements</u> £'000	<u>Furniture and equipment</u> £'000	<u>Total</u> £'000
Cost at 1 January 1998	216	544	760
Additions	-	94	94
Disposals	(216)	-	(216)
Transfer to group undertaking	-	(638)	(638)
At 31 March 1999	-	-	-
Depreciation			
At 1 January 1998	216	438	654
Charge for the period	-	87	87
Disposals	(216)	-	(216)
Transfer to group undertaking	-	(525)	(525)
At 31 March 1999	-	-	-
Net book value at 31 March 1999	-	-	-
Net book value at 31 December 1997	-	106	106

On 31 December 1998 the company transferred its Tangible Fixed Assets at Net Book Value to Intercapital Management Services Limited. Intercapital Management Services Limited is also a wholly owned subsidiary of Intercapital Plc.

9 Debtors

	<u>31 March 1999</u> £'000	<u>31 December 1997</u> £'000
Amounts falling due within one year:-		
Amounts owed by parent undertaking	4,959	2,693
Amounts owed by fellow subsidiary undertakings	112	-
Trade debtors	15	2
Other debtors	-	8
Prepayments and accrued income	35	73
	<u>5,121</u>	<u>2,776</u>

The Company is involved in the purchase and simultaneous sale of gilt-edged securities. The form of these transactions is that the company takes 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 31 March 1999 the gross amounts of these transactions was £220,010,938 (1997: £53,386,000). Debtors and creditors have been restated as described in the Companies accounting policies.

No deferred tax asset has been recognised by the company. The amount not recognised as at 31 March 1999 was £39,186 (1997: £nil).

EXCO WCLK LIMITED**Notes to the financial statements
for the 15 months ended 31 March 1999 (continued)****10 Current asset investments**

	31 March 1999 £'000	31 December 1997 £'000
Money on deposit	2,000	4,400
	<u>2,000</u>	<u>4,400</u>

National Westminster have a fixed charge over the monies above and those disclosed as cash at bank and in hand, and a floating charge over stock held by the Company in the CGO service.

11 Creditors: amounts falling due within one year

Amounts owed to fellow subsidiary undertakings	-	439
Corporation tax	58	232
Other taxation and social security	-	96
Accruals and deferred income	137	420
	<u>195</u>	<u>1,187</u>

12 Provisions for other liabilities and charges

Brought forward	-	-
Movement	125	-
	<u>125</u>	<u>-</u>

The provision relates to property re-instatement costs in respect of the imminent and planned move of premises following the acquisition in October of certain Intercapital businesses by Intercapital Plc (previously Exco plc).

Lease obligations are dealt with within the group management company Intercapital Management Services Ltd, which re-charges group companies with the appropriate expense.

13 Called up share capital

Authorised:-		
Ordinary shares of £1 each	8,200	8,200
	<u>8,200</u>	<u>8,200</u>
Total equity share capital		
	<u>8,200</u>	<u>8,200</u>
Redeemable preference shares of £1 each	552	552
	<u>552</u>	<u>552</u>
Total non-equity share capital		
	<u>552</u>	<u>552</u>
Total authorised share capital	8,752	8,752
	<u>8,752</u>	<u>8,752</u>

EXCO WCLK LIMITED

Notes to the financial statements **for the 15 months ended 31 March 1999 (continued)**

13 Called up share capital (continued)

	31 March	31 December
	<u>1999</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Issued and fully paid:-		
Ordinary shares of £1 each	5,400	5,400
	<u>-----</u>	<u>-----</u>
Total equity share capital	<u>5,400</u>	<u>5,400</u>

14 Reconciliation of movements in shareholders' funds

	<u>1999</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial period/year	682	1,214
Dividends	(1,000)	(1,400)
	<u>-----</u>	<u>-----</u>
Retained loss for the financial period/year	(318)	(186)
Opening shareholders' funds	7,365	7,551
	<u>-----</u>	<u>-----</u>
Closing shareholders' funds	<u>7,047</u>	<u>7,365</u>

15 Financial commitments

The company had annual commitments under non-cancellable operating leases for land and buildings as follows:-

	31 March	31 December
	<u>1999</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
In respect of leases expiring in more than five years	<u>49</u>	<u>49</u>

16 Cash flow statement

A cashflow statement has not been prepared as Exco WCLK Limited is a wholly owned subsidiary of Intercapital Plc. A consolidated cash flow statement, which includes the cash flows of the company, is prepared by Intercapital Plc. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (revised 1996) from the requirement to publish a cash flow statement.

EXCO WCLK LIMITED

Notes to the financial statements for the 15 months ended 31 March 1999 (continued)

17 Ultimate parent company

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

18 Related party transactions

On 1 January 1999 the company transferred the tangible fixed assets at book value of £112,380 to fellow subsidiary undertaking, Intercapital Management Services Limited.

The company has taken advantage of the exemption not to disclose transactions with entities that are part of the group whose parent undertaking is Intercapital Plc. Consolidated accounts of Intercapital Plc are available from the following address: Park House, 16 Finsbury Circus, London EC2M 7DJ.

The company had no transactions in the period with entities that are part of the group whose ultimate parent company is Intercapital Group Limited or any other related companies, which are required to be disclosed under the provisions in Financial Reporting Standard No. 8.