

EXCO WCLK LIMITED

(FORMERLY WILLIAMS, COOKE, LOTT & KISSACK LIMITED)

FINANCIAL STATEMENTS

**for the year ended
31 December 1996**



Company Registration No: 1852009

EXCO WCLK LIMITED

Report of the directors for the year ended 31 December 1996

1 The directors present herewith the audited financial statements of the company for the year ended 31 December 1996.

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. The profit and loss amount for the year is set out on page 4.

Review of business

3 The directors consider that the year end position was satisfactory. The directors expect that the present level of activity will be sustained in the foreseeable future.

Dividends

4 The directors declared interim dividends of £2,000,000 (1995: £1,000,000) but do not recommend the payment of a final dividend in respect of the year ended 31 December 1996 (1995: Nil). The directors propose that a preference dividend be paid in respect of the financial year ended 31 December 1996 of £198,000 (1995: £230,000). The profit for the financial year of £1,163,000 (1995: £919,000) has been transferred to reserves.

Changes in tangible fixed assets

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

Directors

6 The directors who served during the period were:

C J Cooke	(Chairman)
P J Edge	(Appointed 24 January 1996)
G W Lott	
D McClumpha	
P H Stannard	

Directors' interests

7 The interests of P J Edge in the ordinary shares and the options over ordinary shares of Exco plc ("Exco") are disclosed in the directors report of Exco.

The interests of the other directors in the ordinary shares of Exco were:-

	<u>1 January 1996</u>	<u>31 December 1996</u>
C J Cooke	139,857	139,857
G W Lott	148,713	148,713
D McClumpha	-	-
P H Stannard	13,223	13,223

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

	<u>1 January 1996</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 December 1996</u>
C J Cooke	296,000	-	-	296,000
G W Lott	296,000	-	-	296,000
D McClumpha	40,000	-	-	40,000
P H Stannard	-	-	-	-

The interests of the other directors in the Floating Rate Secured Convertible Loan Stock 2001 of Exco were:

	<u>31 December 1996</u>	<u>31 December 1995</u>
	<u>£'000</u>	<u>£'000</u>
C J Cooke	350	350
G W Lott	226	232

These instruments are convertible into the Ordinary shares of Exco plc at any time.

EXCO WCLK LIMITED

Report of the directors for the year ended 31 December 1996

Statement of Directors' Responsibilities

8 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.

Taxation Status

9 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.

Auditors

10 On 20 June 1996, the company passed an elective resolution dispensing with the obligation to appoint auditors annually. The auditors, Coopers & Lybrand, therefore continue in office.

Change of name

11 The company changed its name on the 4th March 1996 from Williams, Cooke, Lott and Kissack Limited to Exco WCLK Limited.

BY ORDER OF THE BOARD



Secretary

LONDON

Report of the auditors to the members of

EXCO WCLK LIMITED

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

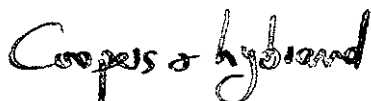
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 December 1996 and of its profit 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

3 March 1997

EXCO WCLK LIMITED

Profit and loss account for the year ended - 31 December 1996

	<u>Note</u>	<u>Year ended</u> <u>31 December</u> <u>1996</u> <u>£'000</u>	<u>Year ended</u> <u>31 December</u> <u>1995</u> <u>£'000</u>
Turnover	2	6,225	5,827
Operating administrative expenses		(4,803)	(5,054)
Operating profit	3	1,422	773
Interest receivable and similar income		433	614
Profit on ordinary activities before taxation		1,855	1,387
Tax charge on profit on ordinary activities	6	(692)	(468)
Profit on ordinary activities after taxation		1,163	919
Dividends paid and proposed	7	(2,198)	(1,230)
(Loss) for the financial year		(1,035)	(311)

STATEMENT OF ACCUMULATED PROFITS

Accumulated profits at 1 January	2,012	2,323
(Loss) for the financial year	(1,035)	(311)
Accumulated profits at 31 December	977	2,012

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 profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 6 to 12 form part of these financial statements
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EXCO WCLK LIMITED

Balance Sheet - 31 December 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		£'000	£'000
FIXED ASSETS:			
Tangible fixed assets	8	199	316
CURRENT ASSETS			
Debtors	9	2,771	311
Investments	10	4,400	4,400
Cash at bank and in hand		1,601	4,398
		8,772	9,109
CREDITORS: amounts falling due within one year	11	(1,420)	(830)
NET CURRENT ASSETS		7,352	8,279
TOTAL ASSETS LESS CURRENT LIABILITIES		7,551	8,595
CREDITORS: amounts falling due after more than one year	12	-	(9)
		7,551	8,586
CAPITAL AND RESERVES			
Called up share capital	13	5,400	5,400
Share premium account		1,174	1,174
Profit and loss account		977	2,012
		7,551	8,586
Equity shareholders' funds		3,151	4,186
Non-equity shareholders' funds	15	4,400	4,400
Total shareholders' funds		7,551	8,586

The financial statements on page 4 to 12 were approved by the board of directors on 27/2/97 and were signed on its behalf by:

G W Lott

G W LOTT
DIRECTOR

The notes on pages 6 to 12 forms part of these financial statements

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EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996

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, 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 Exco 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.

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 - 31 December 1996

3 Operating administrative expenses

	1996 £'000	1995 £'000
Staff Costs (see note 5)	3,029	3,031
Other operating expenses		
Auditors remuneration for audit services	11	9
Other operating leases	49	81
Depreciation - owned assets	72	51
Assets held under finance leases and hire purchase contracts	5	19
Other expenses	1,637	1,863
Total operating administrative expenses	<u>4,803</u>	<u>5,054</u>

4 Directors' emoluments

Emoluments of the directors of the company (including pension contributions) are as follows:-

	1996 £'000	1995 £'000
Management remuneration	<u>725</u>	<u>1,102</u>

Particulars of the emoluments of the directors of the company (excluding pension contributions), disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985 are as follows:-

	1996 £'000	1995 £'000
Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>231</u>	<u>384</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges were:-

	1996	1995
£0 to £5,000	2	2
£200,001 to £205,000	-	1
£215,001 to £220,000	-	1
£220,001 to £225,000	2	-
£230,001 to £235,000	1	-
£260,001 - £265,000	-	1
£380,001 - £385,000	-	1

No director waived emoluments in respect of the year ended 31 December 1996.

EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996 continued

5 Staff

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

	<u>1996</u>	<u>1995</u>
Broking staff	18	20
Administration	7	7
	<u>25</u>	<u>27</u>

Employee costs (including executive directors):-

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Wages and Salaries	2,558	2,524
Social Security Costs	269	269
Other pension costs	202	238
	<u>3,029</u>	<u>3,031</u>

6 Tax on profit on ordinary activities

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Corporation tax at 33%	686	501
Under/(Over) provisions in respect of prior years	6	(33)
	<u>692</u>	<u>468</u>

7 Dividends

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
<u>Dividends on non equity shares:</u>		
Proposed dividend on First preference shares	90	105
Proposed dividend on First 'A' Preference	98	125
	<u>198</u>	<u>230</u>
<u>Dividends on equity shares:</u>		
Interim dividends paid on 'A' ordinary shares	2,000	1,000
	<u>2,198</u>	<u>1,230</u>

EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996 continued

8 Tangible fixed assets

	<u>Short leasehold improvements</u> £'000	<u>Furniture and equipment</u> £'000	<u>Leased motor vehicles</u> £'000	<u>Total</u> £'000
Cost at 1 January 1996	216	541	86	843
Additions	-	-	-	-
Disposals	-	-	(51)	(51)
At 31 December 1996	216	541	35	792
Depreciation				
At 1 January 1996	216	294	17	527
Charge for the period	-	72	5	77
Disposals	-	-	(11)	(11)
At 31 December 1996	216	366	11	593
Net book value at 31 December 1996	-	175	24	199
Net book value at 31 December 1995	-	247	69	316

Leased assets

Included in motor vehicles are assets of net book value £24,000 (1995: £69,000) held under finance leases.

9 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year:		
Amounts owed by parent and fellow subsidiary undertakings	2,700	17
Trade debtors	7	1
Prepayments and accrued income	56	286
Other debtors	8	7
	2,771	311

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 December 1996 the gross amounts of these transactions was £175,752,000 (1995: £19,400,000).

EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996 continued

10 Investments - Regulatory Capital

	1996 £'000	1995 £'000
Money on deposit	4,400	4,400
	<u>4,400</u>	<u>4,400</u>

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.

11 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Amounts owed to parent and fellow subsidiary undertakings	337	275
Corporation tax	372	1
Social security and employee taxes	60	74
Proposed dividends payable	198	230
Accruals and deferred income	429	189
Obligations under finance leases	24	61
	<u>1,420</u>	<u>830</u>

12 Creditors: amounts falling after more than one year

	1996 £'000	1995 £'000
Obligations under finance leases payable within two to five years	-	9
	<u>-</u>	<u>9</u>

13 Called up share capital

	1996 £'000	1995 £'000
Authorised:		
"A" Ordinary shares of £1 each	180	180
"B" Ordinary shares of £1 each	820	820
Total equity share capital	<u>1,000</u>	<u>1,000</u>
10% cumulative redeemable preference shares of £1 each	552	552
First preference shares of £1 each	2,000	2,000
"A" First preference shares of £1 each	5,200	5,200
Total non-equity share capital	<u>7,752</u>	<u>7,752</u>
Total share capital authorised	<u>8,752</u>	<u>8,752</u>

EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996 continued

Issued and fully paid:

"A" Ordinary shares of £1 each	180	180
"B" Ordinary shares of £1 each	820	820
Total equity share capital	1,000	1,000
First preference shares of £1 each	2,000	2,000
"A" First preference shares of £1 each	2,400	2,400
Total non-equity share capital	4,400	4,400
Total issued and fully paid	5,400	5,400

The issued 'A' ordinary shares have no right to a dividend other than those that may be recommended by the directors and have no redemption rights. On a poll, the 'A' ordinary shares have two votes for each share. The 'A' ordinary shares participate equally on a winding-up with the 'B' ordinary shares once the preference shares have been paid in full.

The issued first preference shares and 'A' first preference shares are non-voting and have no redemption terms. The dividend on these shares is linked to six month LIBID and in respect of each financial year is payable on the day after the accounts of that year are approved by the directors (see note 7).

14 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year after tax	1,163	919
Dividends	(2,198)	(1,230)
	(1,035)	(311)
Opening shareholders' funds	8,586	8,897
Closing shareholders' funds	7,551	8,586

15 Non equity shareholders funds

Non equity shareholders funds are analysed as follows:

	1996 £'000	1995 £'000
First preference shares	2,000	2,000
First 'A' preference shares	2,400	2,400
Non equity shareholders funds	4,400	4,400

EXCO WCLK LIMITED

Notes to the financial statements - 31 December 1996 continued

16 Financial commitments

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

	<u>1996</u> £'000	<u>1995</u> £'000
In respect of leases expiring in more than five years	49	-

17 Cash Flow Statement

A cashflow statement has not been prepared as Exco WCLK Limited is a wholly owned subsidiary of Exco plc. A consolidated cash flow statement, which includes the cash flows of the company, is prepared by Exco 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.

18 Related Party Transactions

In accordance with FRS 8, and the definitions contained therein, it is required that disclosure of parties related to Exco WCLK Limited is given. Exco plc is the immediate parent company of Exco WCLK Limited, owning 100% of the ordinary share capital. Given that Exco WCLK Limited is more than a ninety per cent subsidiary, transactions which eliminate on consolidation are not disclosed, as permitted by FRS 8, over and above that required by the Companies Act 1985.

19 Ultimate parent undertaking

Exco plc is the ultimate controlling party. The directors regard Exco plc, a company registered in England and Wales, as the ultimate parent company. Copies of the parent's consolidated financial statements may be obtained from the company secretary, 119 Cannon Street, London EC4N 5AX.

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