

INTERCAPITAL GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 31 March 1998

Company Number 2011009



INTERCAPITAL GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A SPENCER	CHAIRMAN
D M GELBER	MANAGING DIRECTOR
R LEES	
P NEWMAN	
P O'TOOLE	
S H J MANSELL	FINANCE DIRECTOR
D CASTERTON	
D KELLY	
G CONWAY-HENDERSON	(Resigned 1 January 1998)

SECRETARY

S H J MANSELL

REGISTERED OFFICE

PARK HOUSE
16 FINSBURY CIRCUS
LONDON
EC2M 7DJ

BANKERS

BARCLAYS BANK PLC
BROADGATE CORPORATE BANKING CENTRE
155 BISHOPSGATE
LONDON
EC2M 3XA

AUDITORS

MOORES ROWLAND
CLIFFORD'S INN
FETTER LANE
LONDON EC4A 1AS

SOLICITORS

MACFARLANES
10 NORWICH STREET
LONDON
EC4A 1BD

INTERCAPITAL GROUP LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 31 March 1998.

PRINCIPAL ACTIVITY

The business of the Company and its subsidiaries is the broking of international capital market instruments and the provision of other financial based services.

REVIEW OF BUSINESS

This year has seen a further increase in turnover of the Group, however, due to further increases in operating costs, principally in staff costs, profit before tax has fallen by 40%. The directors feel that cost levels have now stabilised and will only increase inline with growth in the scale of operations.

The prospects for the next financial year are encouraging in light of the significant post balance sheet event detailed below.

The directors have considered the problems that may be encountered in the year 2000 in respect of the Group's computerised systems and are confident that no significant problems will occur.

POST BALANCE SHEET EVENTS

On 26 June 1998 the Company together with its subsidiary, Intercapital Commodity Swaps Limited, acquired 75.1% of the share capital of Valerie Chitty Services Limited and its subsidiaries. This group of companies is involved in the broking of base metals.

On 10 July 1998 an announcement was made that the directors were in negotiations with the directors of Exco Plc, a Stock Exchange listed company, in relation to a merger of the world-wide moneybroking activities of both companies.

The merger will be affected through the acquisition by Exco Plc of the Company's shareholdings in its subsidiaries involved in moneybroking activities from Intercapital Brokerage Services Limited, a company formed as a subsidiary of the Company on 30 July 1998 in order to consolidate the Company's ownership of moneybroking activities in a legal entity separate from the Company's other activities. In exchange for the transfer of ownership of these companies, Exco will issue to Intercapital Brokerage Services Limited new fully paid shares in Exco Plc representing between 62-65% of its newly enlarged share capital. The subsidiaries being transferred to Exco Plc are as follows:

Intercapital Brokers Limited, Intercapital Commodity Swaps Limited, Intercapital Securities Limited, Intercapital Equity Derivatives Limited in the United Kingdom, Intercapital Commodity Derivatives Inc., Intercapital Securities Inc., in the USA, Intercapital Group (Australia) Pty Limited, Intercapital Brokers (Australia) Limited, Intercapital Fixed Income Pty Limited, CM-ICAP Pty. Limited in Australia and Intercapital Commodity Swaps Pte Limited in Singapore.

DIVIDENDS

The directors recommend a final dividend of £1.059 million making the total dividend for the year £2.111 million (1997 - £2.218 million).

INTERCAPITAL GROUP LIMITED

REPORT OF THE DIRECTORS

DONATIONS

During the year the Group made charitable donations of £574,517 (1997 - £505,278) as a result of its annual Charity Day.

DIRECTORS AND THEIR INTERESTS

The directors' interests in the ordinary shares of the Company at 31 March 1998 and 1 April 1997, or date of appointment if later, were: -

	Beneficial Holdings	
	1998	1997
M A Spencer	306,780	306,780
D Gelber	20,000	20,000
R Lees	25,000	25,000
P Newman	14,000	14,000
P O'Toole	11,500	11,500
S H J Mansell	7,500	7,500
D Casterton	10,000	10,000
D Kelly	15,500	3,000
	410,280	397,780

The directors also held the following interests in the ordinary shares of subsidiary companies as at 31 March 1998 and 1 April 1997; P Newman 25,000 shares of Intercapital Commodity Swaps Limited and P O'Toole 23,000 shares of Intercapital Securities Limited.

The directors who served during the year, and those serving at the year end are set out on page 1.

The following Directors had related party loans outstanding at 31 March 1998 :-

	Maximum outstanding during the year	1998	1997
	£'000	£'000	£'000
M A Spencer	944	944	835
R Lees	65	65	-
P Newman	244	244	223
P O'Toole	180	180	-
S H J Mansell	18	18	18
D Kelly	1	1	-

INTERCAPITAL GROUP LIMITED

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS (CONTINUED)

In addition, the following Directors had loans with the Intercapital Group Limited Employee Benefit Trust outstanding at 31 March 1998: -

	1998 £'000	1997 £'000
M A Spencer	757	825
R Lees	121	132
D Gelber	228	250
P Newman	104	113
P O'Toole	133	144
S Mansell	127	138
D Casterton	266	288
D Kelly	546	87

Interest is charged at a market rate on all loans.

AUDITORS

Moore Rowland have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be presented at the forthcoming Annual General Meeting.

By order of the Board of Directors
and signed on behalf of the Board



S H J MANSELL
Secretary

Park House
16 Finsbury Circus
LONDON
EC2M 7UR

23 September 1998

INTERCAPITAL GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the Group at the end of the financial year and of the profit or loss of the Group for that year. 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERCAPITAL GROUP LIMITED

AUDITORS' REPORT TO THE MEMBERS OF INTERCAPITAL GROUP LIMITED

We have audited the financial statements on pages 7 to 24.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 the Company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

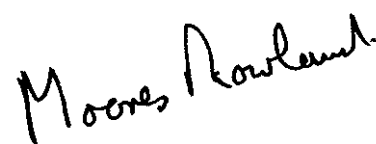
BASIS OF OPINION

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 and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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 and Group's affairs at 31 March 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORES ROWLAND
Chartered Accountants
& Registered Auditors

Clifford's Inn
Fetter Lane
LONDON
EC4A 1AS

24th September 1998

INTERCAPITAL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1998

	Notes	1998 £'000	1997 £'000
TURNOVER			
Continuing operations	1	75,664	70,972
Acquisitions		23	-
Discontinued operations		-	-
Total turnover		<u>75,687</u>	<u>70,972</u>
OPERATING EXPENSES			
Continuing operations		(68,848)	(59,183)
Acquisitions		(789)	-
Discontinued operations		-	-
OPERATING PROFIT	3	<u> </u>	<u> </u>
Continuing operations		6,816	11,789
Acquisitions		(766)	-
Discontinued operations		-	-
		<u>6,050</u>	<u>11,789</u>
Interest receivable and similar income	4	2,514	2,399
Interest payable	5	(577)	(805)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>7,987</u>	<u>13,383</u>
Tax on profit on ordinary activities	6	(3,846)	(5,942)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>4,141</u>	<u>7,441</u>
Minority interests		(754)	(1,366)
GROUP PROFIT FOR THE FINANCIAL YEAR		<u>3,387</u>	<u>6,075</u>
Dividends	7	(2,111)	(2,218)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1,276</u>	<u>3,857</u>

INTERCAPITAL GROUP LIMITED

STATEMENT OF MOVEMENTS ON RESERVES FOR THE YEAR ENDED 31 MARCH 1998

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Foreign exchange translation £'000	Profit and loss account £'000	Total £'000
GROUP						
Balance at 1 April 1997	90	3	837	(219)	31,425	32,136
Profit retained for the year	-	-	-	-	1,276	1,276
Reserves written back on disposal of shares in subsidiaries	-	-	(12)	-	-	(12)
Goodwill arising on acquisition of shares in subsidiaries	-	-	(99)	-	(162)	(261)
Foreign exchange translation differences	-	-	-	(84)	-	(84)
Balance at 31 March 1998	<u>90</u>	<u>3</u>	<u>726</u>	<u>(303)</u>	<u>32,539</u>	<u>33,055</u>
COMPANY						
Balance at 1 April 1997	90	3	-	-	7,987	8,080
Profit retained for the year	-	-	-	-	474	474
Balance at 31 March 1998	<u>90</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>8,461</u>	<u>8,554</u>

At the year end, cumulative goodwill of £435,116 had been written off against reserves.


INTERCAPITAL GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 1998

	Notes	£'000	1998 £'000	1997 £'000
FIXED ASSETS				
Tangible assets	9	4,335		4,344
Intangible assets	10	990		390
Investments	11	7,294		4,443
			12,619	9,177
CURRENT ASSETS				
Debtors	12	243,749		106,749
Investments	13	5,749		6,884
Cash at bank and in hand		19,950		19,970
		269,448		133,603
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR				
	14	(243,966)		(103,660)
NET CURRENT ASSETS				
			25,482	29,943
TOTAL ASSETS LESS CURRENT LIABILITIES				
			38,101	39,120
MINORITY INTERESTS				
			(4,310)	(6,248)
TOTAL NET ASSETS				
			33,791	32,872
CAPITAL AND RESERVES				
Called up share capital	15		736	736
Share premium account		90		90
Capital redemption reserve		3		3
Other reserves		726		837
Profit and loss account		32,236		31,206
			33,055	32,136
SHAREHOLDERS' FUNDS				
			33,791	32,872

THE FINANCIAL STATEMENTS WERE APPROVED
BY THE BOARD OF DIRECTORS ON 23 September 1998

Signed on behalf of the Board of Directors


M A SPENCER


D M GELBER

INTERCAPITAL GROUP LIMITED

COMPANY BALANCE SHEET AS AT 31 MARCH 1998

	Notes	£'000	1998 £'000	1997 £'000
FIXED ASSETS				
Tangible assets	9	20		51
Investments	11	12,242		9,000
			12,262	9,051
CURRENT ASSETS				
Debtors	12	17,958		13,657
Investments	13	2,380		2,986
Cash at bank and in hand		248		370
		20,586		17,013
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(23,558)		(17,248)
NET CURRENT LIABILITIES			(2,972)	(235)
TOTAL ASSETS LESS CURRENT LIABILITIES			9,290	8,816
CAPITAL AND RESERVES				
Called up share capital	15		736	736
Share premium account		90		90
Capital redemption reserve		3		3
Profit and loss account		8,461		7,987
			8,554	8,080
SHAREHOLDERS' FUNDS			9,290	8,816

THE FINANCIAL STATEMENTS WERE APPROVED
BY THE BOARD OF DIRECTORS ON 23 September 1998

Signed on behalf of the Board of Directors


M A SPENCER


D M GELBER

INTERCAPITAL GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1998

		1998 £000	1997 £000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	Notes		
Operating profit		6,050	11,789
Depreciation		2,412	1,982
Goodwill amortisation		247	195
Increase in debtors		(138,811)	(14,118)
Increase in creditors		143,944	7,060
Loss on sale of tangible fixed assets		-	75
Loss on sale of investments		388	685
Loss on disposal of shares in subsidiaries		126	114
Net cash inflow from operating activities		<hr/> 14,356	<hr/> 7,782
CASH FLOW STATEMENT			
Net cash inflow from operating activities		14,356	7,782
Return on investments and servicing of finance	16	903	881
Taxation		(6,044)	(6,009)
Capital expenditure	16	(8,433)	(2,192)
		<hr/> 782	<hr/> 462
Equity dividends paid		(1,808)	(1,873)
		<hr/> (1,026)	<hr/> (1,411)
Management of liquid resources	16	1,024	1,147
Financing	16	-	360
(Decrease)/increase in cash		<hr/> (2)	<hr/> 96
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash for the year		(2)	96
Cash flow from decrease in liquid resources		(1,024)	(1,147)
Effect of foreign exchange differences		(196)	(840)
Change in net funds		<hr/> (1,222)	<hr/> (1,891)
Net funds at 1 April		20,159	22,050
Net funds at 31 March		<hr/> 18,937	<hr/> 20,159

INTERCAPITAL GROUP LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF RECOGNISED GAINS AND LOSSES

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1998	1998 £'000	1997 £'000
Profit for the financial year	3,387	6,075
Dividends	(2,111)	(2,218)
	<u>1,276</u>	<u>3,857</u>
Other recognised gains and losses relating to the financial year	(84)	(191)
Reserves written back on disposal of shares in subsidiaries	(12)	(111)
Goodwill	(261)	192
Capital reserve arising on acquisition of subsidiaries	-	243
Net addition to shareholders' funds	<u>919</u>	<u>3,990</u>
Opening shareholders' funds	32,872	28,882
Closing shareholders' funds	<u>33,791</u>	<u>32,872</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 1998	1998 £'000	1997 £'000
Profit for the financial year	3,387	6,075
Foreign exchange translation differences	(84)	(191)
Total recognised gains and losses relating to the year	<u>3,303</u>	<u>5,884</u>

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies which the directors have adopted are set out below.

- a) **Accounting Convention** - The financial statements are prepared under the historical cost convention.
- b) **Basis of Consolidation** - The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 March 1998 and also include the financial statements of The Intercapital Group Limited Employee Benefit Trust. Overseas subsidiaries are consolidated using the closing rate method. Foreign exchange differences arising on consolidation are taken to reserves.
- c) **Foreign Exchange** - Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Income earned or expenses incurred in foreign currencies are translated at the rates ruling at the time of the transaction. Profits and losses on translation are taken to the profit and loss account.
- d) **Pension Costs** - The Group operates defined contribution, externally funded pension schemes. Contributions are charged against profits as they fall due.
- e) **Fixed Assets and Depreciation** - Depreciation is calculated as follows:-

Short leasehold, motor cars, office equipment and furniture - to write off their cost by equal annual instalments over their estimated useful lives which are considered to be between two and five years.
- f) **Deferred Taxation** is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.
- g) **Turnover** relates to commission on capital markets transactions, market making services, sales of software, recruitment fees and subscriptions. It is recognised in the financial statements when invoiced. In the spread index bookmaking subsidiaries, open bets are included in the financial statements at market value in order to give a true and fair view of the results for the year.
- h) **Segmental Information** - No analysis of turnover between geographical and business segments is given as in the opinion of the directors this would be seriously prejudicial to the interests of the Group.
- i) **Current Asset Investments** - Investments are stated at the lower of cost or net realisable value except for listed investments which are stated at market value.

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

1. ACCOUNTING POLICIES (Continued)

- j) **Goodwill** arising from the acquisition of subsidiaries is written off against reserves in the year of acquisition in the case of subsidiaries engaged in the Group's core activities. Goodwill relating to the acquisition of subsidiaries engaged in other activities is capitalised on consolidation and amortised over the shorter of its useful economic life or five years.
- k) **Leases** - Amounts payable under operating leases are charged to the profit and loss account as they are incurred.

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

2. DIRECTORS AND EMPLOYEES	1998	1997
	£'000	£'000
Directors:-		
Aggregate emoluments	2,043	1,858
Company pension contributions	58	67
	<hr/> 2,101	<hr/> 1,925
Highest paid director:-		
Aggregate emoluments	623	484
Company pension contributions	6	6
	<hr/> 629	<hr/> 490
	<hr/>	<hr/>
All directors have benefits accruing under pension schemes.		
Employees	Number of Employees	
	1998	1997
The average number of persons employed by the Group was:	373	336
	<hr/>	<hr/>
	1998	1997
Staff Costs	£'000	£'000
Wages and salaries	34,965	30,197
Social security costs	2,868	2,319
Pension costs	789	696
Other costs	6,019	4,049
	<hr/> 44,641	<hr/> 37,261
	<hr/>	<hr/>
3. OPERATING PROFIT	1998	1997
	£'000	£'000
Operating profit is stated after charging: -		
Goodwill amortisation	247	195
Auditors' remuneration: -		
Audit fees	132	136
Other services	124	350
Depreciation	2,412	1,982
	<hr/>	<hr/>

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

4. INTEREST RECEIVABLE AND SIMILAR INCOME	1998	1997
	£'000	£'000
Bank interest	1,907	1,266
Profit on sale of investments and foreign exchange transactions	105	698
Other interest	363	424
Income from interest in associated undertaking	139	11
	<u>2,514</u>	<u>2,399</u>
5. INTEREST PAYABLE	1998	1997
	£'000	£'000
Bank interest	577	805
	<u>577</u>	<u>805</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	1998	1997
	£'000	£'000
UK taxation is based on profit for the year at a rate equivalent to 31% (1997-33%):-		
Corporation tax on taxable profit for the year	4,542	6,798
Adjustment in respect of prior year	(692)	(19)
Overseas tax	(4)	(837)
	<u>3,846</u>	<u>5,942</u>
7. DIVIDENDS	1998	1997
	£'000	£'000
Interim paid £1.70 per ordinary share [1997 £2.50]	1,052	1,462
Proposed dividend £1.80 per ordinary share [1997 £1.25]	1,059	756
	<u>2,111</u>	<u>2,218</u>

8. PROFIT ATTRIBUTABLE TO PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £474,075 (1997 £3.453million loss).

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

9. TANGIBLE FIXED ASSETS

GROUP	Short Leasehold £'000	Office Furniture & Equipment £'000	Motor Cars £'000	Total £'000
Cost				
At 1 April 1997	170	10,159	852	11,181
Additions	17	2,332	280	2,629
Disposals	(70)	(2,529)	(219)	(2,818)
Translation adjustments	-	(164)	(21)	(185)
At 31 March 1998	117	9,798	892	10,807
Depreciation				
At 1 April 1997	75	6,454	308	6,837
Provided in the year	43	2,131	238	2,412
Disposals	(59)	(2,359)	(224)	(2,642)
Translation adjustments	-	(126)	(9)	(135)
At 31 March 1998	59	6100	313	6,472
Net book value at 31 March 1998	58	3,698	579	4,335
Net book value at 31 March 1997	95	3,705	544	4,344

COMPANY	Office Furniture & Equipment £'000
Cost	
At 1 April 1997	139
Assets written-off	(50)
At 31 March 1998	89
Depreciation	
At 1 April 1997	88
Provided in the year	31
Assets written-off	(50)
At 31 March 1998	69
Net book value at 31 March 1998	20
Net book value at 31 March 1997	51

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

10. INTANGIBLE ASSETS	£'000
Goodwill on consolidation	
At 31 March 1997	975
Arising in the year	847
At 31 March 1998	<u>1,822</u>
Amortisation	
At 31 March 1997	585
Charge for the year	247
At 31 March 1998	<u>832</u>
Net book value at 31 March 1998	990
Net book value at 31 March 1997	<u>390</u>

11. FIXED ASSET INVESTMENTS

As referred to in note 1 the financial statements of the Employee Trust have been incorporated in the consolidated financial statements in accordance with UITF 13. This has been done because, although the Employee Trust is controlled by independent trustees and its assets are held separately from those of the Group, in practice the Group's advice as to how the assets are used for the benefit of employees is generally accepted.

Contributions to the Employee Trust are determined by the board from time to time. The contributions made in respect of the current year were £1.042 million (1997 - £0.192 million).

At 31 March 1998 the assets of the Employee Trust amounted to £1.778 million (1997 - £1.428 million). These assets include 141,034 ordinary shares in the Company carried at cost. Other assets were primarily receivables from employees in connection with the purchase of shares in the Company and its liabilities were deferred consideration on the purchase of shares and bank borrowings. All dividends have been waived. The Employee Trust bears its own administration and financing costs.

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

11. FIXED ASSET INVESTMENTS (Continued)

GROUP	Own Shares £'000	Associated Undertakings £'000	Other £'000	Total £'000
At 1 April 1997	3,840	263	340	4,443
Additions	2,987	-	1,495	4,482
Disposals	(1,770)	-	-	(1,770)
Share of post acquisition profits	-	139	-	139
At 31 March 1998	5,057	402	1,835	7,294

The associated undertakings balance relates to a 22.2% interest in the ordinary shares of Sheffield Haworth Limited.

COMPANY	Shares in Subsidiaries £'000	Loans to Subsidiaries £'000	Total £'000
Cost			
At 1 April 1997	8,632	1,293	9,925
Additions	1,904	1,405	3,309
Disposals	(67)	-	(67)
At 31 March 1998	10,469	2,698	13,167
Provision			
At 1 April 1997 and 31 March 1998	925	-	925
Net book value at 31 March 1998	9,544	2,698	12,242
Net book value at 31 March 1997	7,707	1,293	9,000

Subordinated loans were advanced to subsidiary undertakings and are repayable on demand, subject to the rules of the Securities and Futures Authority.

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

11. FIXED ASSET INVESTMENTS (Continued)

The names of the principal investments of Intercapital Group Limited, together with interests in equity shares are given below. The country of operation is the same as the country of incorporation.

COMPANY & COUNTRY OF OPERATION	ACTIVITY	HOLDING
UNITED KINGDOM		
Intercapital Brokers Limited	Agency Broker	92%
Intercapital Debt Trading Limited	Agency Broker	70%
Intercapital Commodity Swaps Limited	Agency Broker	55%
Intercapital Securities Limited	Bond Broker	80%
Intercapital Equity Derivatives Limited	Agency Broker	65%
Intercapital Clearing Limited	Investment Company	100%
Intercapital Aviation Limited	Aviation Services	60%
Data Analysis Risk Technology Limited	Computer Consultants	60%
Weekend City Press Review Limited	Publishers	59%
* Finisco Limited	Management Consultants	31%
City Index Holdings Limited	Holding Company	100%
* City Index Limited	Spread Index Bookmaker	100%
UNITED STATES		
Intercapital USA Inc.	Service Company	100%
* Intercapital Brokers Inc.	Agency Broker	100%
* Intercapital Commodity Derivatives Inc.	Agency Broker	55%
* Intercapital Securities Inc.	Broker - Dealer	100%
* Intercapital Emerging Markets Inc.	Agency Broker	70%
* Delta Clearing Corp.	Clearing House	65%
* Intercapital Credit Derivatives Inc.	Agency Broker	100%
* Sullivan Jenrette Inc	Real Estate Broker	60%
HONG KONG		
Intercapital Group (Hong Kong) Limited	Investment Company	86%
* Intercapital Brokers (Asia) Limited	Agency Broker	84%
* Intercapital Emerging Markets (Asia) Limited	Agency Broker	70%
* O'Neill Associates Limited	Recruitment Consultants	54%
* DART (Asia) Limited	Computer Consultants	60%
AUSTRALIA		
Intercapital Group (Australia) Pty Limited	Holding Company	100%
* Intercapital Brokers (Australia) Limited	Agency Broker	100%
* Intercapital Fixed Income Pty Limited	Agency Broker	100%
* CM-ICAP Pty. Limited	Agency Broker	61%
* City Index (Australia) Pty Limited	Spread Index Bookmaker	60%
* PG Intercapital Limited	Stockbrokers	50%
SINGAPORE		
* Intercapital Commodity Swaps Pte Limited	Agency Broker	55%
NETHERLANDS		
* INCAP Netherlands (Holdings) B.V.	Investment Company	100%
* Indirect holding		

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

12. DEBTORS	GROUP		COMPANY	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Trade debtors	230,730	91,097	-	-
Other debtors	7,814	5,868	3,376	2,575
Amounts owed by group undertakings	-	-	10,572	5,182
Dividends receivable	-	-	1,713	1,697
Prepayments	3,258	7,718	1,842	2,918
Corporation tax	1,622	1,822	455	1,285
ACT recoverable after more than one year	325	244	-	-
	<u>243,749</u>	<u>106,749</u>	<u>17,958</u>	<u>13,657</u>

13. INVESTMENTS HELD AS CURRENT ASSETS	GROUP		COMPANY	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Listed investments	-	316	-	316
Other short term investments	5,749	6,568	2,380	2,670
	<u>5,749</u>	<u>6,884</u>	<u>2,380</u>	<u>2,986</u>

The Group's bankers hold a charge over £2,380,000 (1997 - £2,670,000) of the certificates of deposit in respect of borrowing facilities provided to The Intercapital Group Limited Employee Benefit Trust.

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	GROUP		COMPANY	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank overdrafts	6,762	6,695	1,221	1,273
Trade creditors	218,323	78,976	-	-
Other creditors	1,985	1,534	-	168
Corporation tax	3,408	5,757	-	-
Other tax and social security	1,392	1,877	679	1,382
Accruals and deferred income	10,730	7,790	45	43
Proposed dividends	1,059	756	1,059	756
ACT payable	307	275	-	-
Amounts owed to group undertakings	-	-	20,554	13,626
	<u>243,966</u>	<u>103,660</u>	<u>23,558</u>	<u>17,248</u>

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

15. CALLED UP SHARE CAPITAL	1998	1997
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted and fully paid		
736,000 ordinary shares of £1 each	736	736
	<hr/>	<hr/>
16. GROSS CASH FLOWS	1998	1997
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	2,270	1,675
Interest paid	(577)	(794)
Dividends paid to minorities	(790)	-
	<hr/>	<hr/>
	903	881
	<hr/>	<hr/>
Capital expenditure		
Payments to acquire tangible fixed assets	(2,629)	(3,557)
Receipts from sales of tangible fixed assets	176	148
Payment to acquire investments	(4,482)	(1,417)
Receipts from sales of investments	1,382	2,184
Purchase of subsidiary	(3,009)	-
Sale of subsidiary	129	450
	<hr/>	<hr/>
	(8,433)	(2,192)
	<hr/>	<hr/>
Management of liquid resources		
Purchase of short term investments	-	(2,222)
Sale of short term investments	1024	3,369
	<hr/>	<hr/>
	1024	1,147
	<hr/>	<hr/>

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

16. GROSS CASH FLOWS (Continued)

	1998 £'000	1997 £'000
Financing		
Funds introduced by minority	-	480
Repurchase of shares	-	(120)
	<u>-</u>	<u>360</u>

17. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1997 £'000	Cash Flows £'000	Exchange Movements £'000	At 31 March 1998 £'000
Cash at bank	19,970	65	(85)	19,950
Overdrafts	(6,695)	(67)	-	(6,762)
	<u>13,275</u>	<u>(2)</u>	<u>(85)</u>	<u>13,188</u>
Current asset investment	6,884	(1,024)	(111)	5,749
	<u>20,159</u>	<u>(1,026)</u>	<u>(196)</u>	<u>18,937</u>

18. SALE OF SHARES IN SUBSIDIARY UNDERTAKINGS

	1998 £'000	1997 £'000
Net assets disposed:		
Investments	-	150
Tangible fixed assets	-	128
Debtors	-	362
Cash	-	1,167
Creditors	-	(470)
Minority interest	267	(700)
	<u>267</u>	<u>637</u>
Retained as an associate interest	-	(265)
Goodwill reinstated	(12)	192
Loss on disposal	(126)	(114)
	<u>129</u>	<u>450</u>

INTERCAPITAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1998

19. PURCHASE OF SHARES IN SUBSIDIARY UNDERTAKINGS

	1998 £'000
Minority interest	1,901
Goodwill	1,108
Cash consideration	3,009

20. FINANCIAL COMMITMENTS

	1998 £'000	1997 £'000
Leasehold property held under operating lease:		
Expiring within 1 year	381	523
Expiring within 2-5 years	1,820	2,088
Expiring after more than 5 years	84	267
	2,285	2,878

21. CONTINGENT LIABILITY

Since the balance sheet date, Intercapital Brokers Limited has been served with proceedings by MW Marshall (UK) Limited, a competitor, in relation to the hiring of a number of their employees. The company denies the claims and is vigorously defending the proceedings. On the basis of advice received, the directors of Intercapital Brokers Limited do not consider it necessary to make any provision in relation to such action.