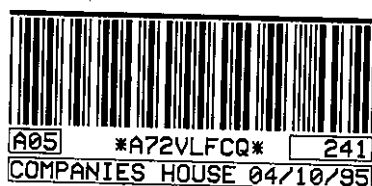


**GODSELL, ASTLEY & PEARCE
(DERIVATIVE PRODUCTS) LIMITED**

FINANCIAL STATEMENTS

**for the year ended
31 December 1994**



Company Registration No: 2056541

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED

Report of the directors for the year ended 31 December 1994

1 The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activity of the company

2 The company acts as an agency broker in off balance sheet financial instruments. The profit and loss account for the year is set out on page 5.

Review of business

3 The directors consider that the end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future. On 1st February 1994 the sovereign debt business was transferred to RMJ Special Brokerage, a fellow subsidiary.

Dividends

4 The directors do not recommend payment of a dividend for the year (1993: £Nil). The profit for the financial year of £153,848 (1993 £311,763 Loss) will be transferred to reserves.

Statement of Directors' Responsibilities

5 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED

Report of the directors for the year ended 31 December 1994

Directors

6 The directors who served during the year were:

I K Collett
A Wilson (Resigned 10 June 1994)
P J Edge (Chairman)
J W G Evans
T J Rose
W G Smith

Directors' interests

7 The directors have no interests in the shares of the company.

The interests of Mr 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 1994</u> *	<u>31 December 1994</u>
	Ordinary Shares	Ordinary Shares
I K Collett	40,000	60,000
J W G Evans	56,000	63,543
T J Rose	72,000	78,465
W G Smith	48,000	86,465

* As adjusted for a 2 for 1 share split, details of which are set out in the accounts of Exco.

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

	<u>1 January 1994</u> *	<u>Granted</u>	<u>Exercised</u>	<u>31 December 1994</u>
I K Collett	60,000	40,000	(60,000)	40,000
J W G Evans	84,000	-	-	84,000
T J Rose	48,000	100,000	-	148,000
W G Smith	72,000	40,000	(32,000)	80,000

* As adjusted for a 2 for 1 share split, details of which are set out in the accounts of Exco.

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED

**Report of the directors
for the year ended 31 December 1994**

Taxation status

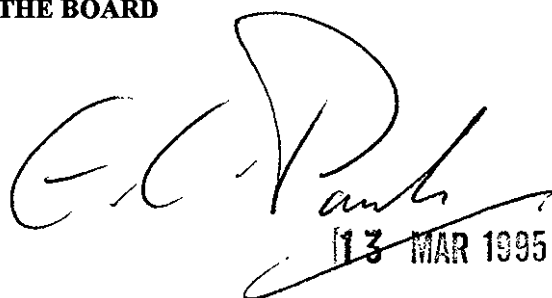
8 The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

9 On 18 October 1991 the company passed an elective resolution dispensing with the obligation to appoint auditors annually. The auditors, Coopers & Lybrand, therefore continue in office.

BY ORDER OF THE BOARD

**Secretary
LONDON**



13 MAR 1995

Report of the auditors to the members of

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 1 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 1994 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

14 March 1995

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Profit and loss account
for the year ended 31 December 1994**

	Notes	<u>1994</u> £	<u>1993</u> £
Turnover - continuing operations	2	1,501,604	1,112,555
Net operating expenses - continuing operations	3	(1,270,619)	(1,558,223)
Operating profit/(loss) - continuing operations		<u>230,985</u>	<u>(445,668)</u>
Profit/(Loss) on ordinary activities before taxation		230,985	(445,668)
Tax (charge)/credit on profit on ordinary activities	4	(77,137)	133,905
Profit/(loss) on ordinary activities after taxation		<u>153,848</u>	<u>(311,763)</u>
Retained profit/(loss) for the financial year		<u>153,848</u>	<u>(311,763)</u>
STATEMENT OF RETAINED PROFITS			
Accumulated (losses)/profits at 1 January		(225,277)	86,486
Retained profit/(loss) for the financial year		<u>153,848</u>	<u>(311,763)</u>
Accumulated losses at 31 December		<u>(71,429)</u>	<u>(225,277)</u>

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.

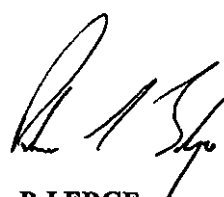
The notes on pages 7 to 11 form part of these financial statements

Auditors' report - page 4

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Balance sheet - 31 December 1994**

	Notes	<u>1994</u> £	<u>1993</u> £
CURRENT ASSETS			
Debtors	7	236,922	514,931
Cash at bank and in hand		1,297,991	807,611
TOTAL CURRENT ASSETS		<u>1,534,913</u>	<u>1,322,542</u>
CREDITORS: amounts falling due within one year	8	<u>(235,342)</u>	<u>(176,819)</u>
NET CURRENT ASSETS		<u>1,299,571</u>	<u>1,145,723</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,299,571</u>	<u>1,145,723</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,371,000	1,371,000
Profit and loss account		(71,429)	(225,277)
Equity Shareholders' funds		<u>1,299,571</u>	<u>1,145,723</u>

The financial statements on pages 5 to 11 were approved by the board of directors on **13 MAR 1995** and were signed on its behalf by:-



P J EDGE
DIRECTOR

The notes on pages 7 to 11 form part of these financial statements

Auditors' report - page 4

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED

Notes to the financial statements - 31 December 1994

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The Company has complied with the requirements of Financial Reporting Standard No 4, 'Capital Instruments' and Financial Reporting Standard No 5 'Reporting The Substance of Transactions'. No changes in accounting policies were required. 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 in accordance with the historical cost convention.

b) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period and gains or losses thereon are taken directly to the profit and loss account in the year in which they arise.

c) Turnover

Turnover, which excludes value added tax, represents the net brokerage income for the period.

d) Brokerage income

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

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 6 to the financial statements. There were no outstanding contributions at the balance sheet date (1993: £Nil).

2 Turnover

All turnover was derived from moneybroking activities carried out in the UK.

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Notes to the financial statements - 31 December 1994 continued****3 Other operating income and expenses**

	<u>1994</u> £	<u>1993</u> £
Staff costs (see note 6)	829,837	771,715
Auditors' remuneration	4,900	7,920
Exchange differences	5,183	(7,550)
Operating lease charges	26,979	52,878
Other expenses	437,461	743,886
	-----	-----
Total operating expenses	1,304,360	1,568,849
Other interest receivable and similar income	(49,897)	(40,369)
Net management charge for use of fixed assets	16,156	29,743
	-----	-----
Net operating expenses	<u>1,270,619</u>	<u>1,558,223</u>

Remuneration of the company's auditors for provision of non-audit services to the company was £Nil (1993: £6,720).

The company uses fixed assets (including those on finance leases) owned by the central group service company Exco (Management Services) Limited. A charge is made by Exco (Management Services) Ltd for the use of these assets by the company.

4 Taxation

	<u>1994</u> £	<u>1993</u> £
UK Corporation tax charge/(credit) at a rate of 33% (1993: 33%)	94,580	(133,905)
Over provision in prior years	(17,443)	-
	-----	-----
	<u>77,137</u>	<u>(133,905)</u>

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Notes to the financial statements - 31 December 1994 continued****5 Directors' emoluments**

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

	<u>1994</u>	<u>1993</u>
	£	£
Total management remuneration	<u>286,840</u>	<u>292,066</u>

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

	<u>1994</u>	<u>1993</u>
	£	£
Chairman	<u>9,390</u>	<u>-</u>
Highest paid director	<u>137,741</u>	<u>139,160</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:-

	<u>1994</u>	<u>1993</u>
£0 - £5,000	2	4
£5,001 - £10,000	1	1
£10,001 - £15,000	1	-
£100,001 - £105,000	1	-
£120,001 - £125,000	-	1
£135,001 - £140,000	1	1

The total emoluments of directors who are also directors of Exco plc, are disclosed in the financial statements of that company. That element of their emoluments which is deemed to be in respect of services to the company has been disclosed above.

6 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:-

	<u>1994</u>	<u>1993</u>
	Number Employed	Number Employed
Broking staff	<u>8</u>	<u>11</u>

	<u>1994</u>	<u>1993</u>
	£	£
Employee costs (including executive directors):-		
Wages and salaries	741,583	672,629
Social security costs	58,922	65,538
Other pension costs	29,332	33,548
	<u>829,837</u>	<u>771,715</u>

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Notes to the financial statements - 31 December 1994 continued****7 Debtors**

	<u>1994</u> £	<u>1993</u> £
Amounts falling due within one year:		
Trade debtors	114,797	205,219
Amounts owed by parent undertaking and fellow subsidiary undertakings	106,376	158,241
Group relief recoverable	-	133,905
Other debtors	4,742	11,731
Prepayments and accrued income	11,007	5,835
	<u>236,922</u>	<u>514,931</u>

8 Creditors: amounts falling due within one year

	<u>1994</u> £	<u>1993</u> £
Amounts owed to parent undertaking and fellow subsidiary undertakings	67,734	121,137
Corporation tax	94,580	-
Social security and PAYE	-	12,919
Accruals and deferred income	72,892	13,890
Other creditors	136	28,873
	<u>235,342</u>	<u>176,819</u>

9 Contingent liabilities

In the past the company was involved in broking local authority swaps business. On 24 January 1991 a decision of the House of Lords determined that all interest rate swap and similar transactions entered into by local authorities are *ultra vires*. Any liability arising in respect of such transactions in the light of this judgement will be met by Godsell, Astley & Pearce Limited which presently brokes the interest rate swap business of the Exco group.

10 Share capital

	<u>1994</u> £'000	<u>1993</u> £'000
Authorised:		
10,000,000 shares of £1 each	10,000	10,000
Allotted, called up and fully paid:		
1,371,000 shares of £1 each	1,371	1,371

11 Cash flow statement

A cash flow statement has not been prepared as Godsell, Astley and Pearce (Derivative Products) 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 from the requirement to publish a cash flow statement.

GODSELL, ASTLEY & PEARCE (DERIVATIVE PRODUCTS) LIMITED**Notes to the financial statements - 31 December 1994 continued****12 Reconciliation of movements in shareholders' funds**

	<u>1994</u> £	<u>1993</u> £
Profit for the financial year after tax	153,848	(311,763)
	-----	-----
Opening shareholders' funds	153,848 1,145,723	(311,763) 1,457,486
	-----	-----
Closing shareholders' funds	<u>1,299,571</u>	<u>1,145,723</u>

13 Regulatory capital

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

14 Ultimate parent undertaking

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.