

EURO BROKERS FINANCIAL SERVICES LIMITED
(REGISTERED NUMBER: 2197698)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1998



EURO BROKERS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the audited financial statements of the company for the year ended 31 December 1998.

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.

The directors consider that in preparing the financial statements on pages 4 to 11, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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.

Review of the business and future developments

The principal activity of the company is that of money broking, dealing mainly in securities and derivative products. The directors look forward to the expansion of the core businesses and have confidence in the future of the company.

Results and dividends

Details of the results for the period are set out in the profit and loss account on page 4. A loss of £609,000 has been transferred to reserves (1997: profit £79,000).

No dividend was paid or proposed during the period.

Donations

The company made charitable donations during the year amounting to £10,000 (1997 : £nil)

Year 2000

The company has recognised the challenge presented by the millennium, and in particular the change of date from 1999 to 2000. The company has been working actively to achieve Year 2000 compliance since 1997 and has identified the scope of the problem and the remedial action required.

The company has developed full inventories of both IT systems and non-IT equipment (such as alarms and safes) and a programme of systems upgrades, replacements and testing is well advanced to ensure that all affected items are Year 2000 compliant. The majority of the company's critical systems were upgraded to Year 2000 compliant versions prior to the end of 1998 and the target for achieving full compliance is July 1999.

EURO BROKERS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1998 (Continued)

Year 2000 (Continued)

The company is dependent on third parties for many services and systems it uses and as this may expose the company to some risk or delay, the company is developing comprehensive contingency plans to address these and other such eventualities.

The company is also initiating a programme of assessing the Year 2000 readiness of all its customers and correspondents. The programme is on-going and the company will continue its review and monitor progress during 1999.

Due to the company's ongoing policy of upgrading computerised systems on a regular basis, the incremental cost of achieving year 2000 compliance is not significant.

Directors

The directors of the company during the year were:

NMP Chadd	(resigned 9 January 1998) (appointed 10 June 1998) (resigned 18 February 1999)
RA Clark	
PS Dunkley	
WM Kaczor (USA)	
SA Matteo (USA)	
IG McKay	(appointed 9 April 1998) (resigned 18 February 1999)
MC Morrison	(resigned 9 January 1998)
WCW Pask	(appointed 2 January 1999)
D Spong	(resigned 9 January 1998)
D Wolstenholme	

None of the directors had any interest in the shares of the company.

Auditors

The incumbent auditors, Price Waterhouse, merged with Coopers & Lybrand effective from 1 July 1998. Price Waterhouse subsequently resigned as auditors of the company and PricewaterhouseCoopers were appointed to fill the casual vacancy.

By Order of the Board



A Lewis
Secretary

25 March 1999

AUDITOR'S REPORT TO THE SHAREHOLDERS OF EURO BROKERS FINANCIAL SERVICES LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements as described on page 1. 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 Directors 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 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 as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

25 March 1999

EURO BROKERS FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<i>Notes</i>	1998	1997
		£'000	£'000
Turnover	3	6,826	10,059
Operating expenses	5	(7,523)	(9,741)
Operating (loss)/ profit		(697)	318
Interest receivable and similar income		43	48
Interest payable to immediate parent undertaking		(49)	(44)
(Loss)/profit on ordinary activities before taxation		(703)	322
Tax on (loss)/profit on ordinary activities	8	94	(243)
Retained (loss)/profit for the financial year	14	(609)	79

Turnover, operating (loss)/profit and (loss)/profit on ordinary activities before taxation relate exclusively to continuing operations.

The retained profit for the year is equal to the recognised gain for the year.


The notes on pages 6 to 11 form part of these financial statements.

EURO BROKERS FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £'000	1997 £'000
Current assets			
Debtors	9	3,018	3,840
Investments		-	182
Cash at bank and in hand		405	431
		3,423	4,453
Creditors (amounts falling due within one year)	10	(572)	(993)
Net current assets		2,851	3,460
Creditors (amounts falling due after more than one year)	11	(675)	(675)
		2,176	2,785
Capital and reserves			
Called up share capital	13	2,150	2,150
Profit and loss account	14	26	635
Shareholders' funds (equity interests)	15	2,176	2,785

Approved by the Board on 25 March 1999



WCW Pask
Director

The notes on pages 6 to 11 form part of these financial statements.

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date; profit and loss items are translated at the rate ruling at the date of the transaction. All exchange differences arising are dealt with in the profit and loss account.

Deferred taxation

Provision is made for deferred taxation where a reasonable expectation exists that the tax will become payable or recoverable in due course. Deferred taxation arises where items of income and expenditure are subject to tax charge or relief in years other than those in which they are reported in the financial statements. The rates of corporation tax at which deferred taxation is provided are those forecast for the time at which payment or relief will arise.

Pensions

The company operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable in the period.

2. Cashflow statement and related party disclosures

As a wholly owned subsidiary (see note 19), the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Maxcor Financial Group Inc. group or investees of the Maxcor Financial Group Inc. group.

3. Turnover

Turnover represents brokerage income net of volume discount.

4. Segmental information

The sole class of business for the company during the year was money broking. The sole geographical segment from which the company has operated is the United Kingdom.

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998 (Continued)

5. Operating expenses

	1998	1997
	£'000	£'000
Staff costs:		
Wages and salaries	2,956	4,013
Social security costs	236	292
Other pension costs	7	10
	3,199	4,315
Exchange loss/(gain)	23	(64)
Auditors' remuneration		
- audit services	11	12
- non-audit services	12	10
Other operating expenses	4,278	5,468
	7,523	9,741

A material proportion of the company's expenditure is incurred by another group company and is directly recharged to the company.

6. Employees

The average number of employees during the period was 33 (1997: 49).

7. Directors' emoluments

The aggregate emoluments, including pension contributions, of the directors of the company were £351,000 (1997: £496,000). The emoluments of the highest paid director, excluding pension contributions, were £271,000 (1997: £306,000). The other directors received total directors' fees amounting to £Nil (1997: £Nil) in respect of their services to the company.

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998 (Continued)

8. Taxation

	1998	1997
	£'000	£'000
The (credit)/charge for the year comprises:		
UK corporation tax at 31% (1997: 31.5%)	(44)	238
Corporation tax underprovided in previous years	29	-
Deferred tax (credit)/charge (Note 12)	(79)	5
	(94)	243

9. Debtors

	1998	1997
	£'000	£'000
Trade debtors	289	705
Amounts due from group undertakings	2,631	3,103
Taxation	30	-
Deferred taxation (Note 12)	53	-
Prepayments and accrued income	15	2
Other debtors	-	30
	3,018	3,840

10. Creditors (amounts falling due within one year)

	1998	1997
	£'000	£'000
Taxation	-	115
Deferred taxation (Note 12)	-	26
Accruals and deferred income	572	852
	572	993

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998 (Continued)

11. Creditors (amounts falling due after more than one year)

	1998	1997
	£'000	£'000
Amounts owed to immediate parent undertaking	675	675

The amount owed to the immediate parent undertaking consists of a subordinated loan which carries interest at the UK sterling base rate and is repayable on one month's notice, such notice not to be given prior to 31 December 2000.

12. Deferred taxation

	£'000	
As at 1 January 1998		(26)
Movement for year		79
As at 31 December 1998		53

	Provided	Unprovided
	£'000	£'000
General provisions	96	-
Other short term timing differences	(43)	-
	53	-

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998 (Continued)

13. Share capital

	1998	1997
	£'000	£'000
Authorised:		
5,000,000 ordinary equity shares of £1	5,000	5,000
Allotted, called up and fully paid:		
2,150,000 ordinary equity shares of £1	2,150	2,150

14. Reserves

	1998	1997
	£'000	£'000
At 1 January	635	556
Retained (loss)/profit for the year	(609)	79
At 31 December	26	635

15. Reconciliation of movements in shareholders' funds

	1998	1997
	£'000	£'000
Opening shareholders' funds	2,785	2,706
Retained (loss)/profit for the year	(609)	79
Closing shareholders' funds	2,176	2,785

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 1998 (Continued)

16. Capital commitments

There were £Nil capital commitments at 31 December 1998 (1997: £Nil)

17. Contingent liability

The company received an assessment in 1997 of £365,000 for employers' National Insurance arising in respect of bonuses provided to employees as benefits in kind, in respect of prior years. The directors do not regard the assessment as valid and will defend the company's position vigorously.

18. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Maxcor Financial Group Inc a public company incorporated in the United States of America.

19. Parent undertaking

The largest and smallest group accounts which are prepared and of which the company is a member are as follows:

	<u>Largest</u>	<u>Smallest</u>
Name of company:	Maxcor Financial Group Inc	Euro Brokers Holdings Limited
Country of incorporation:	United States of America	United Kingdom
Address from which copies of the group accounts may be obtained:	The World Trade Center Suite 8400 New York NY 10048	133 Houndsditch London EC3A 7AJ