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EURO BROKERS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1989

COMPANIES HOUSE
21 NOV 1990
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Price Waterhouse



30 March 1990

The Securities Association
The Stock Exchange Building
London
EC2N 1EQ

Dear Sirs,

- 1 We have audited the financial statements of Euro Brokers Financial Services Limited ("the Member") on pages 3 to 8 in accordance with Auditing Standards and have received all the information and explanations which we considered necessary for the purposes of our audit.
- 2 In our opinion:
 - (1) the financial statements give a true and fair view of the state of affairs of the Member at 31 December 1989 and of its profit for the period then ended;
 - (2) the financial statements are in accordance with the accounting records.
- 3 We have examined the accounting and associated records which were in existence during the year ended 31 December 1989 and in our opinion, having regard to the nature and scale of the business, proper accounting records appropriate to the business have been maintained throughout the year.
- 4 In our opinion, having regard to the nature and scale of the business, the need for cost effectiveness in the design of any accounting and control systems and the inherent limitations of any such systems, throughout the period ended 31 December 1989:
 - (1) the systems for the agreement and reconciliation of balances and securities positions with counterparties, banks and clearing houses were adequate and such procedures were carried out at appropriate intervals;
 - (2) adequate procedures and controls were in operation for reporting and investigating the ageing and analysis of balances with counterparties;
 - (3) adequate procedures were established for monitoring the company's counterparty risk exposures and providing appropriate levels of management with the information necessary for them to make relevant, timely and informed decisions to control such risks.

(1)



Offices at Aberdeen Birmingham Bristol Cardiff Edinburgh Glasgow Leeds Leicester Liverpool London Manchester Middlesbrough Newcastle Nottingham Perth St Albans Southampton and Windsor
The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.
The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

30 March 1990
The Securities Association
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- 5 As far as we are aware, during the period 31 December 1989 the Member did not hold any client money or property.
- 6 We have examined the statement set out on page (iii) reconciling the financial position shown in the balance sheet on page 4 with the balance sheet shown in the company's quarterly reporting statement as of the same date, a copy of which is attached, and, in our opinion, the reconciliation has been properly prepared.
- 7 We have examined the calculation of adjusted annual expenditure based on the results for the year ended 31 December 1989 set out on page (iv) and, in our opinion, the calculation has been properly prepared in accordance with Rule 61.03.
- 8 We have audited the statement of qualifying capital and the statement of total capital requirement contained within the attached annual reporting statement dated 31 December 1989 and have performed such tests as we considered appropriate in the circumstances.

In our opinion the statements of qualifying capital and total capital requirement have been properly prepared in accordance with the rules of The Securities Association Limited.

Price Waterhouse
Chartered Accountants

EUROBROKERS FINANCIAL SERVICES LIMITED

STATEMENT OF RECONCILIATION AS AT 31 DECEMBER 1989

	<u>£'000</u>
Taxation reported in the December quarterly statement	(69)
Losses made available by other group companies in respect of prior years	59
Losses made available by other group companies in respect of the year for no consideration	<u>5</u>
Taxation reported in the financial statements (Note 6)	(5)
	<hr/>
Amounts due from affiliated companies reported in the December quarterly statement	75
Adjustment noted above	<u>(59)</u>
Amount due from affiliated companies reported in the financial statements (Note 5)	16
	<hr/>
Reserves reported in the December quarterly statement	190
Adjustment noted above	<u>5</u>
Reserves reported in the financial statements (Page 3)	<u>195</u>

FURO BROKERS FINANCIAL SERVICES LIMITED

ADJUSTED ANNUAL EXPENDITURE

	<u>£'000</u>
Total revenue for the year ended 31 December 1989	378
Loss before tax	1
Less: Shared commission	<u>(44)</u>
	335
One quarter thereof	<u>84</u>

EURO BROKERS FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1989

The directors' present their report and the audited financial statements of the company for the year ended 31 December 1989.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is that of money broking. The Company looks forward to its planned expansion into the broking of financial futures.

RESULTS AND DIVIDENDS

Details of the results for the period are set out in the profit and loss account on page 3.

No dividend was paid during the period.

DIRECTORS

The directors of the company during the period covered by this report were:

DV Gladman	
NRL Hudson	(resigned 6 July 1989)
MC Morrison	
CJ Buggins	
AA Scott-Jones	(resigned 13 February 1989)
J Fitch	(resigned 24 May 1989)
P Bullimore	(appointed 12 May 1989, resigned 7 September 1989)
N Cowan	(appointed 1 June 1989)
VN Cohen	(appointed 27 March 1990)

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

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be reappointed and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By Order of the Board

MC Morrison
Secretary

30 March 1990

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF EURO BROKERS FINANCIAL SERVICES LIMITED

We have audited the financial statements on pages 3 to 8 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of its loss and source and application of funds then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants

30 March 1990

EURO BROKERS FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1989

			57 weeks ended 31 December
	Notes	<u>1989</u> £'000	<u>1988</u> £'000
TURNOVER	2	339	781
Commissions		<u>(44)</u>	<u>(155)</u>
NET BROKERAGE		295	586
Operating expenses	3	<u>(335)</u>	<u>(139)</u>
OPERATING (LOSS)/PROFIT		(40)	447
Interest receivable		<u>39</u>	<u>10</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1)	457
Tax on profit on ordinary activities	4	<u>-</u>	<u>(161)</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(1)	296
Dividends paid and proposed		<u>-</u>	<u>(100)</u>
AMOUNT TRANSFERRED TO RESERVES		<u>(1)</u>	<u>196</u>
RESERVES BROUGHT FORWARD		<u>196</u>	<u>-</u>
RESERVES CARRIED FORWARD		<u>195</u>	<u>196</u>

The notes on pages 6 to 8 form part of these financial statements.

EURO BROKERS FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
CURRENT ASSETS			
Debtors	5	87	170
Cash at bank and in hand		<u>277</u>	<u>295</u>
		364	465
CREDITORS (amounts falling due within one year)	6	<u>(69)</u>	<u>(169)</u>
NET ASSETS		<u>295</u>	<u>296</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		<u>195</u>	<u>196</u>
		<u>295</u>	<u>296</u>

Approved by the Board on 30 March 1990

n.l. Roma -
Andy Bagg -

The notes on pages 6 to 8 form part of these financial statements.

EURO BROKERS FINANCIAL SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR
THE YEAR ENDED 31 DECEMBER 1989

	1989 £'000	57 weeks ended 31 December 1988 £'000
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(1)	296
FUNDS FROM OTHER SOURCES		
Issue of share capital	-	100
APPLICATION OF FUNDS		
Dividends paid	—	—(100)
	(1)	296
MOVEMENT IN WORKING CAPITAL		
Increase in debtors	(83)	170
Increase in creditors	100	(169)
INCREASE IN LIQUID FUNDS	—(18)	—295
	(1)	296

The notes on pages 6 to 8 form part of these financial statements.

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1989

1 ACCOUNTING POLICIES

(1) Accounting convention

The financial statements have been prepared under the historical cost convention.

(2) Accounting period

The financial statements have been drawn up for the year ended 31 December 1989. The comparatives are for the fifty seven weeks ended 31 December 1988, which incorporate the results of trading from 1 April 1988.

(3) 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.

2 TURNOVER

Turnover represents net brokerage income.

3 OPERATING EXPENSES

	<u>1989</u> £'000	<u>1988</u> £'000
Staff costs:		
Wages and salaries	201	55
Social security costs	<u>16</u>	<u>5</u>
	217	60
Auditors' remuneration	6	3
Other operating expenses	<u>112</u>	<u>76</u>
	<u>335</u>	<u>139</u>

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1989 (CONTINUED)

4 TAXATION

The charge for the period comprises:

	<u>1989</u>	<u>1988</u>
	£'000	£'000
UK corporation tax at 35%	4	161
Group relief made available for no consideration	<u>(4)</u>	<u>-</u>
	-	161
	<u>-</u>	<u>161</u>

5 DEBTORS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Trade debtors	71	169
Prepayments and accrued income	-	1
Amounts due from fellow subsidiaries	<u>16</u>	<u>-</u>
	87	170
	<u>87</u>	<u>170</u>

6 CREDITORS (amounts falling due within one year)

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Amounts owed to fellow subsidiaries	30	1
Taxation and social security	5	64
Amounts payable to group companies in respect of group relief	-	97
Other creditors	19	7
Accruals and deferred income	<u>15</u>	<u>-</u>
	69	169
	<u>69</u>	<u>169</u>

7 SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
	£	£
Authorised:		
250,000 ordinary share of £1	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
Allotted and fully paid:		
100,000 ordinary shares of £1	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

EURO BROKERS FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1989 (CONTINUED)

8 DIRECTORS AND EMPLOYEES

No director received any emoluments during the period.

The average number of employees during the period was 3.

9 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1989.

10 ULTIMATE HOLDING COMPANY

The ultimate holding company is Euro Brokers Investment Corporation, incorporated in the United States of America. The immediate holding company throughout the period was Euro Brokers Holdings Limited.