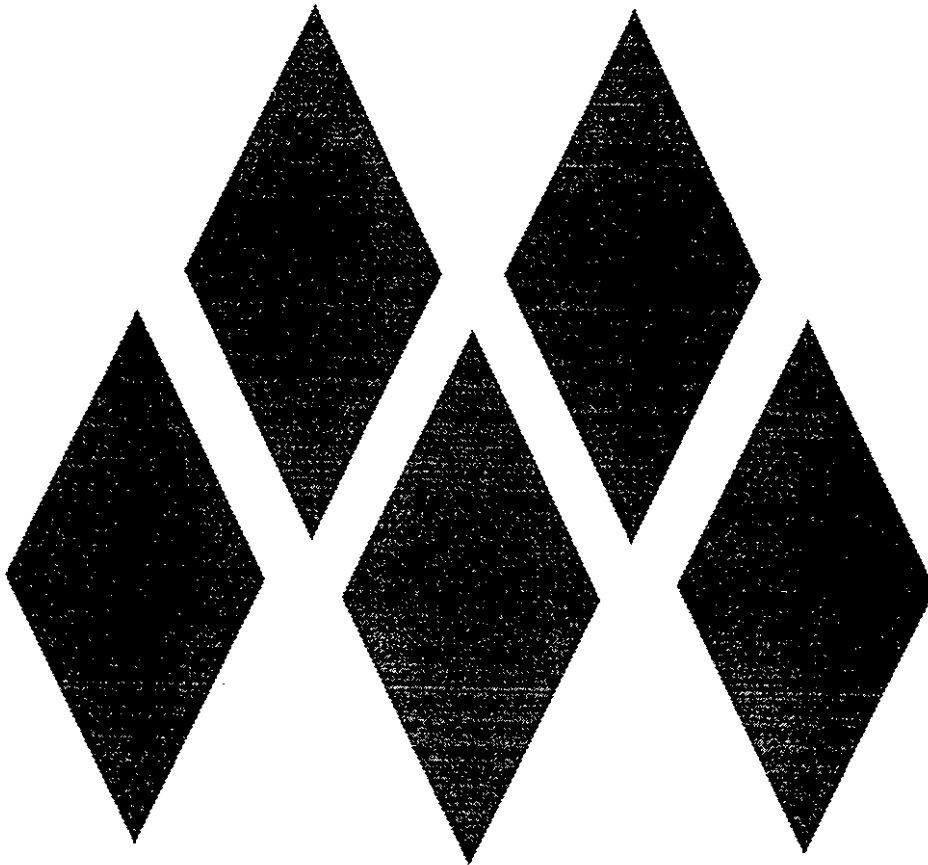


Marshall's Finance Limited

REGISTERED NO. 2230414

Report & Accounts
30 April 1996



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Marshall's Finance Limited
Chairman's Statement
Year ended 30 April 1996

For a second year running I have to report that global financial markets have again experienced reduced volatility with turnover in many of our core products lower than a year ago. This time last year the prediction was for 1995 to experience lower levels of activity with major operators unwilling to risk speculation in difficult market conditions. In the event this was indeed the outcome and as a service provider to the financial sector, there is little we can do to influence market activity. Planning our business strategy in a market place where we have to "take things as they come" can be difficult to balance financially. Being ready and able to provide the right kind of customer service, "on demand", in fickle and sometimes shallow markets carries with it a considerable element of fixed costs which cannot be easily reallocated to match short-term market fluctuations. In the current year it has been necessary to take strategic decisions to phase out some services in order to use the resources elsewhere to encourage new ventures. Such decisions do not necessarily bring with them material cost savings as the entrance costs into new product areas remain high.

Marshall's remains strongly committed to providing a full service in the traditional market of foreign exchange and interest related cash products. The Group's reputation remains strong and there are still product niches to fill which will be a priority for the coming year. The Group also provides broking services in a number of derivatives markets which have grown rapidly as "off balance sheet" funding has become the vogue. It continues to be of some concern to us that competition has reduced brokerage rates to levels where some of the economics of the service are in question.

At this time, markets are largely featureless with most of the important economies tracking each others policies in terms of interest rates and inflation controls. Major banking mergers in 1995 are beginning to reduce the number of market makers, another negative factor for the future..

In the half year statement mention was made of the challenges facing this industry from screen-based broking systems. Over the past year these systems have made significant inroads into some of the voice broker's traditional markets. We believe that the pace of this development is slackening with some major market participants blaming technology for reducing liquidity.

Marshall's, like its competitors and customers, has to adapt to a changing market environment, in both dealing and technology, if it is to maintain its leading position in moneybroking. The Report and Accounts highlight the fact that the Group has made some strategic team acquisitions during the year in order to strengthen key product areas as well as add new products where they fit the overall business profile and infrastructure. Further opportunities are likely to arise in the coming year as some of the smaller broking operators find that they can no longer support a high cost structure in an increasingly competitive environment.

Profit before tax fell to £15.5 million from £26.1 million for 1994/95 if the exceptional profit on the sale of a subsidiary is excluded. This is seen as a disappointing result which should be viewed in the light of the events during the year and the steps taken and costs incurred to prepare the Group for what is likely to be another challenging year for the markets and the broking industry.

The business outlook has to remain a very uncertain one given the reduced levels of market activity expected for the current year. Our business is being adjusted to recognise this situation and steps taken to improve the efficiency of the services we offer in order to preserve the returns to shareholders. The efforts of the management and staff to both plan and execute the changes should not go unrecognised and in this respect I would thank them for their efforts and their commitment to face the challenges ahead.

The forthcoming retirement of Michael Knowles as Chief Executive Officer has been announced and his successor, David Hooper will be appointed to the Board effective from 1 July 1996. Michael will be missed by all his colleagues at Marshall's and friends in the market which is hardly a surprise after some thirty years service, skilfully steering the Group through some difficult and challenging times, and culminating in the 1989 buyout. We wish him well in his retirement.

We welcome David Hooper to take on the development of Marshall's where he can use his extensive knowledge and experience to direct the business in these uncertain times.


A D Burton CBE FCIB FCT *Chairman*

Operating Results for the Year

The operating profit of the Group for the year was £19.852 million (£29.788 million to 30 April 1995) with the second six months contributing a further £7.348 million following £12.504 million reported at 31 October 1995. The decline in the profits between the two financial periods reflects the very poor markets experienced in the last two months of 1995 followed by an active January but, still overall a very weak start to the first four months of 1996. In the fourth quarter, April was again a very disappointing month which resulted in an overall profit of £3.8 million for the period. The Group's associated undertaking in Tokyo reported, in common with its competitors, very quiet trading conditions throughout the financial year putting this operation into its first loss since Marshalls acquired an interest in the business in 1985. Marshall's offices in the UK, Europe and Middle East have suffered least from the decline in business volumes but they were also helped by having sound profit margins as a starting point and, in addition, exercised good control over costs when managing the income decline. Such management has resulted in operating profits year on year down some 14.7% against 33.3% for the Group as a whole. It is in Asia and North America, where profit margins have been traditionally lower, that the downturn in income, without a commensurate reduction in costs, has had the greatest effect on the Group's overall profitability. The management are addressing these regional issues and this has resulted in some redundancies, closures, mergers and rationalisation of product coverage to conserve the overall service within set cost constraints. These measures are expected to return the operations to profit in the coming year given that markets do not decline still further as 1996 progresses. In the profile following this report is a section which highlights some of the changes taking place in the money markets of the world and in this respect how Marshalls is adapting to these changes. Undoubtedly this has been a difficult period in the market for our customers and the industry as a whole and as a result a number of decisions have, and are being, executed to re-balance the business, accepting the fact that what is happening in the market is part of a fundamental change.

The Group remains profitable and cash generative which has resulted in an overall reduction in interest costs from £4.4 million in 1994/95 to £3.1 million in 1995/96. The effective tax charge last year was low because of the tax free sale of a non-trading subsidiary, this year it is higher because of unrelieved trading losses, the benefit of which will not show through until the respective operations return to profit hopefully in 1996/97. The overall Group result produces after tax profits of £9.328 million (£18.748 million to 30 April 1995) which is a decrease of 50.2%. Shareholders' funds increased by £6.561 million during the year after payment of dividends totalling £2.767 million (1994/95 £2.539 million).

Corporate Activity

Above we referred to the changing markets which had resulted in some rationalisation of our product range. In August 1995 we closed our Los Angeles office and moved the service to New York; this was the only office closed in the year. In February 1996 we completed the transfer of the business of Intercontinental Exchange Partners ("IEP") which was a specialised foreign exchange broker in New York; their office was closed in February and its operations combined with that of Lasser Marshall, Inc.. The Group also acquired a number of specialised dealing teams to fill gaps in its product range. These acquisitions have proved highly beneficial and such policy will continue.

In the field of communications, the Saturn Global Network Group ("SGN") continued to expand its network of offices and licences with the addition of Tokyo and Hong Kong in early 1996, not as acquisitions but as "greenfield" startups. In this respect the Group continues to invest in the SGN concept with the aim of creating a specialist worldwide niche managed network supplier to operate as an added value provider to the major telecom network operators and not as a direct competitor. This strategy involves investment in people, expertise and equipment which will undoubtedly limit the speed of development, but progress in this respect is both steady and satisfactory as the results indicate.

Financing Structure

There has been no change to the capital or debt financing structure except for an increase in the Term and Revolver loan facility of \$3.5 million to cover the transfer of IEP. As noted above, the operations produced adequate cash flow to meet the Banking covenants and in addition to the normal operating requirements, the cash flow was utilised as follows: (i) corporation tax £6.2 million, (ii) net repayment of Bank and Loan Note borrowings £14.4 million, (iii) dividends and net debt servicing costs £5.7 million and (iv) capital expenditure £3.9 million. The decrease in cash and cash equivalents in the year amounted to £4.6 million. The Group will continue to utilise cash flow to reduce its debts and invest in the business in the forthcoming year.

The Group's Funding Arrangements

The policy of the Group has always been to plan its Banking finance in a manner which places no material operating restraints on the Group and is arranged to give the Group the lowest possible servicing cost commensurate with the amount borrowed and resulting taxation consequences. The interest cover on operating profits this year is 6.5 times which compares with 6.7 in last year's accounts. The facility at 30 April 1996 comprises a multicurrency loan of £19.4 million supported by a sterling revolver facility of £17.0 million of which £11.0 million had been drawn down at the balance sheet date. Against these loans, the Group's net cash balances at 30 April 1996 were £5.2 million.

As a buyout operation the continued existence of financial support from the banking syndicate is essential to the "going concern" concept. The directors therefore have reasonable expectations that the Group has the financial resources and the operating cash flow to meet its creditors as and when they fall due. On this basis, the accounts are prepared to 30 April 1996 on a going concern basis.

Interest Costs

The term loan currency facilities are covered by Interest Rate Swaps at the following average rates: Sterling 5.44%, US Dollars 5.36% and Swiss Francs 3.72%, which after bank margins resulted in the average rates shown in Note 14 of these accounts. The Sterling Interest Rates shown in Note 14 incorporate the revolver bank loan, a material element of which is unhedged to provide flexibility of repayment/draw down. Further details of the principal amounts covered and term of interest rate hedging arrangements are given in Note 14.

Foreign Currency Exposure

Inherent in the Group's overall financing policy exists an element of natural hedge as foreign currency debts are arranged to offset overseas currency assets. For this reason the Group does not hedge in full the Balance Sheet non-sterling net assets. It is, however, policy for operating subsidiaries to cover, short term, any currency receivable arising from the normal cause of their business activities. The Board monitors the overall potential exposure regularly and would action any hedging that they felt appropriate, however, it would never speculate on currency movements.

Taxation

The effective tax rate shown on the face of the profit and loss account is 39.8%, which increases to 47.9% excluding prior year adjustments (1995: 33.1% and 39.6% respectively).

Changes to worldwide markets

The Financial Services Industry has been, and is still, going through significant changes after its very rapid growth in the late 1980's and into the early 1990's. More recently both the G7 and Central Bank policies appear to have had a much greater influence in stabilising the previously volatile markets. Inflation is better controlled amongst the key currency nations as are interest rates, leaving the market speculators with few of the ingredients for relatively risk free operation. In addition, more sophisticated market tools coupled with a loss of uncertainty have now resulted in tougher conditions for any dealing operation. In the past some of the major Banks have committed large capital resources to their trading books and as a result made large profits for their shareholders, but this is all changing as the risk to reward margins narrow. A few of the more recent spectacular financial collapses had their roots in the almost desperate desire to expand profits, without recognising that changing markets were increasing the trading risks and the capital costs.

Technological changes

The worldwide market place has also been "technically shrunk" as advancements in communications and computer technology improve the speed and flow of information between dealing rooms across the world. Traditional methods of trading have changed and the reliance on local office networks has in part lost its relevance in what has now become a "world market place" conducted through voice and screen systems. The trend amongst the trading Banks is to reduce the dealing exposures in the smaller locations and so concentrate their capital resources in the key major trading centres where markets have depth and consequently lower risks. The introduction of screen broking systems has created a new competitor to the money brokers who have traditionally operated through voice rather than screen based systems. As a service provider the brokers must now adapt to this changing market practice and meet the challenge arising from this service by competing with technology of its own.

Reaction to the changes

Although Marshall's is one of the larger worldwide money broking groups, it recognises that its size alone will not protect it from the above changes; Marshall's must provide a professional and cost efficient service to its customers. Obviously technology can help but good training, which ultimately provides the customer with a high quality service in a broad range of products at a price competitive to other broking alternatives, is fundamental to Marshall's ongoing success. The Group continues to invest in people and equipment to keep pace with the changes required to maintain a quality service. In order to satisfy our customers' needs, we have to track constantly their own business direction and ensure that we can position the business to deliver on request. The Group employs a number of senior managers to maintain these important links with customers and provide the feedback on market trends in the business strategy of our customers, and this is critical to this Group's planning process.

Background to the Marshall's Group

M.W. Marshall & Company Limited was formed over 125 years ago and has flourished over the years with members of the Marshall family involved in the business up until 1967. More recently its ownership has changed three times since 1967, when it was acquired by Cater Ryder, the Discount House. In 1972 the M.W. Marshall & Company Limited directors acquired the business from the Discount House in one of the early leveraged buyouts, forming the current Marshall's Group. This business prospered and expanded internationally in the 1970s, going public on the London Stock Exchange in 1979 at which time it changed its name to Mercantile House Holdings Limited. With public capital behind it, the Group again expanded in the early 1980's into commodity and stock broking as well as fund management and bought back into the Discount House market to become one of the major UK financial services groups. Mercantile House was eventually acquired by British & Commonwealth Holdings plc in 1987 and Marshall's, which had remained a separate division, was put up for sale in that year.

Marshalls ownership today

In 1989 the management again mounted a bid, through Marshalls Finance Limited, to buy the business via a leveraged deal backed by British Telecommunications plc ("BT"), Hatori-Marshall Company Limited and Hoare Govett, who between them took just over 50% of the share capital with the remainder going to staff directly or through share trusts. Today the employee shareholding is widely spread amongst current and past employees with some 652 shareholders. The cost of the Group in 1989 was £159.1 million of which £14.2 million was subscribed in Ordinary share capital and a further £8.5 million in Preference and non-voting Ordinary shares. Other finance was provided by Shareholder and Share Trust loans of £11.4 million with the balance comprising a Subordinated loan of £20 million and Bank Term and Revolver debt of £105 million. At April 1996 the Subordinated loan had been fully repaid and the Shareholder and Trust loans had been reduced to £ 8.2 million. The Term and Revolver debt had also been reduced to £30.4 million from the original £105 million drawn down in 1989. The current equity and loans amount to £60.2 million, which is a reduction of £98.9 million since the buyout.

Current business of Marshalls

Marshalls is acknowledged as the world's leading money broker in foreign exchange related products with international connections with dealing centres throughout the world. The Group is also a market leader in a number of other products, in particular a very strong presence in the sterling interbank market. Marshalls also provides a worldwide service in a number of derivative products which have become popular with the Banks as tighter capital adequacy rules force more of their trading business "off balance sheet". To broaden the derivatives area, Marshalls has entered the bond and security markets in Canada as well as repos in London and Asian bonds in Hong Kong. The Group has dealing offices in most of the major financial centres of the world including London, Zurich, Geneva, Toronto, New York, Bahrain, Singapore, Sydney, Hong Kong, and Tokyo and recently opened a representative office in China. Encouragingly new economic blocks are also developing which will provide emerging market opportunities in Asia, South America and certain Eastern European countries within the next few years thus enlarging Marshalls global coverage of the money markets.

As an adjunct to Marshalls' broking services, the Group also has an agreement to distribute its prices through the Telerate worldwide information service. In certain products the data displayed is quoted as a "dealing price", otherwise the rates are indicative of the current dealing ranges. The service allows Marshalls' prices to be seen by all customers subscribing to the Telerate service. In addition to this screen information system, Marshalls also provides listening services to Banks where a loud speaker circuit transmits live prices to customers.

New business ventures for the Group

Information technology techniques are now essential to the day to day workings of a modern dealing room, whether it be at a Bank or in a Broker. Marshalls has always attempted to keep pace with the technical changes taking place in its markets and in this respect assisted BT in testing its new range of dealing equipment in the mid 1980's. This relationship eventually led to BT's acquisition of a 30% stake in the Group in 1989, which is held to this day. For some years now Marshalls has been expanding its own worldwide communication network in order to provide dedicated reliable high speed data and voice connections between its offices. This activity has now created a new business for Marshalls off the back of de-regulating national PTT operations. With these changes has come the opportunity to provide value added services to third party customers using the major international network providers as carriers.

In 1994, in order to develop this new business Marshalls formed an Australian company, "Saturn Global Network Services Pty. Limited ("SGN")", to develop the business out of Australia, where the telecommunications market had been recently de-regulated. As other countries followed the de-regulation path so more business opportunities became possible and now offices have been opened in London, New York, Hong Kong, and Tokyo. The company now offers managed voice and data network services on a worldwide basis linking North America, Europe, Asia and Australasia.

Marshalls Finance Limited
A profile of Marshalls in a changing world *continued*
Year ended 30 April 1996

Management Structure

The Group is managed through a series of office and regional management committees, with all key operating issues consolidated under the responsibility of International Management Committee, which in turn reports to the Board of M.W. Marshall & Company Limited ("MWM"). The MWM Board is responsible for the overall operations of the Group, reporting to the ultimate holding company, Marshalls Finance Limited and its Board of directors who represent and protect shareholder interests. The composition of these three principle bodies is as follows:

Marshalls Finance Limited		
A D Burton	Chairman	Non Executive
D C Hooper	Chief Executive	Marshalls
P J Bentley	Group Finance Director	Marshalls
K Hirose	Director	Hatori-Marshall Representative
C J K Kelson	Director	Marshalls
W P Kember	Director	Non Executive BT Representative
S D Plunkett	Alternate for C J K Kelson	Marshalls
R W Savage	Director	Non Executive BT Representative
H M Raver	Secretary	Marshalls
International Financial Holding Company		

M.W. Marshall & Company Limited		
D C Hooper	Chairman & Chief Executive	Group
P J Bentley	Finance Director	Group
J T Garland	Director	Finance Director, North America
J R Hannaford	Director	CEO, Asia
C J K Kelson	Director	CEO, North America
S D Plunkett	Director	CEO, UK/Europe
R A Webb	Director	UK/Europe
H M Raver	Secretary	Company Secretary
Operating Holding Company		

International Management Committee		
M G Airey		MD, Hong Kong
J R Hannaford *		CEO, Asia
C J K Kelson *		CEO, North America
H Kost		General Manager, Zurich
Low H H R		MD, Singapore
A B Martin		MD - FX, UK/Europe
R W Osborne		MD - OBS, UK/Europe
S D Plunkett *		CEO, UK/Europe
M J Smith		MD, Toronto
A N Verrier		MD - Cash, UK/Europe
M E Williams		CEO - FX, New York
M A S Bailey	Secretary	Group
* Chairmanship on a rotational basis		

The Range of products

The range of products covered by the Group worldwide is summarised below:

United Kingdom (London, Glasgow and Jersey)

The operation services all the major Spot traded currencies of the world including Yen, Sterling, US Dollar and European Currency Crosses. In the Forwards market the coverage is again comprehensive including Deutschmark Yen, Sterling, Canadian and Australian Dollars as well as ECU and other EMU currencies. The Sterling and Currency Interest Related products (Deutschmark, ECU, US Dollar and Yen) are serviced with coverage of Sterling Interbank, Local Authorities, Gilt Repos and Corporates being particularly important to the Group. In Derivatives, the operation covers Forward Rate Agreements as well as Short and Medium Term SWAPs in a number of the major traded currencies.

Europe (Zurich and Geneva)

Zurich services the Spot and Forward Foreign Exchange products of US Dollar/Swiss Franc and US Dollar/Deutschmark, as well as the FRA market in Swiss Franc based products. Geneva covers US Dollar/Deutschmark European clients on behalf of Marshalls, London.

Middle East (Bahrain)

Here services include the major Spot Currencies as well as US Dollar based Interest Related products, Domestic money market and certain Derivative products.

Asia Pacific (Hong Kong, Singapore and Sydney)

Within the region the offices provide a Foreign Exchange service in most of the major traded currencies and also, in the case of Singapore, Asian currencies. This extends to Interest Related products, where both international as well as domestic coverage is maintained. In the Derivatives area, the region provides a service in FRAs and SWAPs in both the Short and Medium Term markets. Local Bills and Bonds markets are serviced by Hong Kong and Sydney offices.

Japan (Tokyo Associate: Hatori-Marshall Company Limited)

This operation provides a service in Yen based products, excluding Spot Foreign Exchange. It has a strong presence in Forward Yen as well as Yen Cash Deposits. Other products include Domestic Yen and Yen based SWAPs, both Short and Medium Term.

USA (New York)

The New York office services the major Spot and Forward Foreign Exchange products, as well as the main Cross Currency pairings; it also has an active Emerging currencies desk. In the Interest Related area the office covers the main cash markets where it has a coverage in the major traded currencies and also provides a service in Federal Funds. In the Derivatives market the office services both FRA and SWAPs products.

Canada (Toronto)

The Toronto office covers both Money Market and Securities products, comprising Spot and Forward Canadian Dollars, US Fixed Date Dollars and the Canadian Domestic market, Repos and Treasury Bills. Other products are serviced indirectly from New York.

Saturn Global Network Services

This worldwide operation manages a sophisticated network infrastructure that delivers a range of voice and data services to over 34 cities in 15 countries throughout the world. This group is wholly owned by M.W. Marshall & Company Limited and as such has an extensive knowledge of the communication requirements of the financial services industry. It also services and supports customers who are leading multi-nationals in transportation, manufacturing, banking and telecommunications.

The directors have pleasure in submitting their report and accounts of the Company and Group for the year ended 30 April 1996.

Business review

The principal activity of the Group is money broking; further commentary is set out in the Operating and Financial Review on page 2. The directors expect the Group to continue to expand its business in the international money broking markets and further develop its provision of managed network services.

Profit and dividends

The profit after taxation attributable to the shareholders of the Company for the year was £9,328,000 (1995: £18,748,000). A dividend on the Ordinary shares of 3.7p per share totalling £2,104,560 was paid during the year. A dividend of 9p per share is proposed on the Preference shares. After provision for the payment of ordinary and preference dividends and transfers to other reserves, £5,807,000 (1995: £15,456,000) was taken to distributable reserves.

The Company has made charitable donations of £5,000 during the year (1995: £5,000).

Fixed assets

The changes in the fixed assets during the period are detailed in the notes to the audited accounts attached hereto.

Employment policy

The Group gives full and fair consideration to applications for employment of disabled persons and gives those disabled persons in employment opportunities for training, career development and promotion consistent with their capabilities.

The Company consults with employees by means of regular meetings at manager level and above, and the opportunity for individuals directly to communicate with senior staff and directors is also available.

Directors' and officers' liability

The Group has taken out insurance as permitted by Section 310 (3) of the Companies Act 1985 in respect of the Company and its subsidiaries. The policy provides cover for directors, officers, the Company and subsidiary undertakings against actions in all regions except North America.

Responsibilities of the directors

It is the responsibility of 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 as at the end of the financial year and of the profit for that period. The directors are responsible for ensuring that applicable accounting standards have been followed, and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. It is also the responsibility of the directors to 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 also responsible for maintaining adequate accounting records, for safeguarding the assets of the Group, and for preventing and detecting of fraud and other irregularities.

Directors and their interests

The directors of the Company during the year and their interests in the share capital of the Company at 30 April 1996 and 30 April 1995, as defined by Schedule 13 of the Companies Act 1985, were as follows:

	Number of Ordinary Shares of 25p each		Options over Ordinary Shares of 25p each	
	1996	1995	1996	1995
P J Bentley	419,817	419,817	30,000	30,000
A D Burton CBE* (Chairman)	95,000	95,000	Nil	Nil
K Hirose*	5,000	5,000	Nil	Nil
C J K Kelson	555,394	555,394	30,000	30,000
W P Kember*	30,000	30,000	Nil	Nil
M A Knowles	456,458	456,458	Nil	Nil
R W Savage*	Nil	Nil	Nil	Nil

* denotes non-executive

Included in the above table are shares held by funded unapproved retirement benefit schemes established for the benefit of P J Bentley and C J K Kelson, being 261,425 (247,789) and 230,263 (230,263) Ordinary shares at 30 April 1996 and 30 April 1995 respectively. A D Burton is a director of Marshalls Finance Trustees (Jersey) Limited, which is a trustee of Marshalls Employee Share Trust which at 30 April 1996 held 3,935,718 (1995: 4,107,182) Ordinary shares respectively in Marshalls Finance Limited. This is a non-beneficial interest.

At 30 April 1996 options over 1,355,000 (1995: 1,423,964) Ordinary shares had been granted by the Marshalls Employee Share Trust in respect of shares currently held by that Trust for the benefit of directors and other employees. During the year, options over 206,464 Ordinary shares were exercised, options over 62,500 Ordinary shares lapsed and options were granted over an additional 200,000 Ordinary shares. No options were granted to or exercised by directors in the year. The options held by directors are exercisable from 4 September 1994 with an expiry date of 4 September 1999. The options are exercisable at a fixed price of 10p per share. There is no contingent liability on the Company in respect of these options.

On 16 October 1995 T E Porter ceased to be the alternate director to C J K Kelson and on 7 December 1995 Mr Kelson appointed S D Plunkett as his alternate director under the terms of the Articles of Association.

No contracts of significance to which the Company or its subsidiary undertakings were a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Auditors

Price Waterhouse have indicated their willingness to continue in office as auditors and offer themselves for re-appointment in accordance with Section 385 (2) of the Companies Act 1985.

By Order of the Board



H M Raver FCA
Secretary
 27 June 1996

Registered office
 Lloyds Chambers
 1 Portsoken Street
 London E1 8DF
Registered number 2230414

Auditors' Report to the Members of Marshalls Finance Limited

We have audited the financial statements on page 11 to 30 which have been prepared under the historical cost convention, as modified in the case of the individual Company accounts of Marshalls Finance Limited for the revaluation of subsidiary undertakings, and the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on page 8, 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 our opinion report 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 Group and 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 affairs of the Company and the Group as at 30 April 1996 and of the profit and cash flow for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Price Waterhouse". The signature is written in dark ink and is underlined with a single horizontal stroke.

Price Waterhouse
*Chartered Accountants
and Registered Auditors*
Southwark Towers
32 London Bridge Street
London SE1 9SY

27 June 1996

Marshall's Finance Limited
Consolidated Profit and Loss Account
Year ended 30 April 1996

Note	1996 £'000	1995 £'000
2 Turnover	147,376	167,118
Operating expenses	<u>127,524</u>	<u>137,330</u>
2 Operating profit	19,852	29,788
Exceptional item - profit on sale of subsidiary undertaking	<u>-</u>	<u>1,943</u>
Profit on ordinary activities before interest	19,852	31,731
4 Net interest payable	(3,071)	(4,437)
Share of (loss)/profit of associated undertaking	<u>(1,291)</u>	<u>738</u>
Profit on ordinary activities before taxation	15,490	28,032
6 Tax on profit on ordinary activities	<u>6,162</u>	<u>9,284</u>
Profit on ordinary activities after taxation	9,328	18,748
7 Dividends paid and proposed, including non-equity interests	2,767	2,539
17 Transfer to other reserves	<u>754</u>	<u>753</u>
17 Retained profit for the year	<u>5,807</u>	<u>15,456</u>
8 Earnings per share	<u>15.2p</u>	<u>31.8p</u>

The notes on pages 16 to 30 form part of these accounts.

Movements on reserves are shown in Note 17 of these accounts.

All of the Group turnover and operating profit is derived from continuing operations.

Marshall's Finance Limited
Consolidated Balance Sheet
30 April 1996

Note	1996 £'000	1995 £'000
Fixed assets		
9 Tangible assets	15,309	16,421
10 Investments	8,231	10,743
	<u>23,540</u>	<u>27,164</u>
Current assets		
11 Debtors	28,211	31,925
Cash at bank and in hand	5,263	10,418
	<u>33,474</u>	<u>42,343</u>
Creditors (amounts falling due within one year)		
14 Loans	9,016	9,048
12 Creditors	28,219	32,952
	<u>37,235</u>	<u>42,000</u>
Net current(liabilities)/assets	<u>(3,761)</u>	<u>343</u>
Total assets less current liabilities	<u>19,779</u>	<u>27,507</u>
Creditors (amounts falling due after more than one year)		
14 Loans	29,294	43,789
13 Creditors	754	910
Provisions for liabilities and charges		
15 Deferred taxation	1,253	891
	<u>31,301</u>	<u>45,590</u>
Capital and reserves		
16 Called up share capital	14,956	14,956
17 Share premium account	6,306	6,306
17 Capital redemption reserve	643	643
17 Goodwill reserve	(121,482)	(121,482)
17 Other reserves	5,401	4,647
17 Profit and loss account	82,654	76,847
18 Shareholders' funds including non-equity interests	<u>(11,522)</u>	<u>(18,083)</u>
	<u>19,779</u>	<u>27,507</u>

Approved by the Board on 27 June 1996
and signed on their behalf by:

A D Burton - Chairman

P J Bentley - Director

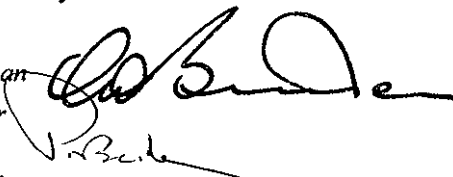
The notes on pages 16 to 30 form part of these accounts.

Marshall's Finance Limited
Company Balance Sheet
30 April 1996

Note	1996 £'000	1995 £'000
Fixed assets		
9 Tangible assets	-	-
10 Investments	166,038	169,550
	<u>166,038</u>	<u>169,550</u>
Current assets		
11 Debtors	7,690	7,764
Cash at bank and in hand	51	33
	<u>7,741</u>	<u>7,797</u>
Creditors (amounts falling due within one year)		
14 Loans	6,741	6,925
12 Creditors	30,804	28,265
	<u>37,545</u>	<u>35,190</u>
Net current liabilities	<u>(29,804)</u>	<u>(27,393)</u>
Total assets less current liabilities	<u>136,234</u>	<u>142,157</u>
Creditors (amounts falling due after more than one year)		
14 Loans	26,165	38,748
Provisions for liabilities and charges		
15 Deferred taxation	109	10
	<u>26,274</u>	<u>38,758</u>
Capital and reserves		
16 Called up share capital	14,956	14,956
17 Share premium account	6,306	6,306
17 Capital redemption reserve	643	643
17 Revaluation reserve	13,873	17,385
17 Other reserves	5,401	4,647
17 Profit and loss account	68,781	59,462
18 Shareholders' funds including non-equity interests	<u>109,960</u>	<u>103,399</u>
	<u>136,234</u>	<u>142,157</u>

Approved by the Board on 27 June 1996
and signed on their behalf by:

A D Burton - Chairman
P J Bentley - Director



The notes on pages 16 to 30 form part of these accounts.

Statement of total recognised gains and losses

	1996	Group 1995
	£'000	£'000
Profit on ordinary activities after taxation	9,328	18,748
Currency translation differences		
- on foreign currency borrowings	(35)	(2,406)
- on foreign currency net investments	35	2,406
Total gains recognised since last annual report	<u>9,328</u>	<u>18,748</u>

Reconciliation of movements in shareholders' funds

Profit on ordinary activities after taxation	9,328	18,748
Dividends paid and proposed	<u>2,767</u>	<u>2,539</u>
	6,561	16,209
Goodwill on acquisitions in period	<u>-</u>	<u>(168)</u>
Net addition to shareholders' funds	6,561	16,041
Opening shareholders' funds, including non-equity interests	<u>(18,083)</u>	<u>(34,124)</u>
Closing shareholders' funds, including non-equity interests	<u>(11,522)</u>	<u>(18,083)</u>

Marshall's Finance Limited
Consolidated Cash Flow Statement
Year ended 30 April 1996

Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
22 Net cash inflow from operating activities		25,699		29,947
Returns on investment and servicing finance				
Interest received	619		494	
Interest paid	(3,626)		(4,729)	
Interest element of finance lease rental payments	(30)		(29)	
Dividends received from associated undertakings	85		73	
Dividends paid	(2,767)		(2,539)	
Net cash outflow from returns on investment and servicing of finance		(5,719)		(6,730)
Taxation				
Tax paid		(6,218)		(10,757)
Investing activities				
Purchase of fixed assets	(3,901)		(6,637)	
Purchased goodwill on acquisitions	-		(168)	
Proceeds from sale of fixed assets	109		262	
Proceeds from sale of subsidiary undertaking	-		1,943	
Net cash outflow from investing activities		(3,792)		(4,600)
Net cash inflow before financing		9,970		7,860
Financing				
Repayment of amounts borrowed		14,432		7,579
Capital element of finance lease rental payments		140		132
22 Net cash outflow from financing		14,572		7,711
22 (Decrease)/Increase in cash and cash equivalents		(4,602)		149
		9,970		7,860

1 Accounting policies

a Basis of preparation

The consolidated accounts are prepared on the historical cost basis and in accordance with applicable accounting standards; they comprise the accounts of Marshall's Finance Limited ("MFL") and its subsidiary undertakings made up to 30 April 1996. Subsidiary undertakings are accounted for from the effective dates of acquisition.

Companies in which the Group has an investment comprising an effective interest of not less than 20% in the voting capital and over which it exerts a significant influence are defined as associated undertakings. Investments in associated undertakings are stated at the Group's share of the net assets of the associated undertakings.

The accounts of MFL modify the historical cost basis for the revaluation of investment in subsidiary undertakings. This revaluation comprises the retained profits (or accumulated losses) from the effective dates of acquisition and exchange differences arising from the translation of retained profits (or accumulated losses).

No separate profit and loss account is presented for MFL as provided by Section 230 (4) of the Companies Act 1985.

b Turnover

Turnover from money broking activities represents brokerage commission net of discounts and return brokerage. The Group follows market practice and takes credit for brokerage commission at the time the deal is negotiated.

Turnover also includes amounts receivable from third parties in respect of the sale of media rights and from the sale of managed network services.

c Goodwill

Purchased goodwill, being the difference between the purchase consideration and the fair value of net assets acquired, is written off in the consolidated accounts to a goodwill reserve in the year of acquisition. Adjustments are made between the goodwill reserve and the profit and loss account where either goodwill is realised through the disposal of a subsidiary or associated undertaking or there is a permanent diminution of value.

d Fixed assets

Fixed assets are stated at cost less depreciation and are written off in equal annual instalments over their estimated useful lives. The principal rates of depreciation used within the Group are:

Properties and improvements	10% - 20%
Leasehold improvements	10% - 20%
Telecommunications and dealing equipment (Telecoms)	20% - 33%
Furniture and equipment	20% - 33%
Motor vehicles	20% - 25%

e Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which lease payments exceed the recorded lease obligations are treated as finance charges and are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

1 Accounting policies *continued*

f Deferred taxation

No provision is made for deferred taxation in respect of timing differences except where, in the opinion of the directors, it is expected that a tax payment or credit, including those arising from the provision of pensions, will crystallise in the foreseeable future.

g Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Sterling at the rate of exchange ruling at the Balance Sheet date, 30 April. The profit and loss accounts of overseas subsidiary undertakings are translated at the appropriate average exchange rates for the year and the adjustment to year end rates is taken to reserves.

Exchange differences arising on the retranslating of the opening net investment in overseas companies at the closing rate is taken directly to reserves. Exchange differences arising on the translation of foreign currency loans drawn to finance the Group's overseas investments are also taken direct to reserves to the extent that there is a corresponding exchange difference on the translation of the related net investment. All other exchange differences in the year are reflected in profit before taxation.

h Finance issue costs

Finance issue costs are amortised over the life of the associated loan.

i Pensions

Pension costs of the defined benefits pension plan operated in the United Kingdom are charged against profits over the service lives of the members in accordance with independent actuarial advice.

Costs of the defined contribution pension schemes operated in the United Kingdom and Overseas are charged against profits in the period in which they arise.

2 Turnover and Group operating profit

The Group's turnover and profit before taxation arose principally from money broking activities. Turnover also includes amounts receivable in respect of the sale of media rights and the sale of managed network services. Details of segmental analysis are given in Note 3.

The Group operating profit is stated after charging:

	1996 £'000	1995 £'000
Depreciation on owned assets	5,537	4,701
Depreciation on leased assets		
- leasehold property improvements	-	17
- other assets	155	174
Operating leases		
- hire of plant and machinery	174	33
- other	1,860	1,226
Auditors' remuneration - audit fees	273	262
Directors' remuneration (Note 5 (c))	872	1,003

Additional fees paid to Price Waterhouse for non-audit services amounted to £544,000 (1995: £454,000) of which £470,000 (1995: £388,000) was paid in the United Kingdom.

3 Segmental analysis

The accounts do not include an analysis of turnover, profit before tax and net assets by geographical market, as in the directors' opinion, this information would be seriously prejudicial to the commercial interests of the Group.

	Money broking		Managed network services			Total
	1996	1995	1996	1995	1996	1995
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Total sales	142,062	163,199	11,556	8,377	153,618	171,576
Intra-group sales	-	-	6,242	4,458	6,242	4,458
Sales to third parties	<u>142,062</u>	<u>163,199</u>	<u>5,314</u>	<u>3,919</u>	<u>147,376</u>	<u>167,118</u>
Profit						
Segment profit/(loss)	<u>22,415</u>	<u>34,235</u>	<u>(17)</u>	<u>(995)</u>	22,398	33,240
Common costs					(2,546)	(3,452)
Share of (loss)/profit of associated undertaking	<u>(1,291)</u>	<u>738</u>	<u>-</u>	<u>-</u>	<u>(1,291)</u>	<u>738</u>
					18,561	30,526
Exceptional item - profit on sale of subsidiary undertaking					-	1,943
Net interest payable					<u>(3,071)</u>	<u>(4,437)</u>
Profit on ordinary activities before taxation					<u>15,490</u>	<u>28,032</u>
Net assets						
Net assets/(liabilities) by segment	<u>98,903</u>	<u>98,001</u>	<u>(1,194)</u>	<u>(1,159)</u>	97,709	96,842
Unallocated net assets/(liabilities)					4,051	(4,155)
Net assets of associated undertaking	<u>8,200</u>	<u>10,712</u>	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>10,712</u>
Total net assets					<u>109,960</u>	<u>103,399</u>

The above figures for money broking include balances in respect of the sale of media rights.

4 Net interest payable

	1996	1995
	£'000	£'000
Interest on bank and other term loans - repayable within five years by instalments	3,647	4,890
Bank overdrafts repayable within five years not by instalments	115	14
Interest payable on finance leases	<u>30</u>	<u>29</u>
	3,792	4,933
Interest receivable	<u>721</u>	<u>496</u>
Net interest payable	<u>3,071</u>	<u>4,437</u>

5 Employees and Directors

	1996 £'000	1995 £'000
a Staff costs		
Wages and salaries	74,183	81,926
Social security costs	4,109	4,316
Other pension costs	1,712	1,774
	<u>80,004</u>	<u>88,016</u>

	Number	Number
b Average number of employees		
Money broking	1,088	1,211
Managed network services	23	17
	<u>1,111</u>	<u>1,228</u>

c Directors' remuneration		
Directors' remuneration in respect of services as directors was as follows:		
	1996 £'000	1995 £'000
Emoluments	454	680
Pension costs	418	323
	<u>872</u>	<u>1,003</u>

Included in directors' emoluments is £2,000 (1995: £2,000) which is the estimated monetary value of non-cash benefits.

Emoluments, other than for services performed wholly or mainly outside the United Kingdom and excluding pension contributions were:

Chairman	<u>45</u>	<u>45</u>
Highest paid director	<u>223</u>	<u>374</u>

	1996 Number	1995 Number
Other directors		
Not more than £5,000	3	3
£ 10,001 - £ 15,000	-	1
£ 15,001 - £ 20,000	1	-
£165,001 - £170,000	1	-
£245,001 - £250,000	-	1

6 Tax on profit on ordinary activities

	£'000	£'000
Taxation on the profit for the year:		
UK corporation tax based on profit for the year at 33%	6,036	7,202
UK corporation tax, adjustments in respect of prior years	(729)	(1,495)
Deferred taxation	435	138
Deferred taxation, adjustments in respect of prior years	(153)	103
Overseas taxation	518	2,727
Share of associated undertaking taxation	1	570
Withholding taxation on dividends	54	39
	<u>6,162</u>	<u>9,284</u>

7 Dividends paid and proposed

	Pence per Share	1996 £'000	Pence per Share	1995 £'000
Interim dividend paid:				
Ordinary shares	3.7p	2,105	3.3p	1,877
Dividends on equity shares		<u>2,105</u>		<u>1,877</u>
Dividends proposed:				
Preference shares	9p	662	9p	662
Dividends on non-equity shares		<u>662</u>		<u>662</u>
		<u>2,767</u>		<u>2,539</u>

The interim dividend on the Ordinary shares was paid on 3 November 1995. Dividends proposed are payable on 31 July 1996 to shareholders on the register at that date, in accordance with the Articles of Association.

8 Earnings per share

The earnings per share calculation is based on £8,666,000 (1995: £18,086,000) being earnings after tax and after deducting preference dividends and 56,880,000 Ordinary shares in issue throughout the period

9 Tangible fixed assets

	Properties and Improvements £'000	Telecoms £'000	Other £'000	Total £'000
a Group				
Cost:				
At 1 May 1995	10,126	22,392	14,129	46,647
Exchange adjustments	577	1,243	450	2,270
Additions	205	2,469	1,227	3,901
Disposals	(38)	(1,224)	(1,544)	(2,806)
At 30 April 1996	<u>10,870</u>	<u>24,880</u>	<u>14,262</u>	<u>50,012</u>
Depreciation:				
At 1 May 1995:	6,530	14,463	9,233	30,226
Exchange adjustments	379	694	318	1,391
Charge for the year	664	2,931	2,097	5,692
Disposals	(24)	(1,044)	(1,538)	(2,606)
At 30 April 1996	<u>7,549</u>	<u>17,044</u>	<u>10,110</u>	<u>34,703</u>
Net book value at 30 April 1996	<u>3,321</u>	<u>7,836</u>	<u>4,152</u>	<u>15,309</u>
Net book value at 30 April 1995	<u>3,596</u>	<u>7,929</u>	<u>4,896</u>	<u>16,421</u>

Other tangible fixed assets comprise computer equipment, motor vehicles, fixtures, fittings and equipment.

Following a review of assets held since the management buyout in February 1989, the opening cost and accumulated depreciation for telecoms and other assets have been restated. There is no effect on net book value.

9 Tangible fixed assets *continued*

Included in the Group's tangible fixed assets are the following assets held under finance leases:

	Other £'000
Cost	811
Depreciation	387
Book value	<u>424</u>

Included within properties and improvements is freehold property of book value £115,000 at 30 April 1996 (1995: £135,000). The balance represents long leasehold properties.

b Company	Other £'000
Cost:	
At 1 May 1995 and 30 April 1996	<u>13</u>
Depreciation:	
At 1 May 1995 and 30 April 1996	<u>13</u>
Net book value at 30 April 1996	<u>-</u>
Net book value at 30 April 1995	<u>-</u>

Other tangible fixed assets comprise computer equipment.

10 Investments

a Group	Associated Undertaking £'000	Other £'000	Total £'000
At 1 May 1995	10,712	31	10,743
Share of loss after tax	(1,292)	-	(1,292)
Dividends received	(85)	-	(85)
Exchange adjustments	(1,135)	-	(1,135)
At 30 April 1996	<u>8,200</u>	<u>31</u>	<u>8,231</u>

The loss after taxation for the year ended 31 March 1996 of the associated undertaking was £2,872,000 (1995: profit £372,000) and its shareholders' funds at 31 March 1996 were £17,627,000 (1995: £23,671,000).

b Company	Subsidiary Undertakings 1996 £'000	1995 £'000
At 1 May 1995	169,550	160,157
Additions	-	1,500
Disposals	-	(1,500)
Amounts written off in respect of disposals in prior period	-	(22)
Revaluation of subsidiary undertakings in period	(3,512)	9,415
At 30 April 1996	<u>166,038</u>	<u>169,550</u>

At list of principal subsidiary undertakings at 30 April 1996 is given in Note 21.

On an historical cost basis, investment in subsidiary undertakings would be included at £152,165,000 (1995: £152,165,000).

11 Debtors

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Trade debtors	18,329	20,739	-	-
Amounts due from subsidiary undertakings	-	-	4,500	4,500
Other debtors	3,532	2,421	1,579	1,372
Prepayments and accrued income	3,789	4,328	5	5
Tax recoverable	1,998	854	749	853
Advance corporation tax	416	3,533	857	1,034
Deferred taxation	147	50	-	-
	<u>28,211</u>	<u>31,925</u>	<u>7,690</u>	<u>7,764</u>

Other debtors, prepayments and accrued income and advance corporation tax for the Group include £309,000, £166,000 and £166,000 respectively, due after more than one year (1995: £288,000, £1,485,000 and £166,000). Advance corporation tax for the Company includes £166,000 (1995: £166,000) due after more than one year.

Deferred taxation represents interest and other timing differences and is all recoverable after more than one year. Details of the provision are given in Note 15.

12 Creditors

(amounts falling due within one year)

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Bank overdrafts	71	132	71	132
Trade creditors	646	625	-	-
Obligations under finance leases	146	137	-	-
Amounts owed to subsidiary undertakings	-	-	29,208	26,631
Amounts owed to associated undertakings	1,128	730	452	524
Corporation tax	8,245	10,066	-	-
Advance corporation tax	166	791	166	166
Other taxes and social security	1,312	1,216	-	-
Other creditors	700	767	-	-
Dividends payable	662	662	662	662
Accruals and deferred income	15,143	17,826	245	150
	<u>28,219</u>	<u>32,952</u>	<u>30,804</u>	<u>28,265</u>

13 Creditors

(amounts falling due after more than one year)

	1996 £'000	Group 1995 £'000
Obligations under finance leases which expire		
- between one and two years	236	-
- between two and five years	-	359
Corporation tax	518	551
	<u>754</u>	<u>910</u>

14 Loans

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
a Loans secured on certain tangible fixed assets and shares in subsidiary undertakings				
i Amounts repayable between one year: Interest 1.375% over LIBOR	8,172	7,927	5,896	5,804
ii Amounts repayable within one and two years: Interest 1.375% over LIBOR	8,661	10,926	6,528	8,804
iii Amounts repayable between two and five years: Interest 1.375% over LIBOR	13,575	23,899	12,580	20,980
	<u>30,408</u>	<u>42,752</u>	<u>25,004</u>	<u>35,588</u>
b Subordinated loan notes (unsecured):				
i Amounts repayable within one year: Interest 10%	1,020	1,360	1,020	1,360
ii Amounts repayable between one and two years: Interest 10%	680	1,020	680	1,020
Interest 6.9%	3,920	-	3,920	-
	<u>4,600</u>	<u>1,020</u>	<u>4,600</u>	<u>1,020</u>
iii Amounts repayable between two and five years: Interest 10%	-	680	-	680
Interest 6.9%	2,614	7,596	2,614	7,596
	<u>2,614</u>	<u>8,276</u>	<u>2,614</u>	<u>8,276</u>
	<u>8,234</u>	<u>10,656</u>	<u>8,234</u>	<u>10,656</u>
Total loans	38,642	53,408	33,238	46,244
Less: Unamortised finance issue costs	<u>(332)</u>	<u>(571)</u>	<u>(332)</u>	<u>(571)</u>
	38,310	52,837	32,906	45,673
Aggregate amounts repayable within one year	<u>9,016</u>	<u>9,048</u>	<u>6,741</u>	<u>6,925</u>
Aggregate amounts payable after more than one year	<u>29,294</u>	<u>43,789</u>	<u>26,165</u>	<u>38,748</u>

The 6.9% loan of £6,534,000 (1995: £7,596,000) represents amounts due to an associated undertaking of the Group.

Finance issue costs of £176,000 and £156,000 (1995: £239,000 and £332,000) have been set off against loans repayable within one year and after one year respectively.

14 Loans continued

The loans included above are denominated in the following currencies:

	1996	Group	1996	Company
	£'000	1995	£'000	1995
		£'000		£'000
£ Sterling	19,486	28,703	19,486	28,703
US\$14,196,000 (Company: US\$6,084,000)	9,457	12,537	4,053	5,373
SwFr 5,913,000	3,165	4,572	3,165	4,572
Yen 1,027 million	6,534	7,596	6,534	7,596
	<u>38,642</u>	<u>53,408</u>	<u>33,238</u>	<u>46,244</u>

Interest rate hedging arrangements have been put in place by the Company on certain of the above loans. The current rates are fixed until 31 October 1997 on principal amounts which reduce in line with the scheduled reductions in the loan facility. These arrangements have resulted in the following average interest rates for each 12 month period:

£ Sterling	7.6%	7.3%	7.6%	7.3%
US\$	6.9%	7.3%	6.9%	7.3%
SwFr	5.3%	5.2%	5.3%	5.2%
Yen	6.9%	6.0%	6.9%	6.0%

15 Deferred taxation

	Group	Company
	£'000	£'000
At 1 May 1995, provision debtor	891 (50)	10 -
Charge for period	841	10
Adjustments in respect of prior years	435	99
Transfer to current tax liabilities	(153)	-
Exchange adjustments	(81)	-
	64	-
Total deferred taxation at 30 April 1996	<u>1,106</u>	<u>109</u>
Transfer to debtors	147	-
At 30 April 1996	<u>1,253</u>	<u>109</u>

The Group provision for deferred taxation includes £427,000 (1995: £308,000) in respect of accelerated capital allowances; the balance relates to other timing difference and is fully provided.

The Company provision relates to other timing differences and is fully provided.

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and associated undertakings as, in the main, the profits are permanently employed in the business.

16 Share Capital

	1996 £'000	1995 £'000
Group and Company:		
Authorised		
59,250,000 Ordinary shares of 25p each	14,813	14,813
7,860,000 Preference shares of 10p each	786	786
	<u>15,599</u>	<u>15,599</u>
Issued and fully paid		
56,880,000 Ordinary shares of 25p each	14,220	14,220
7,360,000 Preference shares of 10p each	736	736
	<u>14,956</u>	<u>14,956</u>

A premium of £6,624,000 (90p per share) is payable on redemption of the Preference shares. Note 17 gives details of the transfer to reserves in anticipation of the premium payable on the future redemption of Preference shares.

The holders of the Preference shares are entitled to receive, in priority to the holders of the Ordinary shares, a fixed cumulative preferential dividend of 9p per annum per share, to the extent that payment thereof out of profits would be lawful and not result in the Company being in breach of any of its Loan Agreements. The preference dividend is cumulative and if, due to insufficient profit or otherwise, payment is not made when due, the Company shall make payment as soon as it is lawfully able to, together with interest thereon from the due date until the actual date of payment.

The terms of the Articles of Association of the Company provide for the redemption of the Preference shares as follows:

- 1 subject to the provisions of the Companies Act 1985 ("CA'85") and the prior consent of the holders of not less than 50 per cent of the Preference shares and the Sterling and Yen loan notes of the Company, the Company may at any time redeem all or any of the Preference shares then outstanding and fully paid so long as the same proportion of the amounts outstanding under the Sterling and Yen loan notes is repaid at the same time.
 - 2 a on 31 July 1997 the Company will redeem 60 per cent of the number of Preference shares then in issue subject to a maximum payment of £4,416,000. If such amount to be paid exceeds this sum, then the number of shares redeemed will be such a number that the amount paid, including premium, equals £4,416,000.
 - b on 31 July 1998 the Company will redeem the balance of Preference shares in issue,
- provided that:
- i if the Company is in breach of CA'85 in respect of the redemption of shares out of distributable profits on the relevant date, then it will redeem the balance of the shares as soon as the Company ceases to be in breach and
 - ii if the Company is in breach of any Loan Agreement, then it will redeem the balance at the earliest date when such payment does not cause any breach.
- 3 at the time of redemption, payment shall be made of all arrears and accruals of preference dividend to the date of redemption together with the amount of capital, including premium paid up (currently 90p per share).

16 Share Capital *continued*

On a winding up of the Company or other return of capital, the holders of the Preference shares are entitled to (1) any arrears and accruals of dividends, (2) a further dividend calculated on a daily basis from the start of the financial year up to and including the date of the resolution for the winding up and (3) an amount in respect of each Preference share held equal to the amount which would have been payable under the terms of redemption of the shares, with no further right to participate in the profits or assets of the Company.

The holders of the Preference shares have the right to receive notice of all general meetings of the Company, but no right to attend and vote thereat either in person or by proxy in respect of such holding.

17 Reserves

a Group	Share Premium Account £'000	Capital Redemption Reserve £'000	Goodwill Reserve £'000	Other Reserves £'000	Profit and Loss Account £'000
At 1 May 1995	6,306	643	(121,482)	4,647	76,847
Profit retained for the period	-	-	-	-	5,807
Exchange differences					
- Foreign currency borrowings	-	-	-	-	(35)
- Other	-	-	-	-	35
Transfer to other reserves	-	-	-	754	-
At 30 April 1996	<u>6,306</u>	<u>643</u>	<u>(121,482)</u>	<u>5,401</u>	<u>82,654</u>

Other reserves represents amount set aside for the premium payable on the redemption of Preference shares, no earlier than 31 July 1997. This set aside has been made on the basis of equal annual instalments which will fully provide, by 31 July 1997 (60% redeemable) and 31 July 1998 (40% redeemable), for the terms of the redemption as stated in the Articles of Association.

The profit retained for the period comprises:

	1996 £'000	1995 £'000
Marshall's Finance Limited	8,498	7,223
Subsidiary undertakings	(1,399)	8,065
Associated undertakings	(1,292)	168
	<u>5,807</u>	<u>15,456</u>

The Company's profit on ordinary activities after taxation for the year was £12,019,000 (1995: £10,515,000).

The profit and loss account balance at 30 April 1996 includes £4,708,000 (1995: £7,135,000) being the Group's share of associated undertaking reserves. These reserves are subject to overseas withholding taxes upon distribution.

17 Reserves continued

b Company	Share Premium Account £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Other Reserves £'000	Profit and Loss Account £'000
At 1 May 1995	6,306	643	17,385	4,647	59,462
Profit retained for the period	-	-	-	-	8,498
Exchange differences					
- Foreign currency borrowings	-	-	-	-	821
Transfer to other reserves	-	-	-	754	-
Revaluation of subsidiaries in period					
- Profit after dividends	-	-	(2,691)	-	-
- Exchange differences					
Foreign currency borrowings	-	-	(856)	-	-
Other	-	-	35	-	-
At 30 April 1996	<u>6,306</u>	<u>643</u>	<u>13,873</u>	<u>5,401</u>	<u>68,781</u>

The distribution of the Company's retained earnings is restricted by covenants contained in the Company's Loan Agreements.

18 Shareholders' funds

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Amounts attributable to				
- equity interests	(18,882)	(25,443)	102,600	96,039
- non-equity interests	<u>7,360</u>	<u>7,360</u>	<u>7,360</u>	<u>7,360</u>
	<u>(11,522)</u>	<u>(18,083)</u>	<u>109,960</u>	<u>103,399</u>

Non-equity interests comprise Preference share capital, details of which are given in Note 16.

19 Contingent liabilities and commitments

a Local authority swap transactions

Certain of the Company's subsidiary undertakings acted as brokers in swap and swap option transactions between banks and certain local authorities. In a House of Lords judgement dated 24 February 1991, swap and swap options by local authorities were held to be ultra vires.

The subsidiary undertakings have received advice from their solicitors and Leading Counsel and the directors believe that any claims arising from the arrangement of such transactions would not have a material adverse effect on the Group's financial position.

b Guarantees and contingent liabilities

A subsidiary undertaking of the Company, Lasser Marshall, Inc. ("LMI") has lodged a deposit of US\$1,500,000 in escrow with its landlord as security against future rental payments. This balance has been included in prepayments and, under the terms of the lease, is scheduled for repayment in April 1997.

Under the terms of the transfer of the business of Intercontinental Exchange Partners to LMI, a certificate of deposit for US\$1,000,000 has been lodged with the partnership bankers as security against the repayment of partnership loans out of deferred consideration.

19 Contingent liabilities and commitments *continued*

c Operating lease commitments

At 30 April 1996 the Group had annual commitments under non cancellable operating leases as follows:

	Land & Buildings £'000	Other £'000
Operating leases which expire:		
Within one year	286	6
Between two and five years inclusive	1,209	52
After five years	1,614	-
	<u>3,109</u>	<u>58</u>

The Company had no such commitments at 30 April 1996.

d Capital commitments

	£'000
Amounts contracted but not provided	<u>35</u>
Amounts authorised but not contracted	<u>958</u>

The Company has no such commitments at 30 April 1996

20 Pensions

The Group has two pension plans in the United Kingdom:

- a The M. W. Marshall Retirement Savings Plan ("RSP") - a defined contribution plan
- b The M. W. Marshall Final Salary Pension Plan ("FSP") - a funded defined benefit plan

Contributions to the RSP and FSP for the year ended 30 April 1996 have been charged against profit.

The pension cost for the RSP represents contributions payable by the company to the fund and amounted to £453,000 (1995: £453,000).

The contributions to the FSP, which is a funded plan, were determined by a qualified actuary taking into account the limited price regulations of SSA 90 and using the attained age method. The pension charge for the FSP for the year amounted to £546,000 (1995: £555,000). This included £75,000 (1995: £77,000) for the amortisation of a past service deficit over five years.

The value of the FSP at 1 April 1994, the latest valuation date was £10,043,000 and the actuarial value of these assets represented 97.2% of the liabilities of the fund at that date on a continuation basis. The deficit at 1 April 1994 was £241,000. The main assumptions underlying this valuation were: investment yields of 8%, average earnings and present and future pension increases of between 4.5% and 6.5%. On this basis, and using the attained age method the company contribution rate is 33.9% of pensionable earnings. There is no allowance in this contribution rate for implementation of the limited price indexation requirements of SSA 90 which have not yet been brought into force.

The RSP and FSP are financed through separate trustee administered funds. The Company has no pension commitments to former directors.

20 Pensions continued

Subsequent to the year end, at meetings of the subsidiary undertakings M.W. Marshall & Company Limited and M.W. Marshall (Financial Services) Limited on 17 May 1996, it was agreed that a recommendation be made to the trustee of the FSP that the plan should be closed and wound up. At a meeting of the trustee held on 17 May 1996, the trustee having considered this recommendation agreed to the closure and winding up of the FSP with effect from 30 June 1996. The employing companies involved have received advice that the assets of the fund are sufficient to meet the obligations of the wind up.

Separate schemes are operated by the Group's subsidiary undertakings in North America, Switzerland and Hong Kong and the total cost for overseas pensions amounts to £713,000 (1995: £766,000). With the exception of the Swiss scheme, these are all defined contribution schemes.

Employees of Cosmorex Zurich AG and Cosmorex Geneve SA are covered by a defined benefit scheme, which is an integral part of a national scheme run by an independent insurance company.

21 Principal subsidiary and associated undertakings at 30 April 1996

Principal subsidiary undertakings	Country of incorporation and operation
*+ M.W. Marshall & Company Limited	United Kingdom
*+ M.W. Marshall (International) Limited	United Kingdom
M.W. Marshall (UK) Limited	United Kingdom
M.W. Marshall (Overseas) Limited	United Kingdom
+ M.W. Marshall (Financial Services) Limited	United Kingdom
+ M.W. Marshall (Capital Markets) Holdings Limited	United Kingdom
Lasser Marshall, Inc.	USA
(renamed M.W. Marshall, Inc. from 29 May 1996)	
M.W. Marshall (Canada) Limited	Canada
Cosmorex Zurich AG	Switzerland
Cosmorex SA Geneve	Switzerland
M.W. Marshall (Singapore) Private Limited	Singapore
M.W. Marshall (Hong Kong) Limited	Hong Kong
Marshall's (CMTS) Limited	Hong Kong
M.W. Marshall & Company Pty. Limited	Australia
Saturn Global Network Services Pty. Limited	Australia

All of the above principal subsidiary undertakings are wholly owned in respect of the ordinary shares and voting rights held. The main activity of the subsidiary undertakings is money broking, with the exception of:

- a Saturn Global Network Services Pty. Limited, which is involved in the sale of managed network services and
- b those subsidiary undertakings marked '+' which hold investments in other subsidiary and associated undertakings.

Shares held directly by Marshall's Finance Limited are marked with an asterisk.

Those subsidiary undertakings incorporated in the United Kingdom are registered in England and Wales.

21 Principal subsidiary and associated undertakings at 30 April 1996 *continued*

Principal associated undertaking	Country of incorporation and operation	Proportion of nominal value of shares and voting rights held
Hatori-Marshall Company Limited (incorporated with 300,000 Yen 1,000 shares issue).	Japan	45%

The main activity of the above undertaking is money broking.

All the principal subsidiary and associated undertakings listed above have been included in the consolidated accounts of the Group.

22 Notes to the Cash Flow Statement

a Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit, generated by the Company and subsidiary undertakings	19,852	29,788
Depreciation	5,692	4,892
Loss/(profit) on sale of tangible fixed assets	91	(25)
Decrease in debtors	2,782	2,760
Decrease in creditors	(2,718)	(7,468)
Net cash inflow from operating activities	25,699	29,947

b Reconciliation of net borrowings

Net loans and finance lease obligations	38,692	53,333
Cash and cash equivalents	(5,192)	(10,286)
Net borrowings	33,500	43,047

c Analysis of changes in financing and cash and cash equivalents

	Share Capital and Share Premium Account £'000	Loans and Finance Lease Obligations £'000	Total Financing £'000	Cash and Cash Equivalents £'000
Balance at 1 May 1995	21,262	53,333	74,595	10,286
Net cash outflow	-	(14,572)	(14,572)	(4,602)
Amortisation of issue costs of new loan facility	-	239	239	-
Exchange differences	-	(308)	(308)	(492)
Balance at 30 April 1996	21,262	38,692	59,954	5,192

Balances of cash and cash equivalents at 30 April 1996 include £71,000 (1995: £132,000) in respect of bank overdrafts. The remainder £5,263,000 (1995: £10,418,000) represents cash at bank and in hand.

Marshall's Finance Limited
Five year summary

	1992 £'000	1993 £'000	1994 £'000	1995 £'000	1996 £'000
Turnover	140,957	149,067	175,398	167,118	147,376
Operating expenses	110,644	118,175	138,352	137,330	127,524
Operating profit	30,313	30,892	37,046	29,788	19,852
Exceptional item - profit on sale of subsidiary undertaking	-	-	-	1,943	-
Profit on ordinary activities before interest	30,313	30,892	37,046	31,731	19,852
Net interest payable	(8,846)	(8,167)	(9,103)	(4,437)	(3,071)
Share of profit of associated undertakings	2,460	1,168	1,263	738	(1,291)
Profit on ordinary activities before taxation	23,927	23,893	29,206	28,032	15,490
Tax on profit on ordinary activities	10,114	9,403	13,359	9,284	6,162
Profit on ordinary activities after taxation	13,813	14,490	15,847	18,748	9,328
Dividends paid and proposed	700	1,980	2,084	2,539	2,767
Transfer to other reserves	754 ⁽¹⁾	753 ⁽¹⁾	754 ⁽¹⁾	753	754
Retained profit for the period	12,359 ⁽¹⁾	11,757 ⁽¹⁾	13,009 ⁽¹⁾	15,456	5,807
Tangible assets	14,550	12,363	15,232	16,421	15,309
Net current assets/(liabilities)	4,248	(458)	(6,931)	343	(3,761)
Total loans	76,391	61,571	60,288	53,408	38,642
Shareholders' funds (3)	(52,473)	(39,910)	(34,124)	(18,083)	(11,522)
Goodwill reserve	119,726	121,194	121,314	121,482	121,482
Earnings per share	23.1p	24.2p	26.7p	31.8p	15.2p

Notes

- 1 Amounts restated from previously published results due to the change in the Accounting policy for the premium due on the redemption of Preference shares adopted from the year ended 30 April 1995 onwards. Previously no such provision was made.
- 2 All turnover and operating profit is in respect of continuing operations.
- 3 Includes non-equity interests in respect of Preference shares.

Marshalls Finance Limited
Principal Offices

United Kingdom

Marshalls Finance Limited
M.W. Marshall & Company Limited
M.W. Marshall (UK) Limited
M.W. Marshall (Financial Services) Limited
Lloyds Chambers, 1 Portsoken Street
London E1 8DF, UK
Telephone: (171)-488 4588

Saturn Global Network Services
(Europe) Limited
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Switzerland

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Cosmorex Zurich AG
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Bahrain

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Japan

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Saturn Global Network Services (Japan) KK
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Hong Kong

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Telephone: (852)-2521 2213

Marshalls (CMTS) Limited
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Telephone: (852)-2525 8910

Saturn Global Network Services (Hong Kong) Limited
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Australia

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Telephone: (61)-2 233 5988

Saturn Global Network Services Pty Limited
Level 6, 83 Clarence Street
Sydney, NSW 2000, Australia
Telephone: (61)-2 221 5148

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Telephone: (61)-3 670 6425

Saturn Global Network Services Pty. Limited
Suite 411, 343 Little Collins Street
Melbourne, VIC 3000, Australia
Telephone: (61)-3 602 5148

Canada

M.W. Marshall (Canada) Limited
(incorporating M.W. Marshall Securities (Canada) Limited)
48 Yonge Street, Toronto
Canada M5E
Telephone: (416)-869 1514

United States of America

Lasser Marshall, Inc.
(renamed M.W. Marshall, Inc. from 29 May 1996)
75 Park Place
New York
NY 10007, USA
Telephone: (212)-385 7000

Saturn Global Network Services (America,) Inc.
75 Park Place
New York
NY 10007, USA
Telephone: (212)-385 7979

Marshall's Finance Limited
Notice of Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting will be held at Lloyds Chambers, 1 Portsoken Street, London E1 8DF on Thursday 3 October 1996 at 10.00am for the following purposes:

- 1 To receive the Director's Report and audited financial statements for the year ended 30 April 1996 (Resolution 1).
- 2 To adopt the interim dividend paid as the final dividend for the year ended 30 April 1996 (Resolution 2).
- 3 To re-appoint Price Waterhouse as auditors and to authorise the directors to fix their remuneration (Resolution 3).
- 4 To transact any other ordinary business of the Company.

By Order of the Board

H M Raver FCA

Secretary

12 August 1996

Lloyds Chambers
1 Portsoken Street
London E1 8DF
Registered Number: 2230414

Notes

- 1 Members of the Company are entitled to appoint a proxy to attend and vote on their behalf and such proxy need not be a member of the Company. The instrument appointing a proxy must be lodged at Lloyds Chambers, 1 Portsoken Street, London E1 8DF no later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
 - 2 The register of directors' shareholdings and transactions will be available for reference at the commencement of, and during the continuance of, the Annual General Meeting.
 - 3 The Report and financial statements are circulated for information to Preference shareholders and the holders of 6.9% subordinated unsecured loan notes 1997/98 and 10% subordinated unsecured loan notes 1996/97. Only Ordinary shareholders are entitled to attend and vote at this meeting.
-

Marshalls Finance Limited

Lloyds Chambers

1 Portsoken Street

London E1 8DF

Telephone 0171-488 4588

Registered number 2230414
