

EURO BROKERS SERVICES LIMITED
(REGISTERED NUMBER: 2284837)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2002



EURO BROKERS SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report and the audited financial statements of the Company for the year to 31 December 2002.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required 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 confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and applicable accounting standards 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 Company disburses expenditure on behalf of other group companies, holds the group's fixed assets and associated finance leases and is directly reimbursed by those companies. This role is expected to continue for the foreseeable future. The immediate parent Company, Euro Brokers Holdings Limited has indicated that it will continue to provide sufficient funds for the Company to operate for at least the next twelve months.

Results and dividends

Details of the results for the period are set out in the profit and loss account on page 4. The Company made a loss after tax of £645,000 (2001: profit after tax of £127,000). No dividend was paid or declared in 2002 (2001: £nil). A loss of £645,000 has been transferred to reserves (2001 profit: £127,000).

Tangible fixed assets

The changes in tangible fixed assets are detailed in Note 10 to the financial statements.

EURO BROKERS SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued)

Directors

The directors of the Company during the period were:

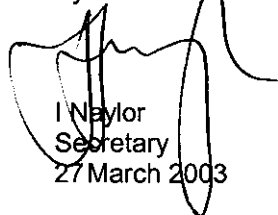
RA Clark
PS Dunkley (resigned 31 January 2002)
WCW Pask

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

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors on 31 January 2003.

By Order of the Board



I Naylor
Secretary
27 March 2003

EURO BROKERS SERVICES LIMITED

Independent auditors' report to the members of Euro Brokers Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
27 March 2003

EURO BROKERS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Turnover	3	5,854	5,829
Administrative expenses			
- Normal		(5,478)	(5,781)
- Exceptional item	7	(1,679)	-
		(7,157)	(5,781)
Other operating income – Exceptional item	5	246	-
Operating (loss)/ profit	6	(1,057)	48
Interest receivable and similar income		32	1
Interest payable – third party		-	(2)
(Loss)/profit on ordinary activities before taxation		(1,025)	47
Tax credit on (loss)/profit on ordinary activities	9	380	80
Retained (loss)/profit for the financial year	19	(645)	127

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

The Company has recognised no gains or losses other than those reflected in the above profit and loss account.

There is no difference between the profit on ordinary activity before taxation and the retained profit for the year stated above and their historical cost equivalents.

The Notes on pages 6 to 15 form part of these financial statements.

EURO BROKERS SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	10	1,189	865
Current assets			
Debtors	11	1,946	2,224
Creditors (amounts falling due within one year)	12	(1,130)	(2,406)
Net current assets / (liabilities)		816	(182)
Total assets less current liabilities		2,005	683
Creditors (amounts falling due after more than one year)	13	(375)	(97)
Provision for liabilities and charges	14	(1,967)	(278)
		(337)	308
Capital and reserves			
Called up share capital	18	1	1
Profit and loss account	19	(338)	307
Shareholders' funds (equity interests)	20	(337)	308

Approved by the Board on

27 March 2003



WCW Pask
Director

The Notes on pages 6 to 15 form part of these financial statements.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

1. Accounting policies

Accounting convention

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

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost less residual value in respect of motor vehicles, and in all other cases the cost, is written off in equal annual instalments based on the estimated useful lives which are:

Leasehold:	10 years
Fixtures and fittings:	3-5 years
Motor vehicles:	3 years

Leased assets and assets held under hire purchase agreements

Tangible fixed assets held under finance leases and hire purchase agreements (which are all of a financing nature) are capitalised at the fair value of the asset at the inception of the lease and depreciated in the same manner as owned assets. The obligation to pay future rentals is included in creditors, net of related finance charges.

Rentals paid under operating leases are accounted for on a straight line basis over the term of the lease.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results stated in the financial statements. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

2. Cashflow statement and related party disclosures

As a wholly owned subsidiary (see Note 24), 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 the reimbursement of expenditure incurred on behalf of other group companies.

4. Segmental information

The sole class of business for the Company during the year was that of a service company to the group. The sole geographical segment from which the Company has operated is the United Kingdom.

5. Other operating income

	2002	2001
	£'000	£'000
Business interruption insurance	246	-

£246,000 was received from insurers in respect of increased IT costs and lost sub-rental income directly attributed to the events of 11 September 2001. Tax of £74,000 was attributable to this exceptional item.

6. Operating (loss)/profit

Operating (loss)/profit is arrived at after charging/(crediting):

	2002	2001
	£'000	£'000
Amounts payable in respect of operating leases – land and buildings	1,436	1,412
Amounts receivable in respect of operating leases – land and buildings	(523)	(496)
Finance charges payable under finance leases and hire purchase contracts	29	24
Depreciation (Note 10) - owned assets	456	516
- leased assets	143	55
Exchange losses/(gains)	29	(7)

Auditors' remuneration has been borne by other group companies.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

7. Exceptional administrative expenses

	2002	2001
	£'000	£'000
Onerous lease provision	1,679	-

During the year, a provision has been established in respect of the onerous lease contract relating to excess rented office space within the group's premises in Houndsditch, London. The exceptional item charge represents current year costs, as well as anticipated future costs. Tax relief of £504,000 was attributable to this exceptional item.

Please see Note 14 for further details.

8. Directors' emoluments and employees

The average number of employees during the year was nil (2001: nil). Director's emoluments have been borne by other group companies.

9. Taxation

(a) Analysis of credit for the year

	2002	2001
	£'000	£'000
The credit for the year comprises:		
UK corporation tax credit/(charge) of 30% (2001: 30%)	280	(34)
Adjustments in respect of previous periods	44	(4)
Total current tax (Note 9(b))	324	(38)
Deferred tax		
Origination and reversal of timing differences - adjustment in respect of prior periods	45	-
Origination and reversal of timing differences - current period	11	118
Total deferred tax (Note 15)	56	118
	380	80

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

9. Taxation (continued)

(b) Factors affecting corporation tax credit for the period.

The tax credit assessed for the period is higher than the standard UK rate of Corporation tax (30%). The differences are explained below:

	2002	2001
	£'000	£'000
(Loss)/Profit on ordinary activities before tax	(1,025)	47
(Loss)/Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2001:30%). Tax credit/(charge)	308	(14)
Effects of:		
Disallowable expenses	(16)	(11)
Depreciation in excess of capital allowances	(12)	(9)
Adjustments in respect of previous years	44	(4)
Current tax credit/(charge) for the period (Note 9(a))	324	(38)

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

10. Tangible fixed assets

	Short leasehold land & buildings	Motor vehicles	Furniture, fixtures and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2002	2,609	215	7,337	10,161
Additions for the year	-	517	406	923
At 31 December 2002	2,609	732	7,743	11,084
Depreciation				
At 1 January 2002	2,200	43	7,053	9,296
Charge for the year	227	143	229	599
At 31 December 2002	2,427	186	7,282	9,895
Net book amount				
At 31 December 2002	182	546	461	1,189
At 31 December 2001	409	172	284	865

Of the assets above, the motor vehicles are held under finance leases and hire purchase agreements.

11. Debtors

	2002 £'000	2001 £'000
Amounts owed by immediate parent undertaking	23	1,393
Amounts owed by group undertakings	781	18
Prepayments and accrued income	367	433
Other debtors	320	163
Taxation	182	-
Deferred taxation (Note 15)	273	217
	1,946	2,224

All of the above debtors, excluding deferred taxation, are due within one year.
Amounts owed by group undertakings include £545,000 subordinated loan notes which carry interest at 2% over base rate, are unsecured and repayable on demand.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

12. Creditors (amounts falling due within one year)

	2002	2001
	£'000	£'000
Bank loans and overdrafts	6	3
Amounts owed to group undertakings	93	1,022
Amounts owed to related party	28	81
Other creditors	855	1,257
Obligations under finance leases and hire purchase agreements (Note 16)	148	43
	1,130	2,406

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

	2002	2001
	£'000	£'000
Obligations under finance leases and hire purchase agreements (Note 16)	375	97

14. Provision for liabilities and charges

	Property lease	Dilapidations	Total
	£'000	£'000	£'000
At 1 January 2002	-	278	278
Charged to the profit and loss account	1,679	64	1,743
Amounts utilised	(54)	-	(54)
At 31 December 2002	1,625	342	1,967

Property lease

During the year, a provision has been established in respect of the onerous lease contract relating to excess rented office space within the group's premises in Houndsditch, London.

The provision established provides for the full amount of rent payable until the date at which it is estimated that a new tenant will be found, as well as the estimated shortfall thereafter between sub-lease rental income and rent payable by the Company. It has been assumed that the rental receivable will become greater than the rental payable from March 2008 onwards.

The cash flows have been discounted on a pre-tax basis.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

14. Provisions for liabilities and charges (continued)

Dilapidations

The Company is required to return the office accommodation it leases to the condition at which it was originally leased. The Company is providing for the estimated costs of bringing this accommodation back to its original condition. These costs are being provided for over the full term of the lease.

15. Deferred taxation

	£'000	
At 1 January 2002	217	
Adjustments in respect of previous periods - deferred tax credit in profit and loss account (Note 9(a))	45	
Deferred tax credit in profit and loss account for period (Note 9(a))	11	
At 31 December 2002	273	
Deferred tax assets are made up of:		
	2002	2001
	£'000	£'000
Depreciation in excess of capital allowances	245	235
Timing differences	28	84
Other short term differences	-	(102)
	273	217

16. Hire purchase contracts and finance leases

Gross obligations under finance leases are as follows:

	2002	2001
	£'000	£'000
Payable within one year	181	52
Payable between one and five years	457	115
Total gross payments	638	167
Less: Finance charges included above	(115)	(27)
Net obligations under finance leases and hire purchase contracts	523	140

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

17. Operating lease commitments

	Payments 2002 £'000	Income 2002 £'000	Payments 2001 £'000	Income 2001 £'000
Annual commitments under operating leases which expire:				
Within one year	1,446	-	2,784	392
Within two to five years	58	-	326	-
Over five years	1,623	-	-	-
	3,127	-	3,110	392

Operating lease payment commitments are mainly in respect of information technology and telecommunication services and land and buildings. Operating lease income commitments are in respect of land and buildings.

18. Share capital

	2002 £'000	2001 £'000
Authorised:		
10,000 ordinary shares of £1	10	10
Allotted, called up and fully paid:		
1,000 ordinary shares of £1	1	1

19. Reserves

	2002 £'000	2001 £'000
At 1 January	307	180
Retained (loss)/profit for the year	(645)	127
At 31 December	(338)	307

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

20. Reconciliation of movements in shareholders' funds

	2002	2001
	£'000	£'000
Opening shareholders' funds	308	181
Retained (loss)/profit for the year	(645)	127
Closing shareholders' funds	(337)	308

21. Capital commitments

There were £nil capital commitments at 31 December 2002 (2001: £nil).

22. Related party transactions

During the year the Company and its consolidated subsidiary undertakings carried out a number of transactions with Euro Brokers Limited (formerly Euro Brokers Finacor Limited), in which the Group holds a 50% interest. These transactions occurred in the normal course of business, in the form of recharges for expenses incurred for the provision of facilities and services.

The nature of these transactions and their total value is shown below:

	Charged by related party 2002	Charged to related party 2002	Charged by related party 2001	Charged to related party 2001
	£'000	£'000	£'000	£'000
Occupancy charges	-	1,004	-	1,011
Depreciation	-	477	-	479
Other operating expenses	-	246	-	290
	-	1,727	-	1,780

23. 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.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2002 (Continued)

24. Parent undertaking

The largest and smallest group accounts, which are prepared and in which the Company is included are as follows:

	Largest	Smallest
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:	18th Floor 199 Water Street One Seaport Plaza New York	133 Houndsditch London EC3A 7AJ