

IN1TERCAPITAL COMMODITY SWAPS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 March 1996

Company Number 2553782



INTERCAPITAL COMMODITY SWAPS LIMITED

Report of the Directors

The directors submit their report and audited financial statements for the year ended 31 March 1996.

PRINCIPAL ACTIVITY

The Company acts as an agency broker in the commodity derivatives market.

REVIEW OF BUSINESS

The Company has experienced difficult market conditions during the year resulting in it reporting its first ever fall in turnover and operating profit. However with an upturn in market conditions, the directors are confident that the company can return to an increasing profit trend.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1995 - £83,926). Retained profits for the year of £181,362 (1995 - £203,263) have been transferred to reserves.

DIRECTORS

The current directors and those who served during the year are as follows:-

M.A. Spencer
P. Newman
S. Harding
N. Beyhum

DIRECTORS' SHARE INTERESTS

The directors' interests in the ordinary shares of the Company at 31 March 1996 and 31 March 1995 were:-

	1996	1995
P. Newman	25,000	25,000
S. Harding	7,500	7,500
N. Beyhum	-	2,250
	<hr/>	<hr/>

The interests of Messrs Newman and Spencer in the shares of Intercapital Group Limited, the ultimate parent company, are shown in the directors' report of that company. Ms S Harding had an interest in 300 £1 ordinary shares of Intercapital Group Limited at 31 March 1996 and at 31 March 1995. No director had any other interests required to be disclosed.

DONATIONS

During the year the Company made charitable donations of £22,522 (1995 - £11,660).

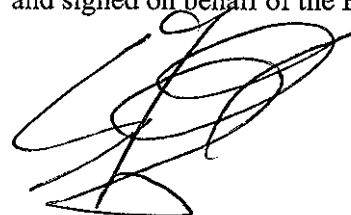
INTERCAPITAL COMMODITY SWAPS LIMITED

Report of the Directors

AUDITORS

Moores Rowland have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be presented at the forthcoming Annual General Meeting.

By order of the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'S.H. J. Mansell', written over a series of horizontal lines.

S.H. J. Mansell
Secretary

Park House
16 Finsbury Circus
LONDON EC2M 7DJ

27 June, 1996

INTERCAPITAL COMMODITY SWAPS LIMITED**Statement of 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 at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERCAPITAL COMMODITY SWAPS LIMITED**Auditors' Report to the Members of Intercapital Commodity Swaps Limited**

We have audited the financial statements on pages 5 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Moores Rowland
Chartered Accountants
Registered Auditors
London

27 June, 1996

INTERCAPITAL COMMODITY SWAPS LIMITED

Profit and Loss Account for the year ended 31 March 1996

	Notes	1996 £	1995 £
TURNOVER			
Continuing operations	1c	2,261,358	2,429,666
OPERATING EXPENSES			
Operating charges		(1,924,027)	(1,945,070)
OPERATING PROFIT			
Continuing operations	3	337,331	484,596
Interest receivable	4	56,444	40,134
Interest payable	5	(43,109)	(32,685)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		350,666	492,045
Tax on profit on ordinary activities	6	(169,304)	(204,856)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		181,362	287,189
Dividends	7	-	(83,926)
RETAINED PROFIT FOR THE FINANCIAL YEAR		181,362	203,263
Retained profit at 1 April		532,514	329,251
RETAINED PROFIT AT 31 MARCH		£713,876	£532,514

There are no recognised gains or losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

INTERCAPITAL COMMODITY SWAPS LIMITED

Balance Sheet as at 31 March 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	8	22,131		35,495	
Investments	9	112,151		112,151	
			134,282		147,646
CURRENT ASSETS					
Debtors	10	437,688		848,365	
Cash at bank		1,288,525		683,390	
		1,726,213		1,531,755	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR					
	11	(523,148)		(523,416)	
NET CURRENT ASSETS					
			1,203,065		1,008,339
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	12		(500,000)		(500,000)
TOTAL NET ASSETS					
			£837,347		£655,985
CAPITAL AND RESERVES					
Called up share capital	13		108,407		108,407
Share premium account			10,064		10,064
Capital redemption reserve			5,000		5,000
Profit and loss account			713,876		532,514
SHAREHOLDERS' FUNDS					
	16		£837,347		£655,985

THE FINANCIAL STATEMENTS WERE APPROVED
BY THE BOARD OF DIRECTORS ON 27 JUNE, 1996

Signed on behalf of the Board of Directors.

P. NEWMAN

M.A. SPENCER

INTERCAPITAL COMMODITY SWAPS LIMITED

Cash Flow Statement for the year ended 31 March 1996

	Notes	£	1996 £	£	1995 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES					
	14		910,514		(18,048)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		56,444		40,134	
Interest paid		(43,109)		(32,685)	
Dividends paid		(83,926)		-	
			(70,591)		7,449
TAXATION					
Corporation tax paid			(220,806)		(252,943)
INVESTING ACTIVITIES					
Payments to acquire tangible fixed assets		(13,982)		(13,835)	
Investment in subsidiary undertaking		-		(55,196)	
			(13,982)		(69,031)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	15		£605,135		£(332,573)

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies which the directors have adopted are set out below.

a) Accounting Convention

The financial statements are prepared under the historical cost convention.

b) Fixed Assets and Depreciation

Depreciation is calculated as follows:-

Office furniture and equipment - to write off their cost by equal annual instalments over their estimated useful lives which are considered to be between two and four years.

c) Turnover

Turnover represents agency brokerage on commodity swaps trading derived solely in the UK.

d) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

e) Pension Costs

The Company operates defined contribution, externally funded pension schemes. Contributions are charged against profits as they fall due.

f) Segmental Information

In the opinion of the directors, the Company operates in one geographical area and business segment.

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

2. DIRECTORS AND EMPLOYEES	1996	1995
	£	£
Emoluments of directors	£433,541	£609,024
<hr/>		
The emoluments (excluding pension contributions) of the directors were as follows:		
Chairman	£Nil	£Nil
<hr/>		
Highest paid director	£167,033	£199,839
<hr/>		
Other directors	Number of directors	
£0 - £ 5,000	-	1
£100,001 - £105,000	1	-
£120,001 - £125,000	-	1
£130,001 - £135,000	-	1
£140,001 - £145,000	-	1
£155,001 - £160,000	1	-
<hr/>		
Employees	1996	1995
The average number of employees employed by the Company was:	12	10
<hr/>		
Staff Costs	1996	1995
	£	£
Wages and salaries	841,332	959,458
Social security costs	89,664	104,690
Pension costs	17,794	22,404
Other costs	113,550	54,781
<hr/>		
	£1,062,341	£1,141,333
<hr/>		

Outstanding pension contributions at the year end amounted to £10,826 (1995 - £4,460).

3. OPERATING PROFIT	1996	1995
	£	£
Operating profit is stated after charging:-		
Auditors' remuneration		
- Audit fees	£9,300	£7,800
Depreciation	£27,346	£25,592
<hr/>		

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

4. INTEREST RECEIVABLE	1996	1995
	£	£
Bank interest	£56,444	£40,134
	<hr/>	<hr/>
5. INTEREST PAYABLE	1996	1995
	£	£
Bank interest	775	163
Subordinated loan interest	42,334	32,522
	<hr/>	<hr/>
	£43,109	£32,685
	<hr/>	<hr/>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	1996	1995
	£	£
Taxation is based on profit for the year at a rate equivalent to 33%		
Corporation tax on taxable profit for the year	168,243	211,456
Adjustment in respect of prior year	1,061	(6,600)
	<hr/>	<hr/>
	£169,304	£204,856
	<hr/>	<hr/>
7. DIVIDENDS	1996	1995
	£	£
Dividend proposed £Nil (1995 - £0.80 per ordinary share)	£Nil	£83,926
	<hr/>	<hr/>
8. TANGIBLE FIXED ASSETS		Office Furniture & Equipment
		£
COST		
At 1 April 1995		139,596
Additions		13,982
At 31 March 1996		<hr/> 153,578
DEPRECIATION		
At 1 April 1995		104,101
Provided in the year		27,346
At 31 March 1996		<hr/> 131,447
Net book value at 31 March 1996		<hr/> £22,131
Net book value at 31 March 1995		<hr/> £35,495
		<hr/>

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

9. INVESTMENTS	1996 £
Balance at 1 April 1995 and at 31 March 1996	£112,151

Under the provisions of section 228 of the Companies Act 1985, the Company does not prepare consolidated financial statements as it is a 58.03% owned subsidiary of Intercapital Group Limited, a company incorporated in Great Britain and registered in England and Wales. The Company has two subsidiaries, Intercapital Commodity Derivatives Inc., a 100% owned company incorporated in the USA and Intercapital Commodity Swaps Pte Limited, a 100% owned company incorporated in Singapore. Their principal activities are agency broking. In the opinion of the directors, the value of the Company's fixed asset investments is not less than the amount at which they are stated in the balance sheet.

10. DEBTORS	1996 £	1995 £
Trade debtors	374,774	662,580
Amount owed by group undertakings	-	97,657
Other debtors	19,148	37,190
Prepayments	43,766	41,588
ACT recoverable	-	9,350
	<u>£437,688</u>	<u>£848,365</u>
11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	1996 £	1995 £
Amount owed to group undertakings	196,716	102,523
Other creditors	10,826	7,760
Other tax and social security	20,714	22,148
Proposed dividend	-	83,926
Accruals	176,800	128,115
Corporation tax	118,092	169,594
ACT payable	-	9,350
	<u>£523,148</u>	<u>£523,416</u>

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1996	1995
	£	£
Subordinated loan from ultimate parent company	£500,000	£500,000
The subordinated loan is an approved subordinated loan under the rules of the Securities and Futures Authority and is repayable on demand subject to the rules of the Authority. Interest is charged by the ultimate parent company at 1% above United Kingdom base rates.		
13. CALLED UP SHARE CAPITAL	1996	1995
	£	£
Authorised		
76,750 ordinary 'A' shares of £1 each	76,750	76,750
25,000 ordinary 'B' shares of £1 each	25,000	25,000
48,250 ordinary 'C' shares of £1 each	48,250	48,250
	£150,000	£150,000
Allotted and fully paid		
58,157 ordinary 'A' shares of £1 each	58,157	58,157
25,000 ordinary 'B' shares of £1 each	25,000	25,000
25,250 ordinary 'C' shares of £1 each	25,250	25,250
	£108,407	£108,407
14. NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1996	1995
	£	£
Operating profit	337,331	484,596
Depreciation charges	27,346	25,592
Decrease/(increase) in debtors	401,327	(174,118)
Increase/(decrease) in creditors	144,510	(354,118)
	£910,514	£(18,048)
15. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1996	1995
	£	£
Balance at 1 April	683,390	1,015,963
Net cash inflow/(outflow)	605,135	(332,573)
Balance at 31 March	£1,288,525	£683,390

INTERCAPITAL COMMODITY SWAPS LIMITED

Notes to the Financial Statements - 31 March 1996

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996	1995
	£	£
Profit for the year	181,362	287,189
Dividends	-	(83,926)
Net addition to shareholders' funds	<u>181,362</u>	<u>203,263</u>
Opening shareholders' funds	655,985	452,722
Closing shareholders' funds	<u>£837,347</u>	<u>£655,985</u>

17. ULTIMATE PARENT COMPANY

The ultimate parent company is Intercapital Group Limited, a company registered in England and Wales. Copies of the group financial statements of Intercapital Group Limited are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.