

A/40185

MBO 1994 LIMITED

GROUP REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 1998

REGISTRAR'S COPY

Company Number: 2963574



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Directors

Chairman

P J Shuttleworth
J H Brown
C N Pratt

Company Secretary

P Thakkar

Registered Office

Colechurch House
1 London Bridge Walk
London SE1 2SS

Bankers

National Westminster Bank plc
21 Lombard Street
London EC3P 3AR

Auditors

Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

The Directors have pleasure in presenting their Report together with the Accounts for the year ended 31 March 1998.

Activities

The principal activity of the Group is that of a money broker in the sterling market specialising in public sector, building society, banking and commercial markets.

Comparative Figures

The acquisition of the subsidiary was completed on 17 October 1996, consequently the comparative information shown in the Group Profit and Loss Account and Group Cash Flow Statement is for the period 17 October 1996 to 31 March 1997.

Results and Dividends

The profit for the year before taxation amounted to £312,714 (1997 - £53,430). The taxation charge for the period is £118,844 (1997 - £28,218) leaving a profit after taxation of £193,870 (1997 - £25,212).

The Directors do not recommend the payment of a final ordinary dividend (1997 - £ Nil).

Review of the Business and Future Developments

The Directors are pleased to report a year of significant growth. Pre-tax profits for the year ended 31 March 1998 were £312,714 against £53,430 for the period from 17 October 1996, the date of acquisition of the subsidiary Sterling Brokers Limited, to 31 March 1997. The growth in earnings is due mainly to the increased efficiency and professionalism of the Group's dealing room staff, ably supported by our excellent administration department. The Group has increased its share of the sterling market, mainly in the banking and building society sectors and retained its position as a leading broker to the commercial and public sector markets.

Through its various regular publications and, in particular, the brochure entitled "The Credit Worthiness of Building Societies", the Group has maintained its policy of giving extra value to its customers in addition to the broking service we offer. We believe this does enhance the Group's profile in the market and we shall continue this policy for the foreseeable future.

The Group has recently secured a further five year lease on its premises at favourable terms. This has enabled us to complete a refurbishment of the offices, including the building of a new dealing room, with capacity for expansion to satisfy the growth we anticipate over the next few years. Much of the credit for this project is due to our Chief Executive, Peter Shuttleworth, who personally oversaw the operations, ably assisted by our Company Secretary, Pratap Thakkar.

Looking ahead, the Directors believe that in 1998/99, the Group can further increase its market share with the impetus generated by our new dealing room. We have recently increased our dealing capacity in the Euro market in anticipation of the business potential that will be created by the single currency.

The Group is well advanced in tackling Year 2000 issues and are confident that by the end of the year, we will be fully compliant.

Share Capital

During the year 500 ordinary shares of £1 each were issued at par for cash.

Directors and their Interests in Shares

The Directors during the year and their interests in the share capital of the Company were as follows:

	At 31 March 1998	At 1 April 1997
P J Shuttleworth	8,000	8,000
J H Brown	5,000	5,000
C N Pratt	5,000	5,000

Close Company

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

A resolution proposing the reappointment of Littlejohn Frazer as the Company's auditors will be put to the Annual General Meeting.

By Order of the Board



P Thakkar

Secretary

28 July 1998

To the Members of MBO 1994 Limited

We have audited the Accounts on pages 6 to 17 which have been prepared under the Accounting Policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors

As described on page 10 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit of those Accounts and to report our opinion to you.

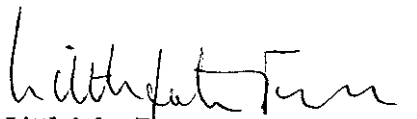
Basis of Opinion

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 Accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Accounts and of whether the Accounting Policies are appropriate to the Group'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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's and Group's affairs as at 31 March 1998 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

12 August 1998

1 Park Place
Canary Wharf
London E14 4HJ

MBO 1994 LIMITED
GROUP PROFIT AND LOSS ACCOUNT
Year ended 31 March 1998

	Note	1998	1997
Turnover	1	2,118,458	697,797
Net operating expenses		1,839,999	655,873
Operating Profit	2	278,459	41,924
Interest receivable less payable	4	34,255	11,506
Profit on Ordinary Activities before Taxation		312,714	53,430
Tax on profit on ordinary activities	5	118,844	28,218
Profit on Ordinary Activities after Taxation		193,870	25,212
Minority interests			
- Equity		83,749	14,405
- Non Equity		17,177	6,205
		100,926	20,610
Profit for the financial year		92,944	4,602
Dividends		20,295	-
Retained Profit for the year		72,649	4,602
Retained Profit brought forward		6,152	1,550
Retained Profit carried forward		£78,801	£6,152

The Group had no recognised gains or losses other than the profit on ordinary activities after taxation stated above.

There is no material difference between the reported profit for 1998 and 1997 and the profit for those periods as restated on an historical cost basis.

All turnover is from continuing operations.

The Accounting Policies and Notes on pages 10 to 17 form part of these Accounts.

MBO 1994 LIMITED

GROUP BALANCE SHEET
At 31 March 1998

	Note	1998	1997
Fixed Assets			
Intangible assets	6	-	4,035
Tangible assets	7	39,297	20,683
		<hr/>	<hr/>
		39,297	24,718
Current Assets			
Debtors	9	294,189	228,287
Cash at bank and in hand		753,061	569,626
		<hr/>	<hr/>
		1,047,250	797,913
Creditors: due within one year	10	511,781	290,351
		<hr/>	<hr/>
Net Current Assets		535,469	507,562
		<hr/>	<hr/>
Total Assets less Current Liabilities		574,766	532,280
Creditors: due after one year			
Subordinated loan notes	11	40,000	90,000
		<hr/>	<hr/>
		£534,766	£442,280
		<hr/>	<hr/>
Capital and Reserves			
Called-up share capital	13	50,000	49,500
Profit and Loss Account		78,801	6,152
Capital Reserve		31,612	31,612
		<hr/>	<hr/>
		160,413	87,264
Minority interests - Equity		124,353	105,016
- Non Equity		250,000	250,000
		<hr/>	<hr/>
		£534,766	£442,280
		<hr/>	<hr/>

Approved by the Board on 28 July 1998.

P J Shuttleworth

J H Brown

) Directors

The Accounting Policies and Notes on pages 10 to 17 form part of these Accounts.

MBO 1994 LIMITED

COMPANY BALANCE SHEET
At 31 March 1998

	Note	1998	1997
Fixed Assets			
Investments	8	50,000	50,000
Current Assets			
Debtors	9	20,000	-
Cash at bank and in hand		30,796	3,138
		<u>50,796</u>	<u>3,138</u>
Creditors: due within one year	10	5,738	11,890
		<u></u>	<u></u>
Net Current Assets/(Liabilities)		<u>45,058</u>	<u>(8,752)</u>
Total Assets less Current Liabilities		<u>£95,058</u>	<u>£41,248</u>
Capital and Reserves			
Called-up share capital	13	50,000	49,500
Profit and Loss Account		45,058	(8,252)
		<u>£95,058</u>	<u>£41,248</u>

Approved by the Board on 28 July 1998.

P J Shuttleworth

J H Brown

) Directors

The Accounting Policies and Notes on pages 10 to 17 form part of these Accounts.

MBO 1994 LIMITED
GROUP CASH FLOW STATEMENT
Year ended 31 March 1998

	Note	1998	1997
Reconciliation of Operating Profit to			
Net Cash Inflow/(Outflow) from Operating Activities			
Operating profit		278,459	41,924
Depreciation and amortisation charges		19,257	9,123
Increase in debtors		(55,515)	(19,860)
Increase/(decrease) in creditors		92,959	(83,332)
		<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Operating Activities		£335,160	£(52,145)
		<hr/>	<hr/>
Cash Flow Statement			
Net Cash Inflow/(Outflow) from Operating Activities		335,160	(52,145)
Returns on Investments and Servicing of Finance	15	(25,786)	11,506
Taxation and Group Relief paid		(72,308)	(62,567)
Capital expenditure and Financial Investments	15	(33,836)	-
Net Cash acquired on Acquisition of Subsidiary		-	571,514
Net Debt acquired on Acquisition of Subsidiary		-	(90,000)
		<hr/>	<hr/>
		203,230	378,308
		<hr/>	<hr/>
Equity dividends paid		(20,295)	-
		<hr/>	<hr/>
		182,935	378,308
		<hr/>	<hr/>
Financing	15	500	49,498
		<hr/>	<hr/>
Increase in cash		£183,435	£427,806
		<hr/>	<hr/>
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in cash in the year		183,435	427,806
Net funds at 1 April 1997		479,626	51,820
		<hr/>	<hr/>
Net Funds at 31 March 1998	16	£663,061	£479,626
		<hr/>	<hr/>

The Accounting Policies and Notes on pages 10 to 17 form part of these Accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Accounts for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for maintaining 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 Accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Accounting Policies selected are set out below.

Accounting Policies**Basis of Accounting**

The Accounts are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Basis of Consolidation

The Group Accounts consolidate the Accounts of MBO 1994 Limited and its subsidiary undertaking up to 31 March each year. As permitted by Section 230 of the Companies Act 1985 no Profit and Loss Account is presented for the Company.

Turnover

Turnover represents brokerage invoiced on deals transacted during the year net of volume discounts and dealing differences.

Goodwill

Goodwill arising on consolidation, which represents the excess of the fair value of net assets acquired over the consideration paid (negative goodwill) is credited directly to a capital reserve.

Purchased goodwill, which represents the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets, is being written off in equal annual instalments over its estimated economic life of 5 years.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, over its expected useful life. The rates of depreciation are as follows:

Leasehold improvements	-	20% per annum
Computer equipment	-	33% per annum
Communication equipment	-	25% per annum
Fixtures and fittings	-	50% per annum

Foreign Currencies

Brokerage earned on transactions in foreign currencies is recorded at the rate ruling on the first day of the month in which the transaction occurs.

Leases

Rentals paid under operating leases are charged to income as incurred.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Provision is made to the extent that it is likely that the liability or asset will crystallise in the foreseeable future.

Pension Contributions

The Group makes contributions to the personal pension plans of certain of its Directors and employees. The pension charge represents contributions payable by the Group for the period. The Group's liability is limited to the amount of the contributions.

1. Turnover and Pre-tax Profit

The whole of the turnover and pre-tax profit arises from the Group's principal activity and is derived solely within the United Kingdom.

2. Operating Profit

1998

1997

This is stated after charging:

Auditors' remuneration	- Audit fees	£ 12,117	£ 5,800
	- Non-audit fees	£ 5,018	£ 1,500
Depreciation		£ 15,222	£ 7,040
Amortisation of goodwill		£ 4,035	£ 2,083
Operating lease rentals	- Land and buildings	£ 60,900	£ 25,375

and after crediting:

Rental income	£ 37,099	£ 13,979
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3. Employees

Staff Costs (including Directors)

Wages and salaries	1,010,539	345,430
Social security costs	94,325	33,572
Pension contributions	32,990	20,665

£1,137,854 £399,667

Average number of employees during the year

No.

No.

Dealers	21	19
Administration	6	6

27 25

Directors' Emoluments

Aggregate emoluments	178,433	59,320
Company pension contributions to personal pension plans	15,608	12,502

£194,041 £71,822

Retirement benefits are accruing to the Directors under personal pension plans to which the subsidiary makes contributions

Highest paid Director

Aggregate emoluments	96,642	27,667
Company pension contributions to personal pension plan	1,775	8,333

£98,417 £36,000

4. Interest Receivable less Payable	1998	1997
Interest receivable:		
Bank interest	40,438	13,739
Interest payable:		
Subordinated loan notes	(6,183)	(2,233)
	<u>£34,255</u>	<u>£11,506</u>
5. Taxation		
Based on the profit for the year:		
Corporation Tax at 31% (1997- 33%)	120,500	29,383
Overprovision in previous year	(1,656)	-
Deferred Tax	-	(1,165)
	<u>£118,844</u>	<u>£28,218</u>
6. Intangible Fixed Assets		
Group		
Cost		Goodwill
At 31 March 1998 and 1 April 1997		44,300
Amortisation		
At 1 April 1997		40,265
Amortisation for the year		4,035
At 31 March 1998		44,300
Net Book Value		
At 31 March 1998		£ -
At 31 March 1997		£4,035

The Company had no intangible fixed assets at 31 March 1998 or 31 March 1997.

7. Tangible Fixed Assets

Group	Leasehold improvements	Computer equipment	Communication equipment	Fixtures and fittings	Total
Cost					
At 1 April 1997	12,564	33,142	35,487	17,159	98,352
Additions	-	-	21,620	12,216	33,836
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	12,564	33,142	57,107	29,375	132,188
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 1997	9,052	33,055	23,132	12,430	77,669
Provided during the year	2,400	87	7,986	4,749	15,222
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	11,452	33,142	31,118	17,179	92,891
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value					
At 31 March 1998	£1,112	£ -	£25,989	£12,196	£39,297
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	£3,512	£87	£12,355	£4,729	£20,683
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Company had no tangible fixed assets at 31 March 1998 or 31 March 1997.

8. Investments

Company	Subsidiary undertaking	
	1998	1997
At Cost		
At 31 March 1998 and 1 April 1997	£50,000	£50,000
	<hr/>	<hr/>

The Company holds 50% of the ordinary share capital of Sterling Brokers Limited, a Company registered in England and Wales whose principal activity is that of a money broker. The Company regards itself as the parent undertaking of Sterling Brokers Limited as it exercises a dominant influence over the financial and operating policies of that Company.

9. Debtors

	Group		Company	
	1998	1997	1998	1997
Trade debtors	272,061	219,018	-	-
Other debtors	1,017	929	-	-
Prepayments and accrued income	8,867	6,483	-	-
ACT recoverable	12,244	1,857	-	-
Dividend receivable	-	-	20,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£294,189	£228,287	£20,000	£ -
	<hr/>	<hr/>	<hr/>	<hr/>

The ACT recoverable is due after more than one year.

10. Creditors: amounts falling due within one year	Group		Company	
	1998	1997	1998	1997
Other taxes and social security costs	30,768	26,147	-	-
Other creditors	103,897	44,850	-	500
Current Corporation Tax	90,495	56,459	-	-
ACT payable	24,744	1,857	-	-
Accruals and deferred income	211,877	161,038	5,738	2,500
Amounts due to subsidiary undertaking	-	-	-	8,890
Subordinated loan notes (note 11)	50,000	-	-	-
	<u>£511,781</u>	<u>£290,351</u>	<u>£5,738</u>	<u>£11,890</u>

11. Creditors: amounts falling due after more than one year	Group	
	1998	1997
Subordinated loan notes	<u>£40,000</u>	<u>£90,000</u>

The subordinated loan notes are wholly held by UK Estates plc (UKE), unsecured, attract interest at National Westminster Bank plc's base rate and were due for repayment on 24 May 1998 or earlier after the expiry of a three month notice period, provided consent is received from the Bank of England and provided that as a result of the repayment, the subsidiary does not breach Bank of England requirements as to capital adequacy. UKE has agreed to renew for one year £40,000 of the subordinated loan notes which now have a maturity date of 24 May 1999 and consent was received from the Bank of England for the repayment of £50,000 of the subordinated loan notes. This amount was repaid in May 1998 and is shown separately in note 10.

12. Obligations Under Operating Leases

The minimum lease payments to which the Group is committed under non-cancellable operating leases for the coming year are:

	Land and buildings	
On leases expiring:	1998	1997
Within one year	34,350	-
Between two and five years	-	60,900
	<u>£34,350</u>	<u>£60,900</u>

13. Called-up Share Capital	Group		Company	
	1998	1997	1998	1997
Equity	Authorised		Allotted, called-up and fully paid	
Ordinary shares of £1 each	<u>£50,000</u>	<u>£50,000</u>	<u>£50,000</u>	<u>£49,500</u>

During the year 500 ordinary shares of £1 each were issued at par for cash.

14. Shareholders' Funds

	Group	
	1998	1997
Reconciliation of Movements in Shareholders' Funds		
Profit for the financial year	92,944	4,602
Dividends	(20,295)	-
	<hr/>	<hr/>
	72,649	4,602
Issue of ordinary share capital	500	49,498
Capital Reserve arising on acquisition of subsidiary	-	31,612
	<hr/>	<hr/>
Net addition to shareholders' funds	73,149	85,712
Opening shareholders' funds	87,264	1,552
	<hr/>	<hr/>
Closing shareholders' funds	£160,413	£87,264
	<hr/>	<hr/>

All shareholders' funds are attributable to equity interests.

15. Gross Cash Flows

Returns on investments and servicing of finance

Interest paid	(6,183)	(2,233)
Dividends paid to minority shareholders in subsidiary undertaking	(60,041)	-
Interest received	40,438	13,739
	<hr/>	<hr/>
	£(25,786)	£11,506
	<hr/>	<hr/>

Capital Expenditure and Financial Investments

Payments to acquire tangible fixed assets	£33,836	£ -
	<hr/>	<hr/>

Financing

Issue of ordinary shares	£500	£49,498
	<hr/>	<hr/>

16. Analysis of changes in Net Funds

	At 1 April 1997	Cash Flows	Other non-cash changes	At 31 March 1998
Cash in hand, at bank	569,626	183,435	-	753,061
Debt due in one year	-	-	(50,000)	(50,000)
Debt due after one year	(90,000)	-	50,000	(40,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	£479,626	£183,435	£ -	£663,061
	<hr/>	<hr/>	<hr/>	<hr/>

17. Capital Commitments

There were capital commitments of £44,000 (1997 - £Nil) contracted and authorised by the Directors at the balance sheet date.

18. Related Party Disclosures

The Company has an option to acquire the 50% of the ordinary share capital of Sterling Brokers Limited (Sterling) the Company's only subsidiary undertaking, currently owned by UK Estates plc ('UKE'). This is subject to the prior repayment by Sterling of the subordinated loan notes currently held by UKE and a commitment by Sterling subsequently for the £250,000 cumulative Preference Shares currently held by UKE to be purchased. At 31 March 1998 no amounts were due to or from the Company and Sterling (1997 - the company owed Sterling £8,890).

19. Profit Attributable to Members of Parent Company

The profit dealt with in the accounts of the Parent Company was £73,605 (1997 loss - £9,802).

	1998	1997
Dividends Received and Receivable	99,977	-
Bank deposit interest receivable	-	880
	<u>99,977</u>	<u>880</u>
Expenditure		
Bank charges	-	40
Accountancy and other professional costs	4,948	9,068
Irrecoverable VAT	1,302	1,496
Sundry expenses	127	78
	<u>6,377</u>	<u>10,682</u>
Profit/(Loss) before Taxation	93,600	(9,802)
Taxation	19,995	-
Profit/(Loss) after Taxation	73,605	(9,802)
Dividends	20,295	-
Retained profit/(loss) for the year	53,310	(9,802)
Retained (loss)/profit brought forward	(8,252)	1,550
Retained Profit/(Loss) carried forward	<u>£45,058</u>	<u>£(8,252)</u>