

Company Number: 1423001

INTERCAPITAL PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2003



INTERCAPITAL PLC

Directors' report for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

ACTIVITIES AND BUSINESS REVIEW

The company is an investment holding company and it is not anticipated that the company's activities will change in the foreseeable future.

RESULTS AND DIVIDENDS

The results of the company are set out in the profit and loss account on page 4. An interim ordinary dividend of £10,000,000 (2002: £29,000,000) and a final preference dividend of £87,564 (2002: £nil) have been paid in the year. The directors recommend the payment of a final dividend of £35,000,000 (2002: £nil).

SHARE CAPITAL

The company issued 920,550 and 285,000 non-cumulative preference shares of US\$10 each on 21 June 2002 and 19 February 2003, respectively (note 13).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows:

D Gelber
E C Pank
J N Pettigrew
M A Spencer

The interests of the directors and their families in the share capital of the company, its ultimate parent undertaking, ICAP plc, and any of its fellow subsidiary undertakings are set out in note 5 to the financial statements.

CREDITORS PAYMENT POLICY

The company does not have any trade creditors.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, a resolution to appoint the new firm, PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

INTERCAPITAL PLC
Directors' report for the year ended 31 March 2003 (cont'd)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each accounting 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 year.

The directors confirm that suitable accounting policies have been used and that these policies have been applied on a consistent basis. The directors also confirm that applicable accounting standards have been followed and that reasonable and prudent judgements and estimates have been made in preparing the financial statements.

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.

By Order of the Board

E C Pank
Secretary

A handwritten signature in dark ink, appearing to read 'E C Pank', is written over the printed name of the Secretary.

15 July 2003

INTERCAPITAL PLC

Independent Auditors' report to the members of Intercapital plc

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 on page 2.

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 into 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.

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 March 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

15 May 2003

INTERCAPITAL PLC
Profit and loss account for the year ended 31 March 2003

	<u>Note</u>	<u>Year ended</u> <u>31/3/2003</u> £'000	<u>Year ended</u> <u>31/3/2002</u> £'000
Administrative expenses	3	(4,291)	(5,794)
Operating loss		<u>(4,291)</u>	<u>(5,794)</u>
Income from shares in group undertakings		28,811	39,105
Profit on disposal of fixed assets	4	-	7,356
Profit before interest		<u>24,520</u>	<u>40,667</u>
Interest receivable and similar income		732	1,314
Interest payable and similar charges	6	(1,340)	(1,315)
Profit on ordinary activities before taxation		<u>23,912</u>	<u>40,666</u>
Tax on profit on ordinary activities	7	391	1,769
Profit on ordinary activities after taxation		<u>24,303</u>	<u>42,435</u>
Dividends	8	(45,088)	(29,000)
Retained (loss)/profit for the year	14	<u>(20,785)</u>	<u>13,435</u>

The operating loss was derived wholly from continuing operations.

The company had no recognised gains or losses for the year other than those included in the profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the years stated above and their historical cost equivalents.

INTERCAPITAL PLC
Balance sheet as at 31 March 2003

	<u>Note</u>	<u>As at</u> <u>31/3/2003</u> £'000	<u>As at</u> <u>31/3/2002</u> £'000
Fixed assets			
Investments in subsidiary undertakings	9	39,867	39,867
Investment in joint venture	9	1,375	810
		<hr/> 41,242	<hr/> 40,677
Current assets			
Debtors	10	368,824	311,085
Investments	11	3,099	3,509
Cash at bank and in hand		1,532	17,431
		<hr/> 373,455	<hr/> 332,025
Creditors: Amounts falling due within one year	12	(225,117)	(170,257)
Net current assets		<hr/> 148,338	<hr/> 161,768
Net assets		<hr/> <hr/> 189,580	<hr/> <hr/> 202,445
Capital and reserves			
Called up share capital	13,14	99,907	91,987
Share premium account	14	5,902	5,902
Profit and loss account	14	83,771	104,556
Total shareholders' funds		<hr/> <hr/> 189,580	<hr/> <hr/> 202,445
Analysis of shareholders' funds			
Equity		181,660	202,445
Non-equity		7,920	-
		<hr/> <hr/> 189,580	<hr/> <hr/> 202,445

The financial statements on pages 4 to 13 were approved by the board of directors on 15 July 2003 and were signed on its behalf by:


D Gelber
Director

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2003

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with Accounting Standards applicable in the United Kingdom.

The company has exercised its entitlement under Section 228 of the Companies Act 1985 (as amended) to dispense with the requirement to produce group accounts.

(b) Fixed asset investments

An undertaking is regarded as a subsidiary if the company has control over its operating and financial policies, a joint venture if the company has joint control over its operating and financial policies and an associate if the company holds a participating interest and has significant influence, but not control, over its operating and financial policies.

Investments in subsidiaries, joint ventures and associates are stated at historical cost less provision for any impairment in their values.

(c) Impairment of fixed assets

Fixed assets are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying value of the fixed asset may not be fully recoverable. The impairment review comprises a comparison of the net book value of the fixed asset with its recoverable amount (the higher of net realisable value and value in use). Net realisable value represents the amount at which the asset could be disposed. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying value of fixed assets is written down by the amount of any impairment and this loss is recognised in the profit and loss account in the year in which it occurs.

(d) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling when the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Non-monetary assets are not usually retranslated at the balance sheet date. However, foreign equity investments financed by foreign currency borrowings are retranslated at the rate of exchange ruling at the balance sheet date and the resulting exchange differences are taken to reserves. To the extent permitted by Statement of Standard Accounting Practice (SSAP) 20 "Foreign currency translation" the exchange differences on the related foreign currency borrowings are also taken to reserves.

(e) Current asset investments

Current asset investments are stated at the lower of cost and net realisable value. The net realisable value for the traded investments is based upon readily ascertainable market prices.

2. CASH FLOW STATEMENT

As more than 90% of the voting rights in the company are controlled by ICAP plc which publishes a consolidated cash flow statement, the company is not required to present a cash flow statement in its own financial statements, under Financial Reporting Standard (FRS) 1 "Cash flow statements".

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

3. ADMINISTRATIVE EXPENSES

Administrative expenses consist principally of costs that are borne by fellow subsidiaries of ICAP plc and charged to the company by way of group management recharges. The company had no employees during the year (2002: nil). These recharges included auditors' remuneration.

4. EXCEPTIONAL ITEMS

	<u>Year ended</u> <u>31/3/2003</u> <u>£'000</u>	<u>Year ended</u> <u>31/3/2002</u> <u>£'000</u>
(Loss) on disposal of subsidiary undertakings	-	(2,829)
Gain on disposal of fixed asset investments	-	10,185
Profit on disposal of fixed assets	<u>-</u>	<u>7,356</u>

5. DIRECTORS' EMOLUMENTS AND INTERESTS

(a) Directors' emoluments

No fees were paid to directors in respect of services to the company during the year (2002: £nil).

M A Spencer, D Gelber and J N Pettigrew received no emoluments for their services to the company. Their emoluments for services to the group are disclosed in the financial statements of ICAP plc. E C Pank received no emoluments for his services to the company.

(b) Directors' interests

None of the directors held interests in the securities of the company.

D Gelber, J N Pettigrew and M A Spencer are directors of the company's ultimate parent undertaking, ICAP plc, and their interests are disclosed in that company's financial statements.

E C Pank had no interests in the shares or options over ICAP plc ordinary shares.

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31/3/2003</u> £'000	<u>Year ended</u> <u>31/3/2002</u> £'000
Bank interest	20	22
Interest on loans from group undertakings	1,320	1,293
	<u>1,340</u>	<u>1,315</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>Year ended</u> <u>31/3/2003</u> £'000	<u>Year ended</u> <u>31/3/2002</u> £'000
Current tax:		
UK corporation tax at 30% (2002 - 30%)	(1,144)	(1,644)
Overseas corporation tax	338	-
Adjustment in respect of previous years	415	(125)
	<u>(391)</u>	<u>(1,769)</u>

The company's tax credit for the year is higher than the UK statutory rate and can be reconciled as follows:

Profit on ordinary activities before tax	23,912	40,666
Corporation tax at charge standard rate of 30%	7,174	12,200
Tax effect on:		
Income from fixed asset investments	(8,643)	(11,731)
Utilisation of capital losses	-	(2,962)
Impairment of fixed asset investments	34	849
Items not deductible for tax purposes	262	-
Timing differences not tax affected	29	-
Overseas tax on deemed distribution	338	-
Adjustment to tax charge in respect of previous years	415	(125)
	<u>(391)</u>	<u>(1,769)</u>

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

8. DIVIDENDS

	<u>Year ended</u> <u>31/3/2003</u> £'000	<u>Year ended</u> <u>31/3/2002</u> £'000
Equity – 25p ordinary shares		
Interim dividend paid 2.72p per share (2002: 7.88p per share)	10,000	29,000
Final dividend proposed 9.51p per share (2002: nil)	35,000	-
	<u>45,000</u>	<u>29,000</u>
Non-equity - \$10 preference shares		
Final dividend paid (2002 – nil)	88	-
	<u>45,088</u>	<u>29,000</u>

Final preference share dividends of 9.14p (14.45c) and 1.13p (1.79c) per share were paid on preference shares issued on 21 June 2002 and 19 February 2003 respectively, in accordance with the rights attached to the preference shares (note 13).

9. INVESTMENTS

	<u>Investment</u> <u>in subsidiary</u> <u>undertakings</u> £'000	<u>Investment in</u> <u>joint venture</u> £'000	<u>Total</u> £'000
Cost			
As at 1 April 2002	45,545	810	46,355
Additions	-	1,375	1,375
Disposals	-	(810)	(810)
As at 31 March 2003	<u>45,545</u>	<u>1,375</u>	<u>46,920</u>
Provision			
As at 1 April 2002 and at 31 March 2003	<u>5,678</u>	<u>-</u>	<u>5,678</u>
Net book value			
As at 31 March 2003	<u>39,867</u>	<u>1,375</u>	<u>41,242</u>
As at 31 March 2002	<u>39,867</u>	<u>810</u>	<u>40,677</u>

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

9. INVESTMENTS (cont'd)

At 31 March 2003 the company owned or controlled the following principal subsidiary undertakings:

<u>Note</u>	<u>Country of incorporation and operation</u>	<u>Percentage held† (%)</u>
* Exco International plc	England & Wales	100.00
* Garban-Intercapital WCLK Limited	England & Wales	100.00
* T & M Securities Limited	England & Wales	100.00
* Intercapital Commodity Swaps Limited	England & Wales	100.00
* icap.com Limited	England & Wales	100.00
* Garban-Intercapital Management Services Limited	England & Wales	100.00
* Valerie Chitty Services Limited	England & Wales	100.00
Intercapital Europe Limited	England & Wales	100.00
Garban-Intercapital Metals Limited	England & Wales	100.00
Exotix Limited	England & Wales	60.00
Harlow (London) Limited	England & Wales	100.00
Garban-Intercapital Scandinavia A/S	Denmark	100.00
Garban Scandinavia I (FWDS) A/S	Denmark	100.00
ICAP Brokers Pty Limited	Australia	100.00
ICAP FIB Pty Limited	Australia	100.00
ICAP Energy Pty Limited	Australia	100.00
ICAP AP (Singapore) Pte Limited	Singapore	100.00
ICAP (Hong Kong) Limited	Hong Kong	100.00
Harlow Butler (NZ) Limited	New Zealand	100.00
Fixed Interest Securities (NZ) Limited	New Zealand	80.00
FCB-Harlow Butler Pty Limited	South Africa	62.40

† The percentage held represents the percentage of issued share capital held (all classes).

* The paid up share capital of these subsidiary undertakings is held by or on behalf of the company. The paid up share capital of all the other subsidiary undertakings is held by or on behalf of subsidiary undertakings.

All subsidiaries are involved in derivatives and money broking, commodities broking, securities broking or service activities relating to those businesses, have a 31 March year end, and operate in their country of incorporation

Joint Venture

As a result of a group reconstruction the company exchanged its 45% share holding in TFS-ICAP Limited for a 45% share holding in TFS-ICAP Holdings Limited, a company incorporated in England & Wales. TFS-ICAP Holdings Limited has a 50% holding in TFS-ICAP Limited, a company involved in money broking.

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

10. DEBTORS: Amounts falling due within one year

	<u>As at</u> <u>31/3/2003</u> £'000	<u>As at</u> <u>31/3/2002</u> £'000
Amounts owed by group undertakings	327,875	258,587
Dividends receivable from subsidiary undertakings	27,505	39,105
UK corporation tax	12,313	11,922
Prepayments	-	60
Other debtors	1,131	1,411
	<u>368,824</u>	<u>311,085</u>

Amounts owed by group undertakings includes interest bearing loans. All loans are due within one year, except for £500,000 (2002: £500,000) which is due after more than one year.

11. CURRENT ASSET INVESTMENTS

The current asset investment of £3,099,411 represents shares in a hedge fund, Pronous Offshore Fund Limited, listed on the Irish Stock Exchange. As at 31 March 2003 there was no difference between the carrying value and market value of the investment.

12. CREDITORS: Amounts falling due within one year

	<u>As at</u> <u>31/3/2003</u> £'000	<u>As at</u> <u>31/3/2002</u> £'000
Other loans	-	1,233
Amounts owed to group undertakings	187,872	139,015
Other creditors	2,197	762
Accruals and deferred income	48	247
Proposed dividend	35,000	29,000
	<u>225,117</u>	<u>170,257</u>

Amounts owed to group undertakings include interest bearing loans, all of which are due within one year.

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

13. CALLED UP SHARE CAPITAL

	<u>As at</u> <u>31/3/2003</u> £'000	<u>As at</u> <u>31/3/2002</u> £'000
Authorised:		
490,000,000 ordinary shares of 25p each	122,500	122,500
5,000,000 preference shares of \$10 each	31,632	-
	<u>154,132</u>	<u>122,500</u>
Allotted and fully paid:		
367,948,011 ordinary shares of 25p each	91,987	91,987
1,205,550 preference shares of \$10 each	7,920	-
	<u>99,907</u>	<u>91,987</u>

On 21 June 2002, the company issued 920,550 non-cumulative preference shares of US\$10 each to a fellow subsidiary undertaking for cash. A further 285,000 non-cumulative preference shares of US\$10 each were issued to another fellow subsidiary undertaking on 19 February 2003, also for cash.

The preference shares are a separate class of share with the right, in priority to any payment by way of dividend to the holders of any other class of shares of the company, to receive a non-cumulative preferential dividend from profits available for distribution. The preferential dividend is calculated in respect of each paid up preference share in issue on 31 March in each year at a rate equivalent to the average LIBOR rate for the US dollar for the year preceding 31 March, plus 0.3%.

The company has the right to redeem the preference shares in issue and outstanding on any date by giving the holders notice, in writing, of the redemption on the date specified in such notice. The amount paid on each preference share redeemed shall be the amount paid or credited as paid up together with any arrears of preferential dividends.

On a return of capital on winding-up, the holders of the preference shares are entitled, in priority to any payment to the holders of any other class of shares of the company, to the repayment of a sum equal to the nominal amount paid up on the preference shares held by them, together with a sum equal to all arrears of the preferential dividends which have been declared and become payable.

Preference share holders are entitled to vote on a resolution at a general meeting of the company, each holder present is entitled to one vote and on a poll, each holder present is entitled to one vote in respect of each fully-paid preference share registered in the holders name.

14. RESERVES

	<u>Called</u> <u>up share</u> <u>capital</u> £'000	<u>Share</u> <u>premium</u> <u>account</u> £'000	<u>Profit</u> <u>and loss</u> <u>account</u> £'000	<u>Total</u> £'000
As at 1 April 2002	91,987	5,902	104,556	202,445
Non-equity preference shares issued in year	7,920	-	-	7,920
Retained loss for the year	-	-	(20,785)	(20,785)
As at 31 March 2003	<u>99,907</u>	<u>5,902</u>	<u>83,771</u>	<u>189,580</u>

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Notes to the financial statements for the year ended 31 March 2003 (cont'd)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>As at</u> <u>31 March</u> <u>2003</u> £'000	<u>As at</u> <u>31 March</u> <u>2002</u> £'000
Profit for the year	24,303	42,435
Equity dividends	(45,000)	(29,000)
Non-equity dividends	(88)	-
	<hr/> (20,785) <hr/>	<hr/> 13,435 <hr/>
Net proceeds of issue of non-equity preference share capital	7,920	-
	<hr/> (12,865) <hr/>	<hr/> 13,435 <hr/>
Net (reduction)/addition to shareholders funds	202,445	189,010
Opening shareholders funds	<hr/> 189,580 <hr/>	<hr/> 202,445 <hr/>
Closing shareholders funds	<hr/> <hr/>	<hr/> <hr/>

16. GUARANTEES AND CONTINGENT LIABILITIES

The company has issued a Letter of Credit in favour of Plaza V Leasing Associates LLC, NJ, USA to guarantee the rental of office space for the group's USA operation. The Letter of Credit is initially for \$6,720,000 (£4,251,000) reducing to \$4,750,000 after 5 years, and \$2,000,000 after 10 years.

The company has guaranteed a Japanese Yen loan facility of Y600m (£3,201,000) to a fellow subsidiary undertaking with Lloyds TSB Bank plc.

The company has guaranteed £200,000 to Natwest Bank plc to cover the group's travel scheme credit card.

The company has guaranteed the liquidity of Nittan AP (Singapore) Pte Ltd, a fixed asset investment of a subsidiary undertaking, to the Monetary Authority of Singapore.

18. RELATED PARTY TRANSACTIONS

As more than 90% of the voting rights in the company are controlled by ICAP plc which publishes consolidated financial statements, no disclosure is required under FRS8 "Related party disclosures" of any transactions between the company and the other members, associates or joint ventures of the group of undertakings headed by ICAP plc.

19. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is ICAP plc, which heads the smallest and largest group of undertakings of which the company is a member that prepares consolidated financial statements. Copies of the consolidated financial statements of ICAP plc can be obtained from the Company Secretary, ICAP plc, Park House, 16 Finsbury Circus, London, EC2M 7UR.