

Company Number: 1423001

INTERCAPITAL PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2004



INTERCAPITAL PLC

Directors' report for the year ended 31 March 2004

The directors present their report and the audited financial statements of the company for the year ended 31 March 2004.

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. The directors recommend the payment of a final dividend of £38,000,000 (2003: final dividend £35,000,000; interim dividend £10,000,000) and a final preference dividend of £171,996 (2003: £87,564).

SHARE CAPITAL

During the year the company issued 2,009,755 preference shares of US\$10 each to fellow subsidiary undertakings.

DIRECTORS AND DIRECTORS' INTERESTS

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

D Gelber	
H F Broomfield	- Appointed 1 August 2003
J N Pettigrew	
M A Spencer	
E C Pank	- Resigned 1 August 2003

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 4 to the financial statements.

CREDITORS PAYMENT POLICY

The company does not have any trade creditors.

AUDITORS

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP), effective from 1 January 2003, PricewaterhouseCoopers resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy created by the resignation on 19 September 2003.

A resolution to re-appoint PricewaterhouseCoopers LLP and to authorise the directors to set their remuneration will be proposed at the forthcoming AGM.

INTERCAPITAL PLC
Directors' report for the year ended 31 March 2004 (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



H F Broomfield
Secretary

24 June 2004

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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

INTERCAPITAL PLC
Profit and loss account for the year ended 31 March 2004

	<u>Note</u>	<u>Year ended</u> <u>31/3/2004</u> £'000	<u>Year ended</u> <u>31/3/2003</u> £'000
Administrative expenses	3	(9,515)	(4,291)
Operating loss		<u>(9,515)</u>	<u>(4,291)</u>
Income from shares in group undertakings		39,502	28,811
Profit before interest		<u>29,987</u>	<u>24,520</u>
Interest receivable and similar income		1,025	732
Interest payable and similar charges	5	<u>(1,850)</u>	<u>(1,340)</u>
Profit on ordinary activities before taxation		29,162	23,912
Tax on profit on ordinary activities	6	<u>2,442</u>	<u>391</u>
Profit on ordinary activities after taxation		31,604	24,303
Dividends	7	<u>(36,013)</u>	<u>(45,088)</u>
Retained loss for the year	13	<u><u>(4,409)</u></u>	<u><u>(20,785)</u></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 for the years stated above and their historical cost equivalents.

INTERCAPITAL PLC

Balance sheet as at 31 March 2004

	<u>Note</u>	<u>As at</u> <u>31/3/2004</u> £'000	<u>As at</u> <u>31/3/2003</u> £'000
Fixed assets			
Investments in subsidiary undertakings	8	46,717	39,867
Investment in joint venture	8	1,382	1,375
		<u>48,099</u>	<u>41,242</u>
Current assets			
Debtors	9	423,081	368,824
Investments	10	2,721	3,099
Cash at bank and in hand		2,111	1,532
		<u>427,913</u>	<u>373,455</u>
Creditors: Amounts falling due within one year	11	(281,266)	(225,117)
Net current assets		<u>146,647</u>	<u>148,338</u>
Net assets		<u>194,746</u>	<u>189,580</u>
Capital and reserves			
Called up share capital	12,13	109,482	99,907
Share premium account	13	5,902	5,902
Profit and loss account	13	79,362	83,771
Total shareholders' funds		<u>194,746</u>	<u>189,580</u>
Analysis of shareholders' funds			
Equity		177,251	181,660
Non-equity		17,495	7,920
		<u>194,746</u>	<u>189,580</u>

A statement of movement in shareholders' funds is given in note 14.

The financial statements on pages 4 to 13 were approved by the board of directors on 24 June 2004 and were signed on its behalf by:

J Pettigrew
Director

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004

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. 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 taken to reserves. However, exchange gains or losses on redeemable preference shares, denominated in foreign currencies, are shown separately as an appropriation of profit along with preference dividends, in accordance with Financial Reporting Standard (FRS) 4 "Capital Instruments".

(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.

(f) Financial instruments

Foreign exchange contracts are used to hedge foreign exchange exposures both on assets and liabilities recognised in the financial statements of fellow subsidiary undertakings and are marked to market. Where a contract is a hedge against future receipts and payments denominated in foreign currencies, gains and losses on the contract are deferred until the transaction is recognised in the financial statements of the relevant fellow subsidiary undertaking.

Interest on interest rate transactions is recognised in the profit and loss account as interest receivable or payable, as appropriate, on an accruals basis.

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

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 FRS 1 "Cash flow statements".

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 (2003: nil). These recharges included auditors' remuneration.

4. DIRECTORS' EMOLUMENTS AND INTERESTS

(a) Directors' emoluments

No fees were paid to directors in respect of services to the company during the year (2003: £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 and H F Broomfield received no emoluments for their 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.

H F Broomfield's interests in the share capital of the company's ultimate parent company, ICAP plc, in the form of options over ICAP plc ordinary shares of 10p each are as follows:

ICAP plc Ordinary shares of 10p each*

	<u>Exercise</u> <u>price (p)</u>	<u>Grant date</u>	<u>As at</u> <u>1/4/2004</u>	<u>Granted in</u> <u>year</u>	<u>As at</u> <u>31/3/2004</u>
SAYE	168.2	27/6/2003	-	5,495	5,495
			-	5,495	5,495

*On 6 February 2004 the shareholders of ICAP plc voted to convert the ordinary shares of 50p each into five ordinary shares of 10p each. Balances and exercise prices have been restated to reflect this change.

The SAYE is an Inland Revenue approved scheme that enables employees to acquire options over ordinary shares at a discount of up to 20% of their market value, using the proceeds of a related SAYE contract. Options granted under the SAYE scheme are not subject to performance conditions. A qualifying employee share ownership trust (QUEST) has been established through which the SAYE scheme has operated to date.

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31/3/2004</u> £'000	<u>Year ended</u> <u>31/3/2003</u> £'000
Bank interest	458	20
Interest on loans from group undertakings	1,392	1,320
	<u>1,850</u>	<u>1,340</u>

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>Year ended</u> <u>31/3/2004</u> £'000	<u>Year ended</u> <u>31/3/2003</u> £'000
Current tax:		
UK corporation tax at 30% (2003 - 30%)	(3,366)	(1,144)
Overseas corporation tax	(338)	338
Adjustment in respect of previous years	1,262	415
	<u>(2,442)</u>	<u>(391)</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	29,162	23,912
Corporation tax at charge standard rate of 30%	8,749	7,174
Tax effect on:		
Income from fixed asset investments	(11,850)	(8,643)
Impairment of fixed asset investments	(18)	34
Items not deductible for tax purposes	(247)	262
Timing differences not tax affected	-	29
Overseas tax on deemed distribution	(338)	338
Adjustment to tax charge in respect of previous years	1,262	415
	<u>(2,442)</u>	<u>(391)</u>

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

7. DIVIDENDS

	<u>Year ended</u> <u>31/3/2004</u> £'000	<u>Year ended</u> <u>31/3/2003</u> £'000
Equity – 25p ordinary shares		
Interim dividend paid – nil (2003: 2.72p per share)	-	10,000
Final dividend proposed – 10.33p per share (2003: 9.51p per share)	38,000	35,000
Non-equity – \$10 preference shares		
Final dividend paid £171,996 (2003: £87,564)	172	88
	38,172	45,088
Exchange on US\$ preference shares	(2,159)	-
	<u>36,013</u>	<u>45,088</u>

A final preference share dividend of 8.39p was proposed for shares held for the entire year, converted at an average exchange rate of \$1.6953/£ and pro-rated for shares issued during the year, in accordance with the rights attached to preference shares (note 12).

8. 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 2003	45,545	1,375	46,920
Additions	6,850	7	6,857
As at 31 March 2004	<u>52,395</u>	<u>1,382</u>	<u>53,777</u>
Provision			
As at 1 April 2003 and at 31 March 2004	<u>5,678</u>	<u>-</u>	<u>5,678</u>
Net book value			
As at 31 March 2004	<u>46,717</u>	<u>1,382</u>	<u>48,099</u>
As at 31 March 2003	<u>39,867</u>	<u>1,375</u>	<u>41,242</u>

The company invested a further £6.85m in ICAP Energy Limited during the year.

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

8. INVESTMENTS (cont'd)

At 31 March 2004 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
* ICAP WCLK Limited (formerly Garban-Intercapital WCLK Limited)	England & Wales	100.00
* T & M Securities Limited	England & Wales	100.00
* ICAP Energy Limited (formerly Intercapital Commodity Swaps Limited)	England & Wales	100.00
* Garban-Intercapital Management Services Limited	England & Wales	100.00
ICAP Europe Limited (formerly Intercapital Europe Limited)	England & Wales	100.00
ICAP Metals Limited (formerly 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 AP (Singapore) Pte Limited	Singapore	100.00
ICAP (Hong Kong) Limited	Hong Kong	100.00
Harlow Butler (NZ) Limited	New Zealand	100.00
ICAP (NZ) Limited (formerly 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, energy broking, securities broking or service activities relating to those businesses, have a 31 March year end, and operate in their country of incorporation, except Exotix Limited which also operates in the USA, Argentina and Indonesia.

Joint Venture

The company has 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.

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

9. DEBTORS: Amounts falling due within one year

	<u>As at</u> <u>31/3/2004</u> £'000	<u>As at</u> <u>31/3/2003</u> £'000
Amounts owed by group undertakings	372,534	327,875
Dividends receivable from subsidiary undertakings	34,702	27,505
UK corporation tax	14,755	12,313
Other debtors	1,090	1,131
	<u>423,081</u>	<u>368,824</u>

Amounts owed by group undertakings includes interest bearing loans. All loans are due within one year, except for £1,600,000 (2003: £500,000) which is due after more than one year.

10. CURRENT ASSET INVESTMENTS

The current asset investment of £2,720,664 represents shares in a hedge fund, Pronous Offshore Fund Limited, listed on the Irish Stock Exchange. As at 31 March 2004 the market value of the investment was £3,478,047.

11. CREDITORS: Amounts falling due within one year

	<u>As at</u> <u>31/3/2004</u> £'000	<u>As at</u> <u>31/3/2003</u> £'000
Amounts owed to group undertakings	242,210	187,872
Other creditors	812	2,197
Accruals and deferred income	72	48
Proposed dividend	38,172	35,000
	<u>281,266</u>	<u>225,117</u>

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

12. CALLED UP SHARE CAPITAL

	<u>As at</u> <u>31/3/2004</u> £'000	<u>As at</u> <u>31/3/2003</u> £'000
Authorised:		
490,000,000 ordinary shares of 25p each	122,500	122,500
5,000,000 preference shares of US\$10 each	31,632	31,632
	<u>154,132</u>	<u>154,132</u>
Allotted and fully paid:		
367,948,011 ordinary shares of 25p each	91,987	91,987
3,215,305 preference shares of US\$10 each	17,495	7,920
	<u>109,482</u>	<u>99,907</u>

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

12. CALLED UP SHARE CAPITAL (cont'd)

During the year the company issued 2,009,755 preference shares of US\$10 each for total consideration of £11,734,000. These shares were issued on various dates throughout the year to three subsidiary undertakings.

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 daily 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.

13. RESERVES

	<u>Called up share capital</u> £'000	<u>Share premium account</u> £'000	<u>Profit and loss account</u> £'000	<u>Total</u> £'000
As at 1 April 2003	99,907	5,902	83,771	189,580
Non-equity preference shares issued in year	11,734	-	-	11,734
Exchange on US\$ preference shares	(2,159)	-	-	(2,159)
Retained loss for the year	-	-	(4,409)	(4,409)
As at 31 March 2004	<u>109,482</u>	<u>5,902</u>	<u>79,362</u>	<u>194,746</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>As at 31/3/2004</u> £'000	<u>As at 31/3/2003</u> £'000
Profit for the year	31,604	24,303
Equity dividends	(38,000)	(45,000)
Non-equity dividends	(172)	(88)
Exchange on US\$ preference shares	2,159	-
	<u>(4,409)</u>	<u>(20,785)</u>
Net proceeds of issue of non-equity preference share capital	9,575	7,920
	<u>5,166</u>	<u>(12,865)</u>
Net addition/(reduction) to shareholders' funds	189,580	202,445
Opening shareholders' funds		
Closing shareholders' funds	<u>194,746</u>	<u>189,580</u>

INTERCAPITAL PLC

Notes to the financial statements for the year ended 31 March 2004 (cont'd)

15. GUARANTEES AND CONTINGENT LIABILITIES

The company's only financial commitments and contingencies outstanding at the period end arise from foreign exchange contracts and underwriting commitments entered into in the ordinary course of business. The company is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution nor does it have capital instruments that are publicly listed or traded.

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 (£3,657,000) 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 (£3,138,000) 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 ICAP AP (Singapore) Pte Ltd, a subsidiary undertaking, to the Monetary Authority of Singapore.

16. 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.

17. 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, 2 Broadgate, London, EC2M 7UR.