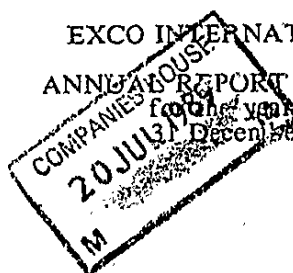


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EXCO INTERNATIONAL PLC
ANNUAL REPORT & ACCOUNTS
for the year ended
December 1988



Exco International p.l.c.

Directors

Richard Clifford Lacy (Chairman)
Paul William Burnand
Philip Joseph D'Angelo (United States)
Geoffrey Richard Dunn
Peter Lawrence Goldie*
John Humphrey Gunn*
Richard Gerard Jackson (United States)
Michael Charles Johns*
Paul Myners*
John Gerard O'Neill
Marcel Wolf (Switzerland)
Richard Philip Worthington

* non-executive

Secretary and
Registered Office

Edward Charles Pank
80 Cannon Street, London EC4N 6LJ

Auditors

Coopers & Lybrand
Chartered Accountants
Plumtree Court, London EC4A 4HT

Directors' Report

Exco International p.l.c. and Subsidiary Companies

1. The directors have pleasure in presenting their annual report together with the group accounts for the year ended 31st December 1988.
2. Activities The principal activity of the group is the provision of financial services. Changes in the composition of the group during the year are shown in note 11 (e) to the accounts.
3. Review of operations The group turnover and profit before taxation are analysed as follows:-

		Turnover		Profit before Taxation	
		1988 £'000	1987 £'000	1988 £'000	1987 £'000
Moneybroking		189,308	158,945	45,411	45,670
Forfaiting		3,154	29,863	9,143	16,526
Other		12,679	10,256	315	783
Central Costs	- interest (net)	-	-	(170)	21,228
	- other	-	-	(6,579)	(4,668)
		205,141	199,064	48,120	79,539
		=====	=====	=====	=====
Area:					
United Kingdom		75,529	72,040	18,030	16,832
Other Europe		20,233	15,576	4,362	4,948
North America		82,277	59,422	13,396	11,154
Far East		23,948	22,163	9,938	13,519
Forfaiting		3,154	29,863	9,143	16,526
Central Costs	- interest (net)	-	-	(170)	21,228
	- other	-	-	(6,579)	(4,668)
		205,141	199,064	48,120	79,539
		=====	=====	=====	=====

The above figures for profit before taxation include the results of associated companies and partnerships, which are excluded from the turnover figures.

Turnover in moneybroking activities grew strongly in the year under review: this resulted both from growth in established businesses, particularly in the USA, and from acquisitions and the development of newer businesses in Europe and the USA respectively. The full benefit of the acquisition of RMJ Holdings Inc in May 1987 was realised in the current year.

London Forfaiting Company PLC was floated successfully on the Unlisted Securities Market in February 1988, reducing the group's interest to 39.875%. This is reflected in the contribution of the company to the group results.

Net interest income fell sharply principally as a result of the payment of a special dividend to the holding company during the previous year.

During the year the group closed down its Futures and Eurobond broking activities: the financial effect of these decisions is disclosed in note 8 to the accounts.

For those continuing constituent parts of the group the current year can be expected to be one of consolidation unless especially favourable market conditions recur.

4. Dividends On 23 and 30 December 1988 the company paid dividends totalling £17,191,000 to its holding company.
5. Directors The directors of the company at the close of business on 31 December 1988 are shown on page 1.

The beneficial interests of the directors in office at 31 December 1987 and at 31 December 1988 in the ordinary stock units, 7 3/4 per cent Convertible Subordinated Unsecured Loan Stock 2000 (CULS) and options over ordinary stock units of the ultimate holding company, British and Commonwealth Holdings PLC, were as follows:

	<u>Ordinary Stock</u> <u>Units</u>		<u>CULS</u> <u>£</u>		<u>Options</u>
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>	<u>1988</u>
R C Lacy	330,316	330,316	1,111,574	1,111,574	305,000
P W Burnand	3,600	3,600	10,969	10,969	75,000
P J D'Angelo	-	-	-	-	75,000
G R Dunn	1,000	1,000	-	-	75,000
R G Jackson	-	-	-	-	75,000
M C Johns	-	-	-	-	-
J G O'Neill	466,326	566,326	-	-	75,000
M Wolf	90,000	90,000	273,500	273,500	65,000
R P Worthington	464,714	464,714	333,670	333,670	75,000

The options were granted on 6 May 1988 and are exercisable within three to ten years from that date at 262p per share.

The beneficial interests of P L Goldie, J H Gunn, and P Myners in the ordinary stock units and other securities of the ultimate holding company are shown in the accounts of that company.

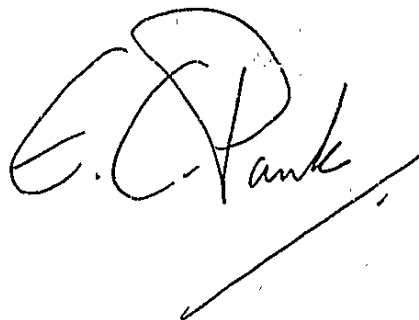
M C Johns has a non-beneficial interest, as trustee, in 10,000 ordinary stock units and £123,075 CULS (1987: 10,000 and £123,075 respectively).

There were no other contracts with the company or its subsidiaries (other than service contracts) in which any director of the company had any material beneficial interest, nor did any director of the company have any beneficial interest in the share capital and loan notes of subsidiaries, except R G Jackson who has an effective interest of 3.75% in the issued share capital of RMJ Holdings Inc.

6. Fixed assets Details of movements in tangible fixed assets are shown in note 10 to the accounts.
7. Associated and subsidiary companies Details of changes in associated and subsidiary companies are shown in note 11 (e) to the accounts.

8. Employees The company gives full and fair consideration to all applications from disabled persons. If existing employees become disabled during the course of employment, every effort would be made to enable their continuing employment with the group and retraining would be offered where suitable. Disabled persons, like all employees, are eligible for internal promotions.
9. Donations In the United Kingdom the group contributed £108,539 (1987: £116,036) to charitable organisations.
10. Subsequent events Details of subsequent events are shown in note 24 to the accounts.
11. Close Company The directors are advised that the company is not a close company as defined by the Income and Corporation Taxes Act 1988.
12. Auditors The auditors, Coopers & Lybrand, have indicated their willingness to continue in office. A resolution for their reappointment as auditors is therefore to be proposed at the forthcoming Annual General Meeting.

By order of the Board,

A handwritten signature in dark ink, appearing to read 'E. C. Pank', with a long horizontal stroke extending from the bottom right of the signature.

E C Pank
Secretary

London,

11 May 1989

Consolidated Profit and Loss Account
for the year ended 31 December 1988

Exco International p.l.c. and Subsidiary Companies

	Note	1988 £'000	1987 £'000
Turnover	2	205,141	199,064
Net operating expenses	3	(168,463)	(125,549)
Operating profit		36,678	73,515
Income from share of associated companies and partnerships	4	11,442	6,024
Profit on ordinary activities before taxation		48,120	79,539
Tax on profit on ordinary activities	7	(17,753)	(29,546)
Profit on ordinary activities after taxation		30,367	49,993
Minority interests in subsidiaries		(1,231)	(2,262)
Profit after taxation and before extraordinary items		29,136	47,731
Extraordinary items	8	(1,588)	(2,097)
Profit for the financial year		27,548	45,634

Consolidated Statement of Movements in Retained
Profits for the year ended 31 December 1988

Retained profits at beginning of year		57,204	245,901
Profit for the financial year		27,548	45,634
Dividends to shareholders			
- in respect of current year profits	9	(17,191)	(23,000)
- in respect of prior year profits		-	(209,500)
Transfers to other reserves	19	(3,069)	(1,196)
Other movements		1,457	-
Currency adjustments		(242)	(635)
Retained profits at end of year		65,707	57,204

The notes on pages 9 to 28 and 30 form part of these accounts

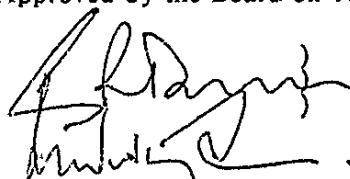
Auditors' report - page 29

Consolidated Balance Sheet
31 December 1988

Exco International p.l.c. and Subsidiary Companies

	Note	1988 £'000	1988 £'000	1987 £'000	1987 £'000
Fixed assets					
Tangible fixed assets	10		31,429		28,757
Investments:					
Shares in associated companies	11(d)		52,898		4,579
Other investments	11(c)		3,658		922
			87,985		34,258
Current assets					
Debtors	12	5,766,761		3,058,355	
Forfeiting assets				275,125	
Investments	13	93,030		228,654	
Cash at bank and in hand	14	115,509		125,500	
		5,975,300		3,687,634	
Creditors: amounts falling due within one year	15	(5,723,287)		(3,402,591)	
Net current assets			252,013		285,043
Total assets less current liabilities			339,998		319,301
Creditors: amounts falling due after more than one year	16		(143,129)		(126,971)
Provisions for liabilities and charges	17		(82,005)		(83,430)
Net assets			114,864		108,900
Capital and reserves:					
Called up share capital	18		23,440		23,440
Other reserves	19		23,562		19,752
Profit and loss account			65,707		57,204
Shareholders' funds			112,709		100,396
Minority interests			2,155		8,504
Total capital employed			114,864		108,900

Approved by the Board on 11 May, 1989

 Directors

The notes on pages 9 to 28 and 30 form part of these accounts

Auditors' report - page 29

Company Balance Sheet
21 December 1988

Exco International p.l.c.

	Note	<u>1988</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Fixed assets					
Investments:					
Shares in group companies	11(a)		37,400		59,859
Shares in associated companies	11(d)		24,211		-
Loans to group companies	11(b)		41,082		40,210
			<u>102,693</u>		<u>100,069</u>
Current assets					
Debtors	12	106,956		111,931	
Investments	13	88		192	
Cash at bank and in hand		193		1,915	
		<u>107,237</u>		<u>114,038</u>	
Creditors: amounts falling due within one year	15	(38,720)		(37,438)	
Net current assets			68,517		76,600
Total assets less current liabilities			<u>171,210</u>		<u>176,669</u>
Creditors: amounts falling due after more than one year	16		(2,541)		(9,931)
Provisions for liabilities and charges	17		102		-
Net assets			<u>168,771</u>		<u>166,738</u>
Capital and reserves:					
Called up share capital	18		23,440		23,440
Other reserves	19		139,676		139,676
Profit and loss account	20		5,655		3,622
Shareholders' funds			<u>168,771</u>		<u>166,738</u>

Approved by the Board on 11 May 1989

The notes on pages 9 to 28 and 30 form part of these accounts

Auditors' report - page 29

Consolidated Statement of Source and Application of Funds
for the year ended 31 December 1988

	1988 £'000	1988 £'000	1987 £'000	1987 £'000
Profit on ordinary activities before taxation		48,120		79,539
Extraordinary items		(1,588)		-
Items not involving movement of funds:				
Depreciation of tangible fixed assets	10,145		7,713	
Profits retained in associated companies	(4,311)		(2,127)	
Exchange adjustments on translation	65		2,592	
		5,899		8,178
		52,431		87,717
Funds from other sources:				
Sale of associates (1987: subsidiaries)	419		38,051	
Issue of shares (net of issue expenses)	-		358	
Long term loans	21,085		65,798	
Sales of tangible fixed assets (net)	5,603		1,143	
Sale of fixed asset investments	551		91,323	
Loan from holding company	20,232		-	
		47,890		196,673
Total available funds		100,321		284,390
Application of funds:				
Purchase of subsidiaries	10,775		54,202	
Purchase of tangible fixed assets	17,408		11,608	
Purchase of fixed asset investments	3,329		9,823	
Purchase of associated companies	42		50	
Repayment of long term loans	5,732		5,648	
Tax paid	14,175		38,288	
Dividends paid	30,490		178,301	
Dividends paid to minorities	562		666	
Acquisition of minority interest in subsidiaries	2,519		-	
		85,032		298,586
		15,289		(14,196)
Increase (Decrease) in working capital:				
Debtors	2,729,435		515,568	
Forfeiting assets less related overdrafts	-		25,551	
Creditors	(2,588,563)		(554,049)	
		140,872		(12,930)
Movement in net liquid funds:				
Bank balances and overdrafts	(72,138)		60,202	
Short term investments	(53,445)		(61,468)	
		(125,583)		(1,266)
		15,289		(14,196)

The net effect on the assets and liabilities of the group arising from the acquisition and disposal of subsidiary companies is shown in note 25.

NOTES TO THE ACCOUNTS
31 December 1988

1. Principal accounting policies

A summary of the principal group accounting policies is set out below.

(a) Basis of accounting

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated profit and loss account and the balance sheet include the accounts of the company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during an accounting period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Intra-group sales and profits are eliminated on consolidation and turnover and profit figures relate to external transactions only.

Goodwill arising on consolidation, representing the excess of the cost of shares in subsidiary companies over the value of the net tangible assets acquired, has been written off against reserves.

(c) Associated and related companies and partnerships

Entities in which the group has an interest comprising not less than 20% and not more than 50% of the voting capital and over which it exerts significant influence are treated as associated companies. Such entities are also "related" as defined in the Companies Act 1985, and there are no other related companies.

The consolidated profit and loss account includes the appropriate share of profits less losses of all material associated entities based on audited accounts to 31 December each year, except in the case of Nittan AP Company Limited, where the group's share of results is based on audited accounts to 30 September together with unaudited management accounts for the period from 1 October to 31 December. The group's share of post-acquisition retained profits and reserves is added to the cost of investment in the consolidated balance sheet. Goodwill attaching to interests in associated and related companies and partnerships has been written off against reserves.

(d) Fixed assets

Certain freehold and long leasehold properties are periodically revalued. Other fixed assets are stated at cost. Where fixed assets are revalued at an amount higher than cost, the revaluation surplus is credited to non-distributable reserves. Where the revalued amount is lower than cost, the difference between cost and valuation is written off in the profit and loss account. Depreciation is calculated to write off the cost or valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are as follows:-

	%
Freehold property	2
Furniture, fixtures and equipment	15 - 25
Motor vehicles	25 - 33 1/3

Leasehold properties are amortised over the remaining term of the lease or 50 years if shorter.

Profits or losses on the disposal of fixed assets are included in the calculation of operating profits.

(e) Investments

Investments included in fixed assets are stated at cost less any permanent diminution in estimated realisable value. Cost is adjusted for discount accretion or premium amortisation in respect of certain securities redeemable at fixed dates.

Current asset investments are stated at the lower of cost and net realisable value. Cost is adjusted for discount accretion or premium amortisation in respect of certain securities redeemable at fixed dates. Investment income is accrued on a daily basis.

Interest income, including interest on government securities is accrued on a daily basis. Other investment income is accounted for when it becomes receivable.

(f) Finance leases

The net investment in finance leases less appropriate future income arising from financing charges is included in debtors. Principal amounts payable to lessors on back to back leases are included in creditors. The accounting policy in respect of income recognition is described in note 1 (i) (ii).

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as creditors due within one year and after one year. Lease payments are treated as consisting of a capital and an interest element and the interest is charged to the profit and loss account using the actuarial method.

(g) Forfeiting assets

Forfeiting assets are stated at the lower of cost and net realisable value.

(h) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences, except where it is considered that tax will not become payable in the foreseeable future.

(i) Pension costs

The group makes contributions to various pension plans which cover the majority of employees and which are charged against profits. In the UK employees are covered by defined contribution schemes funded at rates recommended by actuaries and revised on a regular basis. The assets of the funds are held by trustees and are kept separate from those of the group. Overseas pension plans vary according to local requirements, but are generally provided by contributions to government, insured, or self-administered schemes.

(j) Foreign currencies

The balance sheets of overseas group companies expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period. The profit and loss accounts of these companies are translated at monthly weighted average exchange rates for the year, the difference between these and closing rates being dealt with directly in retained profits.

Translation gains and losses arising on consolidation are dealt with through other reserves against which are offset translation differences arising on currency loans financing investment in overseas group companies.

Other foreign currency assets and liabilities are translated at the rates ruling at the end of the accounting period and gains or losses thereon are taken to the profit and loss account.

(k) Brokerage income

Brokerage income is accounted for at the date of the transaction.

(l) Turnover

Turnover, exclusive of sales taxes, represents:-

- (i) for money and other broking transactions, the invoiced brokerage charges for the year less commissions payable to third parties;
- (ii) for leasing transactions, the gross earnings applicable to the year in order to give a constant periodic rate of return on the net cash investment in finance leases, after recognising sufficient gross earnings to cover initial direct costs. Commissions and fees are credited to the profit and loss account on a receivable basis. Turnover is net of finance charges on back to back leases;
- (iii) for forfaiting transactions, the net amount earned from trading in forfaiting assets and includes accrued income on forfaiting assets held at the balance sheet date. Fees and commissions are accounted for on the earnings basis;
- (iv) for broking transactions in Eurobonds and government securities, the net brokerage earned on transactions entered into on or before the balance sheet date. The gross costs and proceeds of transactions not settled at the balance sheet date are included in trade creditors and trade debtors;
- (v) for Stock Exchange moneybroking transactions, net interest earned on lending money and securities;
- (vi) for other transactions, the invoiced value of goods sold or services provided for the year.

2. Group turnover and profit

An analysis of group turnover and profit is set out in paragraph 3 of the directors' report.

3. Net operating expenses	1988 £'000	1987 £'000
Staff costs (see Note 6)	88,636	74,127
Amounts written off fixed asset investments:	2	42
Due to permanent reductions in value	-	(428)
Provisions no longer required and written back	2	(386)
Amounts written off current asset investments:	-	969
Due to temporary fluctuations in value	(272)	-
Provisions no longer required and written back	(272)	969
Interest payable and similar charges:	465	-
On finance leases	10,186	18,160
On loans repayable within 5 years	2,174	1,574
On loans repayable (wholly or partly) after 5 years	12,825	19,734
Depreciation and amounts written off:	9,463	7,713
Tangible fixed assets	682	-
Assets held under finance leases	10,145	7,713
Other operating expenses:	458	458
Auditors' remuneration	20	146
Hire of plant and machinery	65,970	53,045
Other expenses	66,443	53,649
Total operating expenses	177,784	155,806
Income from fixed asset investments:	(234)	(1,218)
Listed in the UK	(90)	(78)
Listed overseas	(18)	(357)
Unlisted	(342)	(1,653)
Other interest receivable and similar income:	(76)	(5,996)
Income from current asset investments:	-	(3,374)
Listed in the UK	(199)	(1,260)
Listed overseas	(8,704)	(17,974)
Unlisted	(8,979)	(28,604)
Bank interest and other income	168,463	125,549
Net operating expenses	168,463	125,549

Bank interest and other income includes £1.8 million (1987: £6.3 million) receivable from a fellow subsidiary of the British & Commonwealth Group.

4. Income from share of associated companies and partnerships

The group's share of profits less losses of associated companies and partnerships included dividends of £2,990,000 (1987: £717,000)

5. Directors' emoluments

- (a) The emoluments of directors of Exco International p.l.c. (including pension contributions) were:

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Fees as directors	21	19
Emoluments for management	2,794	3,238
Compensation for loss of office	-	355
	<u>2,815</u>	<u>3,612</u>

- (b) Particulars in accordance with Part V of Schedule 5 of the Companies Act 1985 of any emoluments (excluding pension contributions) of directors of the company, except for those directors who discharge their duties as such wholly or mainly outside the United Kingdom, are as follows:

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Chairman and highest paid director	<u>322,247</u>	<u>402,940</u>

Other directors received emoluments in the following ranges:

	<u>1988</u> <u>(Number)</u>	<u>1987</u> <u>(Number)</u>
0 - £ 5,000	3	3
5,001 - 10,000	-	1
10,001 - 15,000	1	-
15,001 - 20,000	-	1
20,001 - 25,000	-	1
25,001 - 30,000	-	1
30,001 - 35,000	-	1
35,001 - 40,000	1	-
40,001 - 45,000	1	-
45,001 - 50,000	2	-
50,001 - 55,000	-	3

For details of directors' interests, see page 3

Staff costs

Employees' costs, including executive directors of the group, during the year amounted to:

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Wages and salaries	76,584	64,843
Social security costs	8,130	6,210
Other pension costs	3,922	3,074
	<u>88,636</u>	<u>74,127</u>

The average weekly number of persons employed, including executive directors of the group, was as follows:

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Sales & broking	1,520	1,320
Administration	601	540
	<u>2,121</u>	<u>1,860</u>

Taxation

The tax charge is based on the profit for the year and comprises:

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
UK corporation tax at a rate of 35% (1987: 35%)	6,976	21,595
Deferred taxation	81	(6,081)
	<u>7,057</u>	<u>15,514</u>
Less: Relief for overseas taxation	(1,355)	-
Overseas taxation	7,909	10,763
Tax attributable to franked investment income	-	83
	<u>13,611</u>	<u>26,365</u>
Taxation arising on profit of the group	13,611	26,365
Tax attributable to share of profits of associated companies and partnerships	4,142	3,181
	<u>17,753</u>	<u>29,546</u>

8. Extraordinary Items

Extraordinary items comprise the net of:-

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
(a) Loss arising on the closure of activities, net of taxation of £497,000	(1,588)	-
(b) Further costs provided in connection with the disposal in prior years of the group's effective 52% interest in Telerate Inc	-	(2,583)
(c) Surplus on disposal of Bow Wine Vaults Limited, net of taxation of £289,000	-	486
	<u>(1,588)</u>	<u>(2,097)</u>

9. Dividends

Dividend in respect of current year's profits

Dividend in respect of prior years' profits

<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
17,191	23,000
-	209,500
<u>17,191</u>	<u>232,500</u>

10. Tangible fixed assets

	<u>Land and Buildings</u>			<u>Furniture</u>	<u>Motor</u>	<u>Total</u>
	<u>Free</u>	<u>Long</u>	<u>Short</u>	<u>Fixtures</u>	<u>Vehicles</u>	
	<u>Hold</u>	<u>Lease</u>	<u>Lease</u>	<u>& Equipment</u>		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost or valuation						
At 1st January 1988						
Cost	399	284	5,991	33,290	6,531	46,495
Valuation	286	160	-	-	-	446
Exchange adjustments	(36)	5	208	555	(28)	704
Additions	-	-	2,239	8,532	6,637	17,408
Reclassifications	-	(284)	185	99	-	-
Subsidiaries sold	-	-	(75)	(883)	(333)	(1,291)
Subsidiaries acquired	-	-	18	764	33	815
Disposals	-	-	(1,250)	(2,709)	(5,618)	(9,577)
At 31 December 1988						
Cost	367	-	7,316	39,648	7,222	54,553
Valuation	282	165	-	-	-	447
	649	165	7,316	39,648	7,222	55,000
Depreciation						
At 1 January 1988	82	53	1,367	14,327	2,355	18,184
Exchange adjustments	(7)	-	37	21	(30)	21
Charge for the year	10	3	680	7,925	1,527	10,145
Reclassifications	-	(43)	(1)	44	-	-
Subsidiaries sold	-	-	(29)	(600)	(176)	(805)
Disposals	-	-	(249)	(1,567)	(2,158)	(3,974)
At 31 December 1988	85	13	1,805	20,150	1,518	23,571
Net book value	564	152	5,511	19,498	5,704	31,429
At 31 December 1988						
At 31 December 1987	603	391	4,624	18,963	4,176	28,757

Motor vehicles include assets held under finance leases with a net book value of £3,781,000 (1987: £nil)

Certain of the overseas freehold and long leasehold properties were professionally revalued during 1980 and 1984 on an existing use basis.

The original cost, and depreciation based on cost, of land and buildings included at valuation is as follows:

31 December 1988

	<u>Free Hold £'000</u>	<u>Long Lease £'000</u>
Original cost	94	35
Accumulated depreciation based on original cost	-	(12)
	<u>94</u>	<u>23</u>

11. Fixed asset investments

(a) Shares in group companies

	<u>Company £'000</u>
Cost and net book value	
At 1 January 1988	59,859
Additions	10,797
Disposals	(9,045)
Transfer to associates	(24,211)
At 31 December 1988	<u>37,400</u>

No amounts were written off during the year.

Principal subsidiary companies of the group are set out on page 30.

In the opinion of the directors, the value of shares in group companies is not less than the amount shown in these accounts.

(b) Loans to group companies

	<u>Company £'000</u>
Cost and net book value	
At 1 January 1988	40,210
Additions	6,409
Reclassifications to current assets	(5,537)
At 31 December 1988	<u>41,082</u>

(c) Other investments

The following amounts are included in the net book value of other fixed asset investments:

	<u>Group</u>	
	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Listed in the UK	3,258	-
Listed overseas	79	637
	-----	-----
	3,337	637
Unlisted	321	285
	-----	-----
	3,658	922
	=====	=====

The aggregate market value of other fixed asset investments was:-

	<u>Group</u>	
	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Listed in the UK	3,224	-
Listed overseas	187	733
	-----	-----
	3,411	733
Unlisted at directors' valuation	321	285
	-----	-----
	3,732	1,018
	=====	=====

No material tax liability would arise if listed investments were sold at market value.

All listed investments shown above are listed on recognised stock exchanges.

The movement on other fixed asset investments during the year was as follows:

	<u>Group</u> <u>£'000</u>
Cost	
At 1 January 1988	922
Exchange adjustments	(42)
Additions	3,329
Disposals	(551)

At 31 December 1988	3,658

Amounts written off:	
At 1 January 1988	-
Written off during year	(1)
Written back on disposal	1

At 31 December 1988	-

Net book value at 31 December 1988	3,658
	=====
Net book value at 31 December 1987	922
	=====

11. Fixed asset investments (continued)

(d) Shares in associated companies and partnerships

The movement on shares in associated companies was as follows:

	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
Cost or valuation:		
At 1 January 1988	9,333	-
Additions	42	-
Share of retained profit for year	4,311	-
Exchange adjustments	48	-
Disposals	(1,076)	-
Transfers in respect of investments in group companies disposed of and acquired during the year	50,969	24,211
At 31 December 1988	<u>63,627</u>	<u>24,211</u>
Amounts written off:		
At 1 January 1988	(4,754)	-
Written off during the year	(47)	-
Transfers in respect of investments in group companies disposed of and acquired during the year	(6,585)	-
Disposals	657	-
At 31 December 1988	<u>(10,729)</u>	<u>-</u>
Net book value at 31 December 1988	<u>52,898</u>	<u>24,211</u>
Net book value at 31 December 1987	<u>4,579</u>	<u>-</u>

The group's investment in associated companies comprises:-

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Cost less amounts written off	15,958	(834)
Share of retained reserves	36,940	5,413
Net book value	<u>52,898</u>	<u>4,579</u>
Representing:		
Share of tangible net assets of associated companies and partnerships	<u>52,898</u>	<u>4,579</u>

The following amounts are included in the net book value of shares in associated companies and partnerships:

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>
Listed in the UK	48,145	-	24,211
Unlisted	4,753	4,579	-
	<u>52,898</u>	<u>4,579</u>	<u>24,211</u>

The aggregate market value of shares in associated companies and partnerships was:-

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>
Listed in the UK	65,794	-	65,794
Unlisted at directors' valuation	4,753	4,579	-
	<u>70,547</u>	<u>4,579</u>	<u>65,794</u>

Details of associated companies are set out on page 30.

(e) Movement in subsidiaries, associated companies and partnerships

On 15 January 1988 the group acquired 73.34% of the issued share capital of Shorcan International Brokers Limited, a Canadian Government Bond broker, for a consideration of \$9.6 million (£5.2 million).

On 30 January 1988 the group increased to 80% its interests in Ohms, Partner & Co, Geld und Eurodepotmakler (formerly Ohms, Schmidt-Claasen & Co) and Ohms, Partner & Co, Intermoney, both West German moneybroking partnerships, for a consideration of £5.6 million.

As a result of the flotation of London Forfaiting Company PLC on the Unlisted Securities Market on 10 February 1988, the group's interest in the company was reduced to 39.875% from that date.

On 31 March 1988 the group acquired the remaining 5% minority shareholding in Milestone Leasing Limited for a consideration of £900,000.

On 30 September 1988 the group sold its 40% interest in Edgar Hamilton Group Limited to British & Commonwealth Holdings PLC at its net book value.

On 7 November 1988 the group increased its interest in Williams, Cooke, Lott & Kissack Limited from 76% to 82% for a consideration of £1.2 million.

12. Debtors

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
(a) Debtors due within one year:	5,678,035	2,988,201	106,956	111,931
Debtors due after one year:	88,726	70,154	-	-
	<u>5,766,761</u>	<u>3,058,355</u>	<u>106,956</u>	<u>111,931</u>
	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
(b) Debtors due within one year:				
Trade debtors	5,619,505	2,927,969	-	-
Amounts owed by group companies	-	-	102,820	99,270
Amounts owed by associated companies	5,758	340	3,820	-
Net investment in finance leases	30,811	24,388	-	-
Other debtors	2,950	11,016	-	242
Prepayments & accrued income	19,011	24,488	6	-
Dividend receivable from group companies	-	-	310	12,419
	<u>5,678,035</u>	<u>2,988,201</u>	<u>106,956</u>	<u>111,931</u>

Included within trade debtors are money and stocks totalling £1,479,750,000 (1987: £1,325,948,000) lent to third parties by a subsidiary in the normal course of trading. All such amounts lent are fully secured against assets belonging to those third parties.

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>
(c) Debtors due after more than one year:		
Net investment in finance leases	84,953	66,914
Other debtors	2,489	2,683
Prepayments and accrued income	1,284	557
	<u>88,726</u>	<u>70,154</u>
	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>
(d) Finance leases:		
Investment in new leases during the year	65,704	57,511

13. Current asset investments

The following amounts are included in the net book value of current asset investments:

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
Listed in the UK	340	5,382	-	-
Listed overseas	-	24,567	-	-
	-----	-----	-----	-----
Unlisted	340	29,949	-	-
	92,690	198,705	88	192
	-----	-----	-----	-----
	93,030	228,654	88	192
	=====	=====	=====	=====

Their aggregate market value was:

Listed in the UK	340	5,547	-	-
Listed overseas	-	24,567	-	-
	-----	-----	-----	-----
	340	30,114	-	-
Unlisted at directors' valuation	92,690	198,705	88	192
	-----	-----	-----	-----
	93,030	228,819	88	192
	=====	=====	=====	=====

No material tax liability would arise if listed investments were sold at market value.

All listed investments shown above are listed on recognised stock exchanges. Unlisted investments consist principally of certificates of tax deposit.

14. Cash at bank and cash in hand - Group

Cash at bank and in hand includes £36,531,000 on short term deposit with certain financial service subsidiaries of the British & Commonwealth Group. In 1987 cash at bank and in hand of the group included £2,318,000 in respect of funds held on behalf of clients.

15. Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
Bank loans and overdrafts	140,624	356,135	-	3
Trade creditors	5,461,742	2,889,945	-	-
Amounts owed to group companies	-	-	12,481	9,195
Amounts owed to ultimate holding company	23,984	31,199	23,984	1,199
Amounts owed to associated companies and partnerships	-	21	-	-
Principal amounts on back to back leases	33,292	19,363	-	-
Obligations under finance leases	2,005	-	-	-
Other creditors:				
Taxation payable	13,547	34,143	212	2,423
ACT on dividends paid and proposed	5,449	153	6	-
Social security and taxation	2,173	2,939	-	-
Other	12,272	15,772	1,203	86
Proposed dividends:				
Minority shareholders	204	282	-	-
Company shareholders	-	23,000	-	23,000
Accruals & deferred income	27,995	29,639	834	1,532
	<u>5,723,287</u>	<u>3,402,591</u>	<u>38,720</u>	<u>37,438</u>

Bank loans and overdrafts include £121,525,000 (1987: £33,500,000) and trade creditors money and stocks totalling £1,337,531,000 (1987: £1,299,522,000) borrowed from third parties by a subsidiary in the normal course of trading. All such borrowings and short term bank loans are secured on the collateral provided by third parties to whom money and stocks have been lent (see note 12(b)).

In addition in 1987 bank loans and overdrafts included £302,006,000 in respect of London Forfaiting Company PLC.

16. Creditors: amounts falling due after more than one year

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
Preferred Stock	3,370	3,516	-	-
Bank loans & overdrafts	69,241	70,708	-	-
Amounts owed to group companies	-	-	2,541	9,931
Principal amounts on back to back leases	64,670	48,017	-	-
Obligations under finance leases payable within two to five years	2,427	-	-	-
Other creditors	1,572	2,960	-	-
Taxation	1,849	1,770	-	-
	<u>143,129</u>	<u>126,971</u>	<u>2,541</u>	<u>9,931</u>

Of which due wholly or in part by instalment, including an element over 5 years:-

	<u>Preferred Stock</u>		<u>Bank Loan</u>		<u>Principal amounts on back to back leases</u>		<u>Total</u>	
	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Due in less than 5 years	2,337	1,939	13,488	11,327	62,662	46,908	78,487	60,174
Due in more than 5 years	1,033	1,577	6,996	10,679	2,008	1,109	10,037	13,365
	<u>3,370</u>	<u>3,516</u>	<u>20,484</u>	<u>22,006</u>	<u>64,670</u>	<u>48,017</u>	<u>88,524</u>	<u>73,539</u>

The amounts due to group companies are unsecured with varying rates of interest and there are no fixed terms for repayment.

Amounts due wholly or in part by instalment, including an element over 5 years, carry the following rates of interest:

	<u>Rates of interest</u>
Preferred Stock	55% of US Prime plus 0.75%
Bank loans	9%
Principal amounts on back to back leases	8 - 11%

17. Provision for liabilities and charges

The provision for liabilities & charges comprises:

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
(a) Deferred taxation: (provided in full)				
Capital and other investment allowances on fixed assets and finance leases	2,373	3,749	-	-
Other timing differences	4,515	4,315	102	-
	<u>6,888</u>	<u>8,064</u>	<u>102</u>	<u>-</u>
(b) Provision for UK taxation	75,061	75,275	-	-
Other provisions	56	91	-	-
	<u>82,005</u>	<u>83,430</u>	<u>102</u>	<u>-</u>

- (c) No provision has been made for any taxation which would become payable on the distribution of profits of overseas subsidiaries and associates.
- (d) The provision for taxation of £75,061,000 in (b) above is in respect of the sale of the group's effective 52% interest in Telerate Inc in 1985. The company is contesting this liability.

18. Share capital

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Authorised 325,000,000 ordinary shares of 10p each	32,500	32,500
Issued and fully paid 234,400,282 ordinary shares of 10p each	23,440	23,440

19. Other reserves - non distributable

	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
At 1 January 1988	19,752	139,676
Goodwill written off	(12,459)	-
Other movements	(3,334)	-
Transfer from retained profits	3,069	-
Net surplus arising on flotation of London Forfaiting Company PLC	16,534	-
	<u>23,562</u>	<u>139,676</u>

A transfer from retained profits has been made to reflect the realised loss of goodwill following the disposal of investments in group companies during the year. The net surplus arising in respect of London Forfaiting Company PLC represents the increased carrying value of the group's holding resulting from the capital restructuring and subsequent flotation of the company.

Other reserves comprise:

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
Surplus on revaluation of fixed assets	229	234	-	-
Other non-distributable reserves	16,637	269	-	-
Unrealised exchange gains	1,233	4,526	-	-
Share premium account	523	523	523	523
Former share premium account net of goodwill write off	4,940	14,200	139,153	139,153
	<u>23,562</u>	<u>19,752</u>	<u>139,676</u>	<u>139,676</u>

The amount transferred from the share premium account on 10 June 1985 becomes fully distributable once all liabilities of Exco International plc existing at that date are discharged.

20. Retained profit

(a) The company

	<u>£'000</u>
At 1 January 1988	3,622
Net profit for the year	19,224
Dividends	(17,191)
	<u>5,655</u>
At 31 December 1988	<u>5,655</u>

(b) Group retained profits at 31 December 1988 included £453,000 that is non-distributable.

21. Contingent liabilities and commitments

(a) Capital commitments:

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>
Contracted for	355	797
Authorised but not contracted for	-	1,810
	<u>355</u>	<u>2,607</u>

(b) Other commitments

- (i) In the normal course of business, the company and subsidiaries have entered into forward commitments for the purchase and sale of securities and foreign exchange.
- (ii) The group has various commitments in respect of operating leases. The amount charged to the group profit and loss account in 1988 was £7,692,000 (1987: £3,476,000). In 1989 the minimum rentals payable under operating leases are as follows:-

In respect of leases expiring:	£'000
- within one year	900
- between two and five years	2,417
- in more than five years	3,535
	<hr/>
	6,852
	<hr/>

- (iii) At the balance sheet date the company and subsidiaries were liable to purchase the remaining interests in German money broking partnerships, RMJ Holdings Inc., Williams, Cooke, Lott & Kissack Limited and LM (Moneybrokers) Limited at purchase prices based on future profits.
- (iv) The group has entered into an agreement to make payments to employees contingent on certain future events. The maximum amount payable under these arrangements not provided in these accounts is £2.6 million.

(c) Contingent liabilities

The company has given guarantees on behalf of various subsidiary companies in respect of their business. The company has given guarantees on behalf of subsidiaries in respect of bank loans totalling some £26,482,000.

22. Regulatory Capital

Regulatory authorities require that a minimum amount be maintained in liquid assets. Therefore, the use of those funds may be restricted in accordance with such requirements.

23. Subsidiaries, associated companies and partnerships

The principal subsidiaries, associated companies and partnerships are shown on page 30.

24. Subsequent events

On 3 January 1989 the group sold its remaining interest in London Forfaiting Company PLC to British & Commonwealth Holdings PLC at its net book value.

On 16 January 1989 the group sold Milestone Leasing Limited to Woodchester Investments p.l.c., a fellow subsidiary of the British & Commonwealth Group, for a consideration of £23,000,000.

Source and Application of Funds

The consolidated statement of source and application of funds is shown on page 8.

The net effect on the assets and liabilities of the group arising from the acquisition and disposal of subsidiary companies is set out below:

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Goodwill	10,250	64,692
Tangible fixed assets	329	5,693
Other liabilities	30,935	(29,501)
Minority interests	6,741	(753)
Working capital	(76,106)	(23,205)
Net assets reclassified as associated company	38,626	-
	<u>10,775</u>	<u>16,926</u>
	=====	=====
	<u>Consideration</u> <u>£'000</u>	<u>Consideration</u> <u>£'000</u>
Consideration paid/received (net)	10,775	16,151
Profit on disposal before taxation	-	775
	<u>10,775</u>	<u>16,926</u>
	=====	=====

Ultimate Holding Company

The ultimate holding company of the group is British & Commonwealth Holdings PLC.

AUDITORS' REPORT

To the Members of Exco International p.l.c.

We have audited the financial statements on pages 5 to 28 and 30 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1988 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants

London 11 May 1989

Subsidiary and Associated Companies
and Partnerships

Exco International p.l.c.

The following were the principal operating subsidiary and associated companies and partnerships of the group at 31 December 1988:

<u>Subsidiary companies</u>	<u>Country of Incorporation</u>	<u>Nature of Business</u>	<u>Issued Ordinary Share Capital</u>
Astley & Pearce Limited	Great Britain	Money Broking	£300,000
Astley & Pearce (Australia) Pty Limited	Australia	Money Broking	A\$600,000
Astley & Pearce (G.I.) Limited	Guernsey	Money Broking	£7
Astley & Pearce (Hong Kong) Limited	Hong Kong	Money Broking	HK\$150,000
Astley & Pearce (Ireland) Limited	Republic of Ireland	Money Broking	IR£100
Astley & Pearce (New Zealand) Limited	New Zealand	Money Broking	NZ\$10,000
Astley & Pearce (Proprietary) Limited (80%)	South Africa	Money Broking	Rand 100,000
Astley & Pearce (Pte) Limited	Singapore	Money Broking	S\$100,000
Astley & Pearce S.A.	Switzerland	Money Broking	SFr50,000
Astley & Pearce (Scandinavia) A.S. (77%)	Denmark	Money Broking	DKr300,000
Godsell, Astley & Pearce (Foreign Exchange) Limited	Great Britain	Money Broking	£3,671,000
Godsell, Astley & Pearce (Sterling) Limited	Great Britain	Money Broking	£2,652,000
Godsell, Astley & Pearce (Eurocurrency Deposits) Limited	Great Britain	Money Broking	£6,896,156
Noonan, Astley & Pearce, Inc	U.S.A.	Money Broking	US\$438,000
Ohms, Partner & Co Intermoney (80%)	West Germany	Money Broking	Partnership
Ohms, Partner & Co, Geld und Eurodepotmakler (80%)	West Germany	Money Broking	HK\$10,000
Astley & Pearce Bullion (Hong Kong) Limited	Hong Kong	Bullion Broking	£1,321,000
Godsell, Astley & Pearce (Capital Markets) Limited	Great Britain	Capital Markets Broking	£500,000
* Godsell, Astley & Pearce (Treasury Services) Limited	Great Britain	Capital Markets Broking	£2
Exco Finance Limited	Great Britain	Equipment Leasing & Portfolio	Investment
Exco Futures Limited	Great Britain	Financial Futures Broking	£1,005,100
F.I.B. (Australia) Pty Limited	Australia	Fixed Interest Broking	A\$300,000
* LM (Moneybrokers) Limited (89%)	Great Britain	Stock Exchange Moneybroking	£96,500
Municipal Brokers Limited	Great Britain	Local Authority Loan Broking	£1,000
Milestone Leasing Limited	Great Britain	Sales Aid Leasing	£20,500,000
PG Securities Limited	Great Britain	Eurobond Broking	£1,000
Purcell Graham (Far East) Limited	Hong Kong	Eurobond Broking	HK\$18,250
RMJ Securities Corp (85%)	U.S.A.	Securities Broking	US\$600,000
Shorcan International Brokers Limited (73.34%)	Canada	Securities Broking	Can\$53,313
* Williams, Cooke, Lott and Kissack Limited (82%)	Great Britain	Gilt Inter Dealer Broking	£5,400,000
Exco International, Inc	U.S.A.	Holding Company	US\$1,050
NAP Holdings U.K. Limited	Great Britain	Holding Company	US\$23,958,340
* Exco Management Services Limited	Great Britain	Central Services	£1,000

Except where asterisked the above companies are owned indirectly. The Group's interest is 100% unless otherwise stated.

Associated companies

KAF Astley & Pearce Sdn Bhd (40%)	Malaysia	Money Broking	Ringgit 200,000
The Nittan AP Company Limited (33%)	Japan	Money Broking	Y300,000,000
London Forfaiting Company PLC (39.875%)	Great Britain	International Finance	£40,000,000