

Exco plc and Subsidiary Undertakings

EXCO plc

1423001-

Directors

Carel Mosselmans* (Chairman)
David Hubbard* (Deputy Chairman)
Peter Edge (Chief Executive)
Peter Buckley*
Clive Cooke (U.S.A.)
John Heywood*
Michael Johns*
Richard Lacy*
James Magee (Canada)
Kim Taylor
Marcel Wolf (Switzerland)
* non-executive

Secretary and Registered Office

Edward Pank
119 Cannon Street, London EC4N 5AX

Registered Auditors

Coopers & Lybrand
Chartered Accountants
1 Embankment Place, London WC2N 6NN

Registrars

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Solicitors

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers

Kleinwort Benson Securities Limited
20 Fenchurch Street
London EC3P 3DB

Bankers

Lloyds Bank Plc
St. George's House
PO Box 787
6-8 Eastcheap
London EC3M 1LL

Merchant Bankers

N M Rothschild & Sons Ltd
New Court
St. Swithin's Lane
London EC4P 4DL



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COMPANIES HOUSE 17/04/96

COMPANIES HOUSE 05/04/96

CHAIRMAN'S REPORT

1995 proved to be a difficult year for the Exco Group with profits before taxation and net exceptional items falling to £23.2 million, compared to £43.5 million achieved in 1994. Net exceptional items of £4.9 million reduced profit before taxation to £18.3 million. Earnings per share were 8.3p per share (1994: 19.3p) although earnings per share before exceptional items were 10.7p.

A final dividend of 6.0p per share is proposed, making a total of 9.0p for the year as a whole. These dividends are the same in total as those which notionally would have been paid in respect of 1994, had the company been listed on the London Stock Exchange for the whole of that period.

Market Conditions

In March 1995, at the time of the announcement of the Group's results for 1994, there were indications that 1995 was going to be a difficult year. The adverse market conditions experienced in the second half of 1994 in general persisted. When considering the prospects for 1995, I struck a cautious note which the interim results showed was well founded.

Exco's performance is fundamentally influenced by the underlying market volumes generated by our customers' trading activities. We are an agency broker and therefore, if our customers restrict their activities, then our brokerage income will fall as market volumes reduce. In the second half of 1994 our customers progressively adopted a more cautious approach to their trading. Market volumes fell in consequence. These circumstances persisted through the whole of 1995, with a further fall in market activity in the second half of the year.

Cost Reduction

Faced with these conditions the Group took steps in the second quarter of 1995 to reduce costs in all aspects of its business. The cost base of the Group's business is concentrated in three principal areas: staff, telecommunications and marketing. Salaries and benefits for many employees in the Group were reduced and, compared to the numbers employed at 31st December 1994, the workforce over the year was cut by 17 per cent from 1,800 to 1,500 (excluding new businesses). Significant savings were achieved in the other major expense categories mentioned above. The object of this exercise was to reduce the March 1995 cost base of the Group by some £15 million in a full year, of which a significant part was achieved in 1995 without, in the main, losing market share in our key products. Some revenue was, however, sacrificed with the closure of non-strategic products.

The cost reduction programme inevitably resulted in some exceptional redundancy costs. The bulk of the exceptional costs was sustained later in the year when in addition it was decided to close almost all of the Group's Spot Foreign Exchange broking operations in London, with some further sacrifice of revenue.

CHAIRMAN'S REPORT

Acquisitions

Despite the generally poor market conditions, Exco was able to take advantage of an opportunity to acquire a money and fixed income securities broking business based in Germany in October 1995. This acquisition has added German government bonds to the Group's product range, together with a well established money markets presence in Germany and a successful foreign exchange broking operation in major international products.

Board Changes

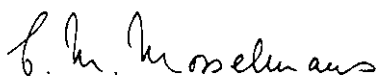
I will be stepping down as Chairman and will retire from the Board at the forthcoming Annual General Meeting. My five years at Exco have been challenging and enjoyable. I am confident that the company rests on secure foundations and has a Board with the capabilities to ensure the long term success of the Group. David Hubbard, who joined as Deputy Chairman on 30th November 1995, will succeed me as Chairman. I am sure his wide experience in both manufacturing industry and financial services will enable him to make a valuable contribution to Exco in the years ahead. John Richardson resigned on 30th November 1995. We are grateful to him for the wise counsel and experience which he brought to bear in his three years with us.

Staff

The key attributes of Exco are the quality, dedication and commitment of its staff. I recognise that the year has been a difficult one for many of them. I would like to express the appreciation and thanks of the Board to them for their efforts and commitment throughout the year.

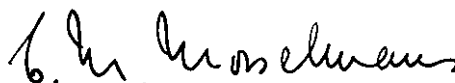
Prospects

The uncertainty and volatility of the markets of the last two years produced marked changes in volumes from month to month which are reflected in our results. Market conditions are currently similar to those of the first half of 1995, but the levels of activity remain unpredictable. With the cost reductions which the management has achieved, the quality of our staff, the range of our products and geographical spread, I am confident that Exco has a stable base on which to prosper in the years ahead.



Carel Mosselmans

Chairman



CHIEF EXECUTIVE'S REVIEW

Throughout 1995 the markets in which Exco operates were difficult for money and fixed income securities brokers. In general, market volumes declined and thus revenues available to brokers fell. Pressure on brokerage commissions continued, exacerbating the fall in income. In this context the Board, in the early part of 1995, took the view that Exco's cost base had to be adjusted to reflect market volumes and revenue expectations and therefore it took steps to achieve this. Given the unpredictability of our markets it remains essential that firm control is maintained over the Group's cost base.

Fixed Income Securities

Fixed income securities businesses faced a difficult year with lower market volumes than the previous year. The decline in broking revenues was exacerbated in the UK and Canada in particular by commission cuts introduced by competitors. In order to maintain market share, Exco matched these new commission levels. Nonetheless, the overall results for our fixed income securities businesses were satisfactory and we continue to add products to our portfolio, particularly in the USA. In the UK, the advent in 1996 of the Gilt Repo has yet to add underlying volume to our securities broking business in London.

Money Markets

Overall, the Money Markets operations of the Group enjoyed fairly even trading conditions. Volumes in these markets were, in general, very similar to the previous year, though individual currencies did show some variation.

Derivatives

In the face of the well publicised difficulties with certain complex derivative instruments, the markets have, for well established and understood derivative products like Foreign Exchange Options, Interest Rate Swaps and Interest Rate Options, continued to grow throughout the year. The Group's operations in these products enjoyed a successful year.

Spot Foreign Exchange

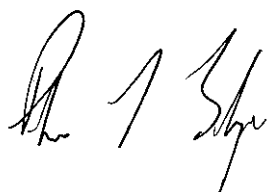
Although the Spot Foreign Exchange markets began 1995 at a reasonable level of activity, as the year wore on the electronic matching systems gained an increasing level of market share at the expense of voice brokers. There is evidence that the advent of the electronic matching systems has changed the nature of the Spot Foreign Exchange market. This caused us to re-evaluate our position in this market and we decided to focus on the major international products and on our existing strengths, withdrawing from products where we judged the prospects to be poor.

In summary, Exco is a service business whose key strengths lie in the quality of its staff, the breadth of its product base and its geographical spread. Despite the difficulties of the year, I believe that Exco came out of it more focused and more committed both to building on its strengths and addressing its weaknesses.



Peter Edge

Chief Executive



FINANCIAL REVIEW

Accounting Standards

This year further Financial Reporting Standards ("FRS") have come into force. FRS 6, Acquisitions and Mergers, and FRS 7, Fair Values in Acquisition Accounting, have application to these accounts and have been used in accounting for our acquisition in Germany in the year. FRS 8, Related Party Transactions, is not effective for Exco until 1996.

Taxation

The effective rate of tax for the year is 39 per cent compared to the standard UK corporation tax rate of 33 per cent. The Group's effective tax rate may fluctuate from year to year but is usually higher than the standard UK tax rate due to the proportion of profits which is earned in countries where tax rates are higher than in the UK. In addition the nature of Exco's business involves a significant amount of expenditure, such as entertaining, which is not allowable for tax purposes in certain countries.

Dividends

The company has now established what is expected to be its normal timing of dividend payments. The interim dividend for 1995 was paid in October last year and the proposed final dividend is to be paid in May of the current year. The total dividend for the year is notionally the same as that which would have been paid in respect of 1994 had the company been listed on the London Stock Exchange for the whole of that period.

Capital Expenditure

Capital expenditure in 1995 totalled some £6.1 million. In 1995 we integrated our two offices in Zurich on to a single site. The new back office system also became operational in this office and in Singapore. Expenditure plans for 1996 include its installation in Sydney and later in the year in Hong Kong. This will complete the installation of the system in all of the significant operating centres of the Group.

Cash, Cash Equivalents and Borrowings

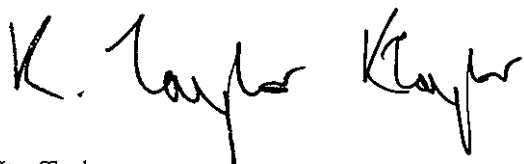
Inclusive of exchange effects, cash and cash equivalents decreased by £2.1 million in the year to £47.3 million. Dividends of £11.1 million were paid to shareholders. Further significant cash outflows resulted from a total investment in new subsidiary and associated undertakings and fixed assets purchases of £11.7 million. Borrowings rose by £4.3 million by the end of the year.

Borrowings are relatively short term with a remaining maturity of some four years. They are not subject to any significant seasonal fluctuations. At the end of 1995, bank borrowing facilities amounted to £35 million of which £16.8 million was drawn down. These facilities are sufficient for present requirements.

FINANCIAL REVIEW

Exchange Rates

Exchange rate movements can have a significant effect on the net assets, turnover and operating costs of the Group as reported in sterling terms in these accounts, although this did not happen in 1995. Group policy is to hedge transaction exposure but to allow locally earned profits to accumulate in local currency. The exposures which arise from the need to translate into sterling the earnings, assets and liabilities of non-sterling operations are not hedged.

A handwritten signature in black ink, appearing to read 'K. Taylor' followed by a stylized flourish.

Kim Taylor

Group Financial Director

Exco plc and Subsidiary Undertakings

DIRECTORS' REPORT

1. The directors present their annual report together with the group accounts for the year ended 31st December 1995.

2. Principal Activities

The principal activity of the Group is international wholesale money and fixed income securities broking. The profit and loss account for the year is set out on page 18.

3. Review of Business

A review of the business of the Group and its development during the financial year is set out on pages 2 to 6.

4. Dividends and Transfers to Reserves

Interim and final dividends of £3,694,981 each in respect of 1994, were paid on 20th January 1995 and 25th May 1995. In respect of 1995's profit, the company paid a first interim dividend on 26th October 1995 of £3,694,981. A final dividend of 6.0p net per ordinary share amounting to £7,389,962, payable on 31st May 1996 to shareholders on the register on 15th May 1996, will be proposed at the Annual General Meeting. The deficit of £831,000 will be transferred to reserves.

5. Directors

The directors as at the date of this report are set out on page 1.

Biographical details of the independent non-executive directors are shown below:

Carel Mosselmans, aged 67, Chairman. He is a non-executive director of Rothschild Asset Management Limited and chairman of Janson Green Limited and formerly chairman of Sedgwick Group plc. He was appointed Chairman in July 1991.

David Hubbard, aged 59, was elected to the Board as a non-executive director and Deputy Chairman on 30th November 1995. It is intended that he will succeed Carel Mosselmans as Chairman at the conclusion of the Annual General Meeting to be held on 18th April 1996. He is also Chairman of Powell Duffryn plc and London and Manchester Group PLC and a non-executive director of Blue Circle Industries Plc, TR City of London Trust PLC, Shandwick plc and Slough Estates plc. He is a Council Member of the Institute of Directors and an alternate member of the Takeover Panel.

Peter Buckley, aged 53, was appointed a non-executive director of Exco in June 1992. He is Chairman and Chief Executive of Caledonia Investments plc and the representative on the board of Exco of Caledonia Investments plc. He is also Chairman of Amber Industrial Holdings PLC, Sterling Industries PLC and English and Scottish Investors plc; and a non-executive director of The Telegraph plc, Société Générale de Surveillance Holding S.A. and Sun International Hotels Limited.

John Heywood, aged 58, served on the board of Exco as a non-executive director between 1982 and 1986 and was re-appointed in June 1994. He is currently executive Chairman of Clayhithe PLC and Chairman of The Mauritius Fund.

Michael Johns, aged 48, was appointed a non-executive director in 1985. He is a partner of Exco's solicitors, Ashurst Morris Crisp, and was formerly Company Secretary of Exco. He is a non-executive director of London Forfeiting Company PLC.

Richard Lacy, aged 48, joined the Astley & Pearce Group in 1966. Between 1987 and 1993, he was successively Executive Chairman and then Chief Executive of Exco. In April 1993, he relinquished his executive position but remains on the Board. He is Chairman of Sachem Corporate Finance Limited.

Clive Cooke was appointed as an executive director on 13th March 1996.

Ron Sandler resigned as a director on 1st January 1995. John Richardson resigned as a non-executive director on 30th November 1995. Joseph Sciametta was appointed a director on 26th January 1995 and ceased to be a director on 13th March 1996.

DIRECTORS' REPORT

6. Directors' Interests

The interests of the directors holding office at 31st December 1995 and their families in the shares of the company, as required to be notified under the Companies Act 1985, are set out in the Report of the Remuneration Committee on pages 12 to 17.

There were no other contracts of significance subsisting during or at the end of the financial year in which a director of the company was materially interested (other than service contracts).

7. Substantial Shareholdings

At 4th March 1996 the directors were aware of the following interests, each of which represent three per cent or more of the issued share capital of the company:

Name	Number of ordinary shares	Percentage of issued share capital
Caledonia Financial Limited	34,693,175	28.17
Nittan AP Company Limited	6,323,318	5.13
Exco Trustees Limited	5,943,985	4.83
AXA Equity and Law Investment Managers Limited	3,702,000	3.01

8. Contracts of Significance with Controlling Shareholders

No contracts of significance to which the Group or its subsidiary undertakings were a party and in which a controlling shareholder had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

9. Changes in Fixed Assets

Details of movements in tangible fixed assets are shown in note 12 to the accounts.

10. Subsidiary and Associated Undertakings

Details of changes in subsidiary and associated undertakings are shown in note 13 (a) to the accounts.

11. Donations

In the United Kingdom, the Group contributed £9,271 (1994: £8,197) to charitable organisations.

12. Corporate Governance

The directors consider that the company has been in full compliance throughout the year with the Code of Best Practice, as defined by the Cadbury Committee ("the Code"), with the exception of the provision relating to the length of directors' service contracts and the term of appointment of the Caledonia representative. As set out in the Report of the Remuneration Committee, certain directors were already in possession of contracts with an unexpired term of more than 3 years at the date of Listing.

DIRECTORS' REPORT

The Board comprises 5 executive and 6 non-executive directors; it meets regularly and has adopted a schedule of matters specifically reserved to itself for decision. In addition, the Board has appointed the following committees, each with a formal constitution:

Executive Committee

Peter Edge (Chairman)
Clive Cooke
James Magee
Kim Taylor
Marcel Wolf

The Executive Committee formulates the strategy of the Group for presentation to the full Board and implements all decisions made by the Board. In addition, the Committee monitors and guides the Group's financial performance and approves capital and revenue investment proposals within limits agreed by the Board. The Executive Committee usually meets once a month to deal with all matters not specifically reserved to the Board or any other committee.

Remuneration Committee

Carel Mosselmans (Chairman)
Peter Buckley
John Heywood
Richard Lacy

The Remuneration Committee consists exclusively of non-executive directors and meets at least twice a year. The Committee establishes the remuneration packages of the executive directors and certain other senior executives in the Group. It also is the body which is authorised by the Board to exercise any powers vested in it under the rules of the Exco plc (No.1) and (No.2) Employee Benefit Trusts, the Exco plc (Nos. 1, 2 and 3) Share Option Schemes and the Long Term Employee Share Plan, including the issue of share options.

In addition to its responsibilities in respect of executive directors, the Committee's powers extend to the structure of employee profit sharing schemes and the grant of any contract of employment in the Group which has a term of 3 years or more, or a notice period of greater than twelve months.

Audit Committee

Michael Johns (Chairman)
Jonathan Cartwright (Financial Director of Caledonia Investments plc)
John Heywood

The Audit Committee, which consists of non-executive directors and the financial director of the largest shareholder, meets at least twice a year. The Group Financial Director and the external auditors attend the meetings of the Committee as required. The Committee is the primary point of contact for the agreement of the nature and scope of the audit and the discussion of its results with the external auditors. It has a duty to ensure that the auditors are free to conduct their investigations independent of management constraint and that their independence and objectivity is maintained.

The Committee also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. Furthermore, the Committee reviews all financial information to be published by the Group before its submission to the Board.

Nominating Committee

Carel Mosselmans (Chairman)
Peter Buckley
Richard Lacy

The Committee's duties are to review terms of appointment of non-executive directors and to nominate suitable persons as non-executive directors, for approval by the whole Board as and when required.

DIRECTORS' REPORT

Treasury Committee

Peter Edge (Chairman)

Vanessa Cruwys (Group Financial Controller)

Geoffrey Lott (Managing Director of Exco WCLK Limited)

Kim Taylor

The Treasury Committee usually meets once a month. Its primary duty is to ensure that the Group has adequate cash resources to meet its needs. It also issues limits to each subsidiary which are designed to minimise country and banking risks for the Group as a whole. The Committee's duties also encompass the minimisation of the exposure of the Group to foreign currency and interest rate risks. The Treasury Committee does not, however, operate as a profit centre and does not conduct its activities with the object of making a trading profit.

Compliance Committee

Kim Taylor (Chairman)

Peter Edge

Marcel Wolf

Given that many of the businesses of the Group are subject to local regulatory regimes, the Compliance Committee has a duty to act as a review and advisory body giving general supervision and guidance on any compliance matter in the Group. The Committee reports direct to the Board on any relevant compliance matters.

Internal Financial Control

The directors acknowledge that they are responsible for the Group's system of internal financial control. They recognise that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. Control is exercised through an organisational structure with clearly designated levels of responsibility, delegation of authority and appropriate reporting procedures. Information is regularly provided at all levels and compared with budgeted targets which are reviewed on a monthly basis.

The following are the main features of the internal financial control framework:

- **Financial Reporting** – there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results, balance sheets and cashflow statements are reported against the corresponding figures for the budget and previous year. Each month the forecast for the full year is reviewed in the light of trading results.
- **Treasury Management** – the Treasury Department operates within Board-approved guidelines. Transactions are authorised at the requisite level and there is an appropriate segregation of duties. Frequent reports are made to the Group Financial Director and monthly reports are prepared for the Treasury Committee.
- **Capital Expenditure** – There are clear and detailed procedures for the appraisal and authorisation of all capital expenditure, however financed. There is also, where appropriate, a process of post-investment review.
- **Risk Management** – The identification of major business risks is carried out in conjunction with operating management and steps are taken to mitigate or manage these where possible. The key risks are identified and reported to the Board and Audit Committee.
- **Operating Company Systems** – Each operating company maintains financial controls and procedures appropriate to its own business environment conforming to overall standards and guidelines.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal financial control operated by the Group for the period from 1st July 1995 to 31st December 1995.

DIRECTORS' REPORT

Going Concern

Having reviewed the Group's liquid resources, borrowing facilities and its cashflow forecasts, the directors believe that the Group has adequate resources to continue as a going concern for the foreseeable future. For this reason, the accounts have been prepared on the going concern basis.

The auditors have reported to the company that in their opinion the directors' comments on going concern above provide the disclosure required by paragraph 4.6 of the Code and are not inconsistent with the information of which they are aware from their audit work on the accounts. They have also reported to the company that the above statement appropriately reflects the company's compliance with the other paragraphs of the Code specified by the London Stock Exchange for their review. They are not required to, and therefore do not, express any opinion on the effectiveness of the Group's corporate governance procedures or the ability of the Group to continue in operational existence.

The Statement of Directors' Responsibilities for preparing accounts is set out on page 44.

13. Special business to be conducted at the Annual General Meeting – Notice: page 47

Resolution 8 proposes to renew the directors' authority to allot authorised but unissued share capital of the company in the event that they consider it appropriate to do so. This authority, which will lapse on 17th April 2001, is in respect of £11,610,561 nominal of share capital, representing 38 per cent of the issued share capital of the company as at the date of this report. The directors do not have a present intention of exercising this authority other than to satisfy obligations to issue 5,386,900 shares (which represents the excess over one third of the company's unissued share capital) under the arrangements described in note 6 of the Report of the Remuneration Committee and note 20 to the accounts.

Resolution 9 renews the directors' authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as such issue does not exceed £1,539,600 (representing 5 per cent of the issued Ordinary Share capital of the company) or so long as the issue is a rights issue or pursuant to a scrip dividend offer or a pre-emptive invitation. The company will have regard to the Investor Protection Committee's ("IPC") guidelines in relation to any exercise of this authority. These guidelines require prior consultation with the IPC before making any issue under the 5 per cent element of the authority which exceeds 7.5 per cent in any rolling three-year period. If given, this authority will expire at the next Annual General Meeting or on 17th July 1997, whichever is the earlier.

14. CREST

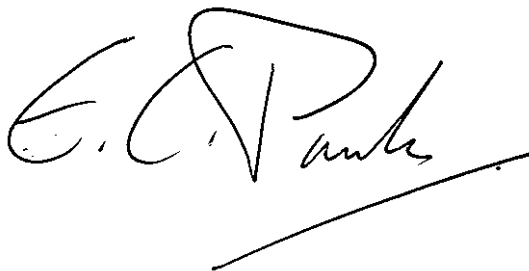
CREST is the new computerised system for settling share dealings. It will reduce the amount of documentation currently required and also make the trading of shares faster and more secure. CREST will enable shares to be held in electronic form, instead of the traditional share certificate, if a shareholder so wishes.

The company's Board of Directors proposes to pass a Board Resolution in June permitting dealing in Exco shares to be settled in the CREST system. The effect of the directors' resolution will be to disapply those provisions of the company's Articles of Association that are inconsistent with the holding and transfer of Exco shares in CREST. Shareholders should note that until the directors' resolution is passed, they have the right to resolve by ordinary resolution that the directors shall not pass such resolution.

15. Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board,
Edward Pank
Secretary
London, 14th March 1996

A large, stylized handwritten signature in black ink, appearing to read 'E. Pank', is written over a horizontal line.

REPORT OF THE REMUNERATION COMMITTEE

1. Composition of the Committee

The members of the Committee are set out on page 9 of these accounts.

2. Compliance

Although the provisions of the Code of Best Practice ("the Greenbury Code") issued by the City Group on directors' remuneration formally take effect only for accounting periods beginning on or after 31st December 1995, the company has adopted the provisions of the Greenbury Code. The constitution and operation of the Remuneration Committee complies with the principles set out in the Stock Exchange Listing Rules in Section (a) of its Best Practice Provisions. The Committee also confirms that full consideration has been given to the principles set out in Section (b) of the Best Practice Provisions in the Stock Exchange Listing Rules in determining the remuneration packages for directors for 1996.

3. Policy on Remuneration of Executive Directors and Senior Executives

(a) Total level of remuneration

The Remuneration Committee aims to ensure that remuneration packages are competitive and attract, retain and motivate executive directors and senior executives of the right calibre.

(b) Components of directors' remuneration

The main components of the directors' remuneration are as follows:-

(i) Basic Salary

The basic salary for each director is determined by the Remuneration Committee by taking into account the performance of the individual and the rates of pay for similar positions in comparable companies.

(ii) Annual Bonus

It has for a long time been a feature of the industry in which the Group operates that a significant proportion of employees' remuneration consists of a discretionary bonus derived from a profit share. This feature is applied also to the executive directors of the company, whose bonus pool is based upon a formula which takes into account both profit on ordinary activities before taxation and growth in such profit, excluding differences caused only by exchange rate changes. The pool is distributed amongst the directors at the discretion of the Remuneration Committee taking into account individual performance.

(iii) Share Options

The company believes that share ownership by directors and senior executives strengthens the link between their personal interests and those of the shareholders. Directors are entitled to participate on the same basis as other employees in the Long Term Employee Share Plan, which is described on page 16. The plan is based on benefits in the form of shares, rather than cash, to align the interests of the plan participants with those of the company's shareholders, in such a way that shareholders and employees share in success. There are no other incentives or share option plans currently open to directors. Certain directors possess share options which were granted to them whilst the company was in private ownership. These option schemes are explained further in note 6 of this Report.

(iv) Benefits

The Group provides directors with pension, healthcare and life assurance benefits. In certain cases a car is provided.

(c) Companies used for Comparison

In assessing all aspects of pay and benefits, the Committee compares packages offered by competitor companies. These companies are chosen having regard to size, diversity, complexity and product spread.

REPORT OF THE REMUNERATION COMMITTEE

(d) Policy on Service Contracts

It is not the current policy of the company to offer service contracts to directors of a duration of greater than two years. As set out on page 17 certain directors of the company possess service contracts which were entered into whilst the company was in private ownership and which had an original duration of up to five years.

(e) Pension policy regarding Executive Directors

The company has no single pension scheme, nor one which is specific to the executive directors. Instead directors participate in pension schemes which are usual for the countries in which they live and work and which are similar to or the same as those extended to all employees in that country.

The company does not provide schemes which increase pension benefits to the levels that would have applied without the caps imposed by the local law. Neither benefits nor bonuses are pensionable.

UK based directors have personal pension schemes which fall into the category of defined contribution schemes. The ultimate benefits are derived from the contributions made to the pension scheme and are not related to the director's final salary.

In Switzerland the company makes pension contributions to an insurance company which determines the premiums required to fund the pension scheme. The ultimate benefits however are derived from the contributions made.

In the United States contributions are made to both defined contribution and defined benefit schemes. Although benefits under the latter are linked to final salary, they are limited by pension caps set by local law. Under these laws Joseph Sciametta's maximum salary for pension purposes was reached some years ago.

4. Directors' Emoluments

The emoluments of the directors in office for all or part of 1995 are set out below:

	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Other £'000	Total 1995 £'000	Total 1994 £'000	Pensions 1995 £'000	Pensions 1994 £'000
Executive Directors								
Peter Edge	275	1	—	—	276	498	61	61
James Magee	240	3	37	—	280	330	—	—
Joseph Sciametta	363	14	—	—	377	237	3	3
Kim Taylor	99	1	25	—	125	157	23	23
Marcel Wolf	339	13	—	—	352	545	257	93
Directors who resigned in 1994	—	—	—	—	—	1,412	—	42
Non-executive Directors								
Carel Mosselmans	59	—	—	—	59	50	—	—
David Hubbard	1	—	—	—	1	—	—	—
Peter Buckley	17	—	—	—	17	16	—	—
John Heywood	17	—	—	—	17	11	—	—
Michael Johns	17	—	—	—	17	17	—	—
Richard Lacy	103	—	20	—	123	113	5	7
John Richardson	15	—	—	—	15	16	—	—
Total	1,545	32	82	—	1,659	3,402	349	229
Total 1994	1,943	68	1,111	280		3,402		

Until detailed guidance is available from the Institute of Actuaries under the Greenbury Code, the figures for pensions shown above are the contributions paid by the Group. For the same reason it is not possible to compute the contribution into Joseph Sciametta's defined benefit plan. The figure shown is the contribution to his defined contribution plan only. Because of the nature of the pension schemes, the contributions made in respect of Peter Edge and Kim Taylor would not have varied from those shown above, no matter what valuation method is eventually chosen.

Exco plc and Subsidiary Undertakings

REPORT OF THE REMUNERATION COMMITTEE

5. Directors' Shareholdings

The interests of directors and their families in the share capital of Exco plc are as follows:

	Ordinary 25p Shares	
	31st December 1995	1st January 1995
	Beneficial	Beneficial
Carel Mosselmans	43,233	43,233
David Hubbard	7,340	7,340*
Peter Buckley	—	—
Peter Edge	632,225	632,225
John Heywood	—	—
Michael Johns	—	—
Richard Lacy	311,974	146,974
James Magee	387,243	387,243
Joseph Sciametta	440,000	176,000*
Kim Taylor	52,962	52,962
Marcel Wolf	240,225	190,225

*at date of appointment

The interests set out above were unchanged at 1st March 1996.

The mid market price of the ordinary shares of the company at 31st December 1995 was 95p (1994: 159p).

6. Directors' Options

Details of the share options granted to directors are as follows:-

1992 No. 1 Share Option Scheme

	Number of options			Mid-Market price at date of exercise	Date from which exercisable	Expiry date
	At 01.01.95	Granted	Exercised	At 31.12.95	£	
Carel Mosselmans	60,000	—	—	60,000	—	19.07.94 31.05.99
David Hubbard	—*	—	—	—	—	—
Peter Buckley	—	—	—	—	—	—
Peter Edge	22,000	—	—	22,000	—	19.07.94 31.05.99
John Heywood	—	—	—	—	—	—
Michael Johns	—	—	—	—	—	—
Richard Lacy	315,000	—	(315,000)	—	1.67	—
James Magee	—	—	—	—	—	—
Joseph Sciametta	264,000*	—	(264,000)	—	1.20	—
Kim Taylor	—	—	—	—	—	—
Marcel Wolf	264,000	—	(50,000)	214,000	1.70	19.07.94 31.05.99

*at date of appointment

The 1992 No. 1 Share Option Scheme was established in connection with a Deed of Trust dated 29th April 1992 of which Exco Trustees Limited is trustee. The scheme was a part of the arrangements put in place at the time of the private placement of 60 per cent of the share capital of the company in June 1992. It has not been submitted to the Inland Revenue for approval under Schedule 9 to the Income and Corporation Taxes Act 1988. No further options can be granted under this scheme.

Exco plc and Subsidiary Undertakings

REPORT OF THE REMUNERATION COMMITTEE

The options are over existing ordinary shares of the company. They were offered as a package of three share options for every two shares purchased at a price of 62.5p each (adjusted for the share split which took place in 1994). This was the same price as that paid by those financial institutions which purchased through the private placement. Therefore, notionally, each share acquired by an employee or director could be thought of as having an original acquisition price of 25p per share. Furthermore, since these share options are not conventional share options, the full value of the shares at the date of exercise of the options is in most tax jurisdictions assumed to be subject to income tax, rather than capital gains tax. The options may be exercised at any time, but before the seventh anniversary of the date of grant. The date of grant was 1st June 1992. Identical (though separate) arrangements were made for employees of associated undertakings through the Exco plc (No. 2) Employee Benefit Trust and (No. 2) Share Option Scheme.

The exercise price is £1.00 for each event of exercise.

1992 No. 3 Share Option Scheme

	Number of options			Date from which exercisable	Expiry date
	At 01.01.95	During the year Granted	Exercised		
	At 31.12.95				
Carel Mosselmans	—	—	—	—	—
David Hubbard	—*	—	—	—	—
Peter Buckley	—	—	—	—	—
Peter Edge	150,000	—	—	150,000	17.02.97
John Heywood	—	—	—	—	—
Michael Johns	—	—	—	—	—
Richard Lacy	—	—	—	—	—
James Magee	150,000	—	—	150,000	17.02.97
Joseph Sciametta	150,000*	—	—	150,000	17.02.97
Kim Taylor	150,000	—	—	150,000	17.02.97
Marcel Wolf	150,000	—	—	150,000	17.02.97

*at date of appointment

The No. 3 Share Option Scheme has not been submitted to the Inland Revenue for approval under Schedule 9 to the Income and Corporation Taxes Act 1988. All existing options were granted on 17th February 1994. No further options can be granted under this scheme.

In normal circumstances, an option may be exercised:

- (i) as to one third of the shares in respect of which it was granted on or after the third anniversary of its date of grant;
- (ii) as to an additional one third of such ordinary shares on or after the fourth such anniversary; and
- (iii) as to the remaining one third of such ordinary shares on or after the fifth such anniversary;

and in each case before the seventh such anniversary.

The exercise price is £1.00 per share.

Exco plc and Subsidiary Undertakings
REPORT OF THE REMUNERATION COMMITTEE

Long Term Employee Share Plan

	Number of options			Date from which exercisable	Expiry date
	At 01.01.95	During the year Granted	Exercised		
Carel Mosselmans	—	—	—	—	—
David Hubbard	—*	—	—	—	—
Peter Buckley	—	—	—	—	—
Peter Edge	22,000	—	—	19.07.98	18.07.2001
John Heywood	—	—	—	—	—
Michael Johns	—	—	—	—	—
Richard Lacy	—	—	—	—	—
James Magee	50,000	—	—	19.07.98	19.07.2004
Joseph Sciametta	100,000*	—	—	19.07.98	19.07.2004
Kim Taylor	40,000	—	—	19.07.98	18.07.2001
Marcel Wolf	50,000	—	—	19.07.98	19.07.2004

*at date of appointment

This Plan is intended to obtain a financial commitment from directors and selected employees to acquire a certain number of shares and to match that commitment with a right to acquire further shares subject to continued employment within the Group and, to some extent, to the Group fulfilling certain performance conditions. To this end, there are three sets of rules. The first set of rules governs the grant of options over shares which have been purchased by the Trustee with sums contributed by Group companies which might otherwise have been subsequently paid out by way of discretionary cash bonus (a "Purchased Share Option"). The second set of rules covers arrangements under which employees may acquire shares outright out of their net pay and voluntarily submit those shares to dealing restrictions (the "nominee arrangements"). The third set of rules governs the terms of options to be granted either to those to whom a Purchased Share Option has been granted or to those who have acquired shares under the nominee arrangements ("matching options"). Identical (though separate) arrangements have been made for employees of the associated undertakings. Accordingly, the description of the Plan applies equally to these separate arrangements.

In normal circumstances the matching option is not exercisable before the fourth anniversary of its date of grant and is an option to subscribe for new ordinary shares.

The extent to which a matching option may be exercised depends in part on the performance of the company. As to 50 per cent of the ordinary shares covered by an option, there is no performance condition. As to the remaining 50 per cent of the ordinary shares covered by an option, if the company achieves growth in earnings per share ("eps") between the date of the last audited accounts preceding the date of grant of the option and the date of those preceding the fourth anniversary of such date of grant as set out below, exercise will be permitted to the extent also set out below. This performance target will be disapplied on a change in control, a Section 425 Companies Act 1985 reconstruction, winding-up or on the issue of notices of compulsory acquisition under Section 429 of the Companies Act 1985, if the market value of an ordinary share exceeds 175p per share. If the market value of an ordinary share does not exceed 175p per share in these circumstances, no options are exercisable.

Growth in EPS	Extent Options Exercisable
(a) less than 30%	Nil
(b) 30%	50%
(c) more than 30% but not more than 49%	50% plus 2½% for every 1% growth in EPS over 30%
(d) 50% or more	100%

In the event of exercise, the exercise price of the matching option is 1.0p per share. This feature will mean that in most tax jurisdictions the market value of the shares at the date of exercise of the option will be treated as being subject to income tax.

Exco plc and Subsidiary Undertakings

REPORT OF THE REMUNERATION COMMITTEE

7. Directors' Interests

James Magee and his family have interests in 193,000 (1994: 210,000) common shares representing 14.68 per cent, (1994: 15.97 per cent) of Exco Shorcan Limited. He also has a fixed term contract for the period 1st January 1995 to 31st December 1997.

Richard Lacy has been appointed adviser to the Group by a fixed term contract for the period 1st March 1994 to 17th November 1997.

The company's wholly-owned subsidiary Exco Noonan Inc., entered into a contract of employment as of 1st January 1994 with Joseph Sciametta for the period 1st January 1994 to 31st December 1998.

Marcel Wolf has a contract terminable on not less than 18 months' notice expiring not earlier than 31st December 1998.

Carel Mosselmans



Chairman of the Remuneration Committee

Exco plc and Subsidiary Undertakings

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1995

	Note	1995 £'000	1994 £'000
Turnover	2		
Continuing operations		202,233	234,387
Acquisitions		5,401	—
Total turnover		207,634	234,387
Total operating expenses	3	(187,397)	(195,780)
Exceptional operating expense	4	(5,906)	—
Operating profit		14,359	38,607
Continuing operations		(28)	—
Acquisitions		14,331	38,607
Profit on sale of properties in continuing operations		1,014	—
Income from interests in associated undertakings		861	2,702
Profit on ordinary activities before interest		16,206	41,309
Other interest receivable and similar income	7	3,412	3,718
Interest payable and similar charges	8	(1,334)	(1,499)
Profit on ordinary activities before taxation		18,284	43,528
Tax on profit on ordinary activities	9	(7,141)	(18,606)
Profit on ordinary activities after taxation		11,143	24,922
Minority interests		(889)	(1,459)
Profit for the financial year		10,254	23,463
Ordinary dividends	10	(11,085)	(25,206)
Loss for the year	21(a)	(831)	(1,743)
Earnings per ordinary share	11	8.3p	19.3p
Earnings per ordinary share before exceptional items	11	10.7p	19.3p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1995 £'000	1994 £'000
Profit for the financial year	10,254	23,463
Exchange adjustments on foreign currency net investments	611	1,128
Total recognised gains and losses since the last annual report	10,865	24,591

There is no material difference between the profit on ordinary activities before taxation, the loss for the year stated above and their historical cost equivalents.

The notes on pages 22 to 43 and 46 form part of these accounts

Auditors' report – page 45

Exco plc and Subsidiary Undertakings

CONSOLIDATED BALANCE SHEET
31st December 1995

	Note	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Fixed assets					
Tangible fixed assets	12		18,435		17,143
Investments:					
Interests in associated undertakings	13(b)		19,875		19,547
Other investments	13(b)		932		661
			<u>39,242</u>		<u>37,351</u>
Current assets					
Debtors: amounts falling due within one year	14	33,287		32,903	
Debtors: amounts falling due after more than one year	14	5,701		1,980	
Investments	15	19,065		22,668	
Cash at bank and in hand	16	42,786		44,186	
		<u>100,839</u>		<u>101,737</u>	
Creditors: amounts falling due within one year	17				
Other creditors		(48,863)		(50,541)	
Convertible debt		(1,211)		(1,235)	
		<u>(50,074)</u>		<u>(51,776)</u>	
Net current assets			50,765		49,961
Total assets less current liabilities			90,007		87,312
Creditors: amounts falling due after more than one year	18		(24,993)		(17,496)
Net assets			<u>65,014</u>		<u>69,816</u>
Capital and reserves:					
Called up share capital	20		30,792		30,792
Share premium account	21(a)		5,273		5,273
Revaluation reserve	21(a)		—		72
Other reserves	21(a)		3,956		3,160
Profit and loss account	21(a)		23,984		29,658
Equity shareholders' funds	22		64,005		68,955
Equity minority interests			1,009		861
Total capital employed			<u>65,014</u>		<u>69,816</u>

Approved by the Board on 14th March 1996 and signed on its behalf by

PETER EDGE }
KIM TAYLOR } Directors

The notes on pages 22 to 43 and 46 form part of these accounts

Auditors' report — page 45

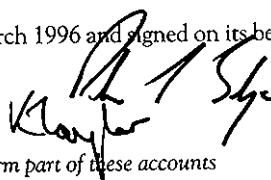
Exco plc

COMPANY BALANCE SHEET
31st December 1995

	Note	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Fixed assets					
Investments:					
Shares in group undertakings	13(b)		71,690		59,929
Loans to group undertakings	13(b)		—		5,834
Other investments	13(b)		845		1
			<u>72,535</u>		<u>65,764</u>
Current assets					
Debtors	14	69,335		68,533	
Cash at bank and in hand	16	2,624		3,431	
		<u>71,959</u>		<u>71,964</u>	
Creditors: amounts falling due within one year	17	(57,336)		(70,767)	
Other creditors		(1,211)		(1,235)	
Convertible debt		<u>(58,547)</u>		<u>(72,002)</u>	
Net current assets/(liabilities)			<u>13,412</u>		<u>(38)</u>
Total assets less current liabilities			<u>85,947</u>		<u>65,726</u>
Creditors: amounts falling due after more than one year	18		<u>(16,799)</u>		<u>—</u>
Net assets			<u><u>69,148</u></u>		<u><u>65,726</u></u>
Capital and reserves:					
Called up share capital	20		30,792		30,792
Share premium account	21(b)		5,273		5,273
Profit and loss account	21(b)		33,083		29,661
Equity shareholders' funds			<u><u>69,148</u></u>		<u><u>65,726</u></u>

Approved by the Board on 14th March 1996 and signed on its behalf by

PETER EDGE }
KIM TAYLOR } Directors



The notes on pages 22 to 43 and 46 form part of these accounts

Auditors' report — page 45

Exco plc and Subsidiary Undertakings

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 1995

	Note	1995 £'000	1994 £'000
Net cash inflow from operating activities	28	23,964	37,291
Returns on investments and servicing of finance			
Interest received		3,299	3,626
Interest paid		(1,077)	(1,027)
Interest paid on finance leases		(335)	(482)
Dividends received from associated undertakings		161	230
Dividends paid		(11,085)	(16,150)
Dividends paid to minorities		(923)	(1,418)
Net cash outflow from returns on investments and servicing of finance		(9,960)	(15,221)
Taxation			
UK corporation tax paid		(1,744)	(5,431)
Overseas tax paid		(11,155)	(15,580)
Tax paid		(12,899)	(21,011)
Investing activities			
Purchase of tangible fixed assets		(5,114)	(7,734)
Sale of tangible fixed assets		2,554	2,265
Purchase of fixed asset investments		(179)	(184)
Sale of fixed asset investments		—	148
Purchase of minority interests		(1,024)	(214)
Investment in associated undertaking		(1,012)	(93)
Sale of current asset investments		3,643	5,790
Purchase of subsidiary undertaking (net of cash and cash equivalents purchased)	29	(5,617)	—
Deferred consideration in respect of subsidiary undertaking		—	(1,570)
Net cash outflow from investing activities		(6,749)	(1,592)
Net cash outflow before financing		(5,644)	(533)
Financing			
Increase/(decrease) in long term loans		4,344	(6,672)
Payment of principal under finance leases		(1,519)	(2,123)
Expenses paid in connection with long term loans	30	2,825	(8,795)
		(135)	—
Net cash inflow/(outflow) from financing		2,690	(8,795)
Decrease in cash and cash equivalents	31	(2,954)	(9,328)

NOTES TO THE ACCOUNTS
31st December 1995

1. Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

(a) Changes in accounting policies

The company has adopted the provisions of Financial Reporting Standard, No. 7 "Fair Values in Acquisition Accounting". Fair values of assets and liabilities of subsidiaries acquired during the year are now calculated in accordance with FRS 7 as described under the basis of consolidation summarised below.

(b) Basis of accounting

The accounts are prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets.

(c) Basis of consolidation

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

The results of subsidiary undertakings acquired or disposed of during an accounting period are included in the consolidated profit and loss account up to or from the date control passes.

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

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill arising on consolidation of subsidiary undertakings, representing the excess of the cost of shares over the fair value of the identifiable net tangible assets acquired, is taken to reserves.

(d) Associated undertakings

Entities in which the Group has an interest comprising not less than 20 per cent and not more than 50 per cent of the voting capital and over which it exerts significant influence are treated as associated undertakings.

The consolidated profit and loss account includes the appropriate share of profits less losses of all material associated undertakings based on latest available audited accounts together with unaudited management accounts for the period from the date of the audited accounts to 31st 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 undertakings is taken to reserves.

(e) Tangible fixed assets

Certain long leasehold properties are periodically revalued. Other tangible fixed assets are stated at cost. Where tangible 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 tangible 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	15-33½
Motor vehicles	25-33½

Fixed assets held under finance leases are capitalised and depreciated over the shorter of the lease terms and the useful life of equivalent owned assets.

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

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

NOTES TO THE ACCOUNTS
31st December 1995

1. Principal accounting policies (continued)

(f) Investments

Investments included in fixed assets are stated at cost less any permanent diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

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

(g) Leased assets

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.

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

(h) Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences, including those arising from the provision of employee pensions, to the extent that it is probable that an asset or liability will crystallise.

(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. The assets of the schemes 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 subsidiary undertakings 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 undertakings are translated at monthly weighted average exchange rates for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings, and from the translation of the results of those undertakings at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses.

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 in the year in which they arise.

The company has in the year matched external borrowings with its investment in a subsidiary undertaking.

(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 other transactions, the invoiced value of goods sold or services provided for the year.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

2. Group turnover, profit before interest and taxation and net assets

All the Group's turnover and profit before interest and taxation arose from international wholesale money and fixed income securities broking.

The geographical analysis of turnover is as follows:

	1995 £'000	1994 £'000
Europe	85,868	97,779
North America	84,994	103,096
Asian Pacific	31,371	33,512
Continuing operations	202,233	234,387
Acquisitions	5,401	—
	<u>207,634</u>	<u>234,387</u>

The geographical analysis of profit before interest and taxation is as follows:

	1995 £'000	1994 £'000
Europe	4,124	13,100
North America	8,515	20,288
Asian Pacific – subsidiary undertakings	2,734	5,219
– associated undertakings	861	2,702
Continuing operations	16,234	41,309
Acquisitions	(28)	—
	<u>16,206</u>	<u>41,309</u>

The geographical analysis of net operating assets is as follows:

	1995 £'000	1994 £'000
Europe	38,474	40,492
North America	29,930	30,370
Asian Pacific – subsidiary undertakings	11,768	11,640
– associated undertakings	19,875	19,547
Net operating assets	100,047	102,049
Non operating liabilities	(35,033)	(32,233)
Net assets	<u>65,014</u>	<u>69,816</u>

Cash and current asset investments have been included in net operating assets. Turnover analysis is based on turnover by origin. The results for turnover by destination would not be different.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

3. Total operating expenses

	1995 £'000	1994 £'000
Staff costs (see note 6)		
– continuing operations	118,078	124,167
– acquisitions	2,950	—
	<u>121,028</u>	<u>124,167</u>
Amounts written off current asset investments:		
Due to temporary fluctuations in value	(923)	688
Depreciation and amounts written off:		
Tangible fixed assets		
– continuing operations	5,211	5,441
– acquisitions	305	—
Assets held under finance leases		
– continuing operations	553	758
	<u>6,069</u>	<u>6,199</u>
Other operating expenses:		
Auditors' remuneration (including expenses)		
(Company: £43,500, 1994: £45,500)	360	301
Hire of plant and machinery	4	3
Flotation fees	—	390
Other expenses		
– continuing operations	58,685	64,032
– acquisitions	2,174	—
	<u>61,223</u>	<u>64,726</u>
Total operating expenses	<u>187,397</u>	<u>195,780</u>

The remuneration of the Group's auditors for provision of non-audit services to the Group in the United Kingdom was £354,000 (1994: £466,000).

4. Exceptional operating expense

	1995 £'000	1994 £'000
Redundancy costs	5,906	—
	<u>5,906</u>	<u>—</u>

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

5. Directors' emoluments

(a) The emoluments of directors of Exco plc were:

	1995	1994
	£'000	£'000
Fees as directors	66	68
Salary payments (including benefits in kind)	1,511	1,943
Pension contributions	349	229
Annual performance related bonuses	82	1,111
Compensation for termination of executive office	—	280
	<u>2,008</u>	<u>3,631</u>

Particulars of any emoluments 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:

	1995	1995	1994	1994
	Chairman	Highest Paid Director	Chairman	Highest Paid Director
	£	£	£	£
Salary including benefits in kind	59,127	275,769	50,000	299,129
Annual performance related bonuses	—	—	—	201,000
	<u>59,127</u>	<u>275,769</u>	<u>50,000</u>	<u>500,129</u>
Fees and other emoluments before pensions	59,127	275,769	50,000	500,129
Pension contributions	—	61,092	—	—
	<u>59,127</u>	<u>336,861</u>	<u>50,000</u>	<u>500,129</u>

These directors, including the Chairman and highest paid director, received emoluments (excluding pension contributions) in the following ranges:

£	1995	1994
	Number	Number
0 — 5,000	1	—
5,001 — 10,000	—	1
10,001 — 15,000	—	1
15,001 — 20,000	4	3
45,001 — 50,000	—	1
55,001 — 60,000	1	—
65,001 — 70,000	—	2
90,001 — 95,000	—	1
110,001 — 115,000	—	1
120,001 — 125,000	1	—
125,001 — 130,000	1	—
155,001 — 160,000	—	1
275,001 — 280,000	1	—
495,001 — 500,000	—	1
500,001 — 505,000	—	1

No directors waived emoluments in respect of the year ended 31st December 1995 (1994: Nil).

Further details of directors emoluments are set out in the Report of the Remuneration Committee on pages 12 to 17.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

6. Staff costs

Staff costs, including executive directors of the Group but excluding redundancy costs, during the year amounted to:

	1995 £'000	1994 £'000
Wages and salaries	108,852	111,685
Social security costs	8,576	7,873
Other pension costs	3,600	4,609
	<u>121,028</u>	<u>124,167</u>

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

	1995 Number	1994 Number
Sales and broking	1,320	1,333
Administration	406	409
	<u>1,726</u>	<u>1,742</u>

7. Other interest receivable and similar income

	1995 £'000	1994 £'000
Income from current asset investments:		
Unlisted	469	659
Bank interest and other income	2,943	3,059
	<u>3,412</u>	<u>3,718</u>

8. Interest payable and similar charges

	1995 £'000	1994 £'000
On finance leases	315	482
On loans repayable within 5 years	1,019	1,017
	<u>1,334</u>	<u>1,499</u>

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

9. Taxation

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

	1995 £'000	1994 £'000
UK corporation tax at a rate of 33% (1994: 33%)	4,308	8,050
Deferred taxation	(868)	177
	<hr/> 3,440	<hr/> 8,227
Less: Relief for overseas taxation	(3,371)	(4,076)
Overseas taxation	<hr/> 6,360	<hr/> 12,641
Taxation arising on profit of the Group	6,429	16,792
Tax attributable to share of profits of associated undertakings	712	1,814
	<hr/> <hr/> 7,141	<hr/> <hr/> 18,606

10. Dividends in respect of equity shares

	1995 £'000	1994 £'000
Interim paid 22nd July 1994	—	13,000
Scrip dividend alternative paid 22nd July 1994	—	4,816
Interim paid 20th January 1995	—	3,695
Final paid 25th May 1995	—	3,695
Interim paid 26th October 1995	3,695	—
Final proposed	7,390	—
	<hr/> <hr/> 11,085	<hr/> <hr/> 25,206

The interim dividend and the scrip dividend alternative paid to the then shareholders on the 22nd July 1994 were special dividends associated with the flotation of the company in that year.

11. Earnings per ordinary share

Earnings per share has been calculated based on the profit on ordinary activities after taxation and minority interests. The weighted average number of ordinary shares in issue during the year was 123,166,034 (1994: 121,439,895). The dilutive effect of unexercised options and convertible loan stocks on earnings per share is not material.

Earnings per ordinary share before exceptional items is calculated as follows:

	1995	1994
Earnings per share before exceptional items	10.70p	19.30p
Adjustments in respect of exceptional items:		
– redundancy costs	(4.80p)	—
– tax thereon	1.58p	—
– profit on sale of properties	0.82p	—
	<hr/> 8.30p	<hr/> 19.30p
Earnings per share	<hr/> <hr/> 8.30p	<hr/> <hr/> 19.30p

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

12. Tangible fixed assets

	Land and Buildings			Furniture Fixtures & Equipment £'000	Motor Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000			
Cost or valuation						
At 1st January 1995						
Cost	530	—	7,859	50,935	6,403	65,727
Valuation	—	194	—	—	—	194
Exchange adjustments	54	2	36	1,143	218	1,453
Additions	—	—	661	4,001	1,398	6,060
Disposals	—	(196)	(1,019)	(13,153)	(1,934)	(16,302)
Subsidiary acquired	—	—	—	7,316	—	7,316
At 31st December 1995						
Cost	584	—	7,537	50,242	6,085	64,448
Valuation	—	—	—	—	—	—
	584	—	7,537	50,242	6,085	64,448
Depreciation						
At 1st January 1995	159	20	4,871	41,849	1,879	48,778
Exchange adjustments	14	—	16	1,000	111	1,141
Charge for the year	9	—	439	4,455	1,166	6,069
Disposals	—	(20)	(1,019)	(13,067)	(860)	(14,966)
Subsidiary acquired	—	—	—	4,991	—	4,991
At 31st December 1995	182	—	4,307	39,228	2,296	46,013
Net book value						
At 31st December 1995	402	—	3,230	11,014	3,789	18,435
At 31st December 1994	371	174	2,988	9,086	4,524	17,143

Motor vehicles include assets held under finance leases with a net book value of £2,189,000 (1994: £2,851,000).

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

	Long Leasehold 1995 £'000	Long Leasehold 1994 £'000
Original cost	—	40
Accumulated depreciation based on original cost	—	(16)
	—	24

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

13. Fixed asset investments

(a) Movement in subsidiary and associated undertakings.

In October 1995, the company acquired the German interests of Trio Holdings plc which carry on the business of money and fixed income securities broking under the name of Exco Bierbaum. This acquisition has been accounted for in accordance with Financial Reporting Standard No. 6. "Acquisitions and Mergers". Details of the fair value of the net assets acquired and consideration paid are set out in note 27 to the accounts.

Also in October 1995, the company acquired 20 per cent of the issued share capital of Delta Government Options Corp for the consideration of £1,012,000.

(b) Investments

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Shares in group undertakings	—	—	71,690	59,929
Interests in unlisted investments	869	661	1	1
Interests in listed investments overseas	63	—	—	—
Interests in associated undertakings	19,875	19,547	844	—
Loans to group undertakings	—	—	—	5,834
	<u>20,807</u>	<u>20,208</u>	<u>72,535</u>	<u>65,764</u>

The aggregate market value of unlisted investments was for the Group £932,000 (1994: £661,000) and the Company £1,000 (1994: £1,000).

	Group		Company			
	Associates	Other Investments	Associates	Shares in group undertakings	Loans to group undertakings	Other Investments
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 1st January 1995	23,001	680	—	59,929	5,834	1
Exchange adjustments	(534)	23	—	—	—	—
Additions	1,012	248	1,012	17,719	—	—
Share of retained profit for the year	(6)	—	(24)	—	—	—
Repayments	—	—	—	—	(5,834)	—
Transfers	—	—	—	(5,958)	—	—
At 31st December 1995	<u>23,473</u>	<u>951</u>	<u>988</u>	<u>71,690</u>	<u>—</u>	<u>1</u>
Amounts written off:						
At 1st January 1995	(3,454)	(19)	—	—	—	—
Amounts written off during the year	(144)	—	(144)	—	—	—
At 31st December 1995	<u>(3,598)</u>	<u>(19)</u>	<u>(144)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net book value at 31st December 1995	<u>19,875</u>	<u>932</u>	<u>844</u>	<u>71,690</u>	<u>—</u>	<u>1</u>
Net book value at 31st December 1994	<u>19,547</u>	<u>661</u>	<u>—</u>	<u>59,929</u>	<u>5,834</u>	<u>1</u>

Principal subsidiary undertakings of the Group are set out on page 46.

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

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

13. Fixed asset investments (continued)

The Group's investment in associated undertakings comprises:

	Group	
	1995	1994
	£'000	£'000
Interests in associates		
Cost less amounts written off	22	(853)
Share of retained reserves	19,853	20,400
Net book value	<u>19,875</u>	<u>19,547</u>
Representing:		
Share of tangible net assets of associated undertakings	<u>19,875</u>	<u>19,547</u>

All associated undertakings are unlisted.

Details of associated undertakings are set out on page 46.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

14. Debtors

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Debtors due within one year:	33,287	32,903	69,335	68,533
Debtors due after one year:	5,701	1,980	—	—
	<u>38,988</u>	<u>34,883</u>	<u>69,335</u>	<u>68,533</u>
	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Debtors due within one year:				
Trade debtors (see note)	18,970	19,293	—	—
Amounts owed by group undertakings	—	—	64,621	63,295
Amounts owed by associated undertakings	612	467	—	—
Other debtors	4,423	5,492	348	657
Prepayments and accrued income	2,988	2,123	—	—
Dividends receivable from group undertakings	—	—	228	172
Taxation receivable	—	—	—	937
Advance corporation tax recoverable	4,138	3,472	4,138	3,472
Deferred taxation (see note 19)	2,156	2,056	—	—
	<u>33,287</u>	<u>32,903</u>	<u>69,335</u>	<u>68,533</u>
	Group 1995 £'000	Group 1994 £'000		
Debtors due after more than one year:				
Other debtors	3,455	942		
Prepayments and accrued income	620	559		
Deferred taxation (see note 19)	1,626	479		
	<u>5,701</u>	<u>1,980</u>		

The Group is involved in the purchase and simultaneous sale of negotiable money market instruments and gilt-edged securities. The form of these transactions is that group companies take temporary control of valuable paper until the transactions are settled, at which time control is released. To reflect the substance of these transactions only the net commission receivable is included in trade debtors. At 31st December 1995 the gross amount of purchase and sale commitments in respect of these transactions was £1,678,212,000 (1994: £460,854,000).

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

15. Current asset investments

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

	Group	
	1995	1994
	£'000	£'000
Unlisted	19,065	22,668
	<u>19,065</u>	<u>22,668</u>
Their aggregate market value was:		
Unlisted at directors' valuation	19,065	22,668
	<u>19,065</u>	<u>22,668</u>

Unlisted investments consist principally of certificates of deposit and Treasury Bills.

16. Cash at bank and cash in hand

Cash at bank and in hand includes £1,211,104 (1994: £1,235,104) which is charged to a third party creditor (see note 20).

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995**17. Creditors: amounts falling due within one year**

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

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Bank loans and overdrafts repayable in one year or less	880	154	—	—
Trade creditors (see note 14)	4,455	5,015	—	—
Amounts owed to group undertakings	—	—	45,405	58,965
Amounts owed to associated undertakings	271	60	—	—
Obligations under finance leases	1,020	923	—	—
Other creditors:				
Taxation payable	3,861	9,869	142	412
ACT on dividends paid and proposed	2,771	1,847	2,771	1,847
Social security and taxation	2,285	2,675	—	—
Other	5,689	5,745	49	82
Convertible Secured Loan Stock 2001 (see note 20)	1,211	1,235	1,211	1,235
Proposed dividends:				
Minority shareholders	374	483	—	—
Company shareholders – interim	—	3,695	—	3,695
– final	7,390	3,695	7,390	3,695
Accruals and deferred income	19,867	16,380	1,579	2,071
	<u>50,074</u>	<u>51,776</u>	<u>58,547</u>	<u>72,002</u>

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

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Bank loans				
– repayable between one and two years	—	3,846	—	—
– repayable between two and five years	16,799	8,974	16,799	—
Obligations under finance leases				
payable within two and five years	1,183	2,025	—	—
Other creditors	6,693	2,457	—	—
Taxation	318	194	—	—
	<u>24,993</u>	<u>17,496</u>	<u>16,799</u>	<u>—</u>

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

19. Provision for liabilities and charges

The provision for liabilities and charges comprises:

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
(a) Deferred taxation:				
Amount recognised:				
Capital and other investment allowances on fixed assets and finance leases	546	(193)	—	—
Other timing differences	3,236	2,728	—	—
	<u>3,782</u>	<u>2,535</u>	<u>—</u>	<u>—</u>
Deferred taxation asset	<u>3,782</u>	<u>2,535</u>	<u>—</u>	<u>—</u>
Amount not recognised:				
Capital and other investment allowances on fixed assets and finance leases	399	562	—	—
Other timing differences	2,082	2,221	—	—
	<u>2,481</u>	<u>2,783</u>	<u>—</u>	<u>—</u>

(b) The movement in deferred taxation during the year was as follows:

	Group	Company
	£'000	£'000
At 1st January 1995	2,535	—
Related to acquisition of subsidiary	405	—
Exchange adjustment	(26)	—
Credited to profit and loss account	868	—
	<u>3,782</u>	<u>—</u>
At 31st December 1995	<u>3,782</u>	<u>—</u>

The deferred taxation asset for the Group at 31st December 1995 and 1994 has been included in debtors.

- (c) No provision has been made for any taxation which would become payable on the distribution of profits of overseas subsidiary and associated undertakings because there is no intention in the foreseeable future that such profits will be remitted in such a way as to crystallise such tax liabilities.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

20. Share capital

	Group and Company	
	1995	1994
	£'000	£'000
Authorised:		
172,000,000 ordinary shares of 25p each	43,000	43,000
	<u>43,000</u>	<u>43,000</u>
	<u><u>43,000</u></u>	<u><u>43,000</u></u>
	Group and Company	
	1995	1994
	£'000	£'000
Allotted, called up and fully paid:		
123,166,034 ordinary shares of 25p each	30,792	30,792
	<u>30,792</u>	<u>30,792</u>
	<u><u>30,792</u></u>	<u><u>30,792</u></u>

Holders of Floating Rate Secured Convertible Loan Stock 2001 in the sum of £1,211,104 (1994: £1,235,104) (included in creditors due within one year) have the right to convert their stock into ordinary shares of the company at their then market value. The right can be exercised at any time up to 27th June 2001, provided that the ordinary shares of the company are listed on The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

Of the total of 1,800,000 options outstanding under the 1992 No. 3 Share Option Scheme described in the Report of the Remuneration Committee on page 15, at 31st December 1995, 1,065,815 were to subscribe for new ordinary shares of the company. The options are exercisable up to 16th February 2001 (but not before 17th February 1997) at a price of £1.00 per share. At 31st December 1995, 3,276,000 matching share options were outstanding under the Long Term Employee Share Plan. All these options are to subscribe for new ordinary shares of the company. The options are exercisable up to 19th July 2004 but not before 19th July 1998 at a price of 1.0p per share.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

21. Reserves

(a) Group

	Share Premium Account £'000	Revaluation Reserve £'000	Other Reserves £'000	Profit & Loss Account £'000
At 1st January 1995	5,273	72	3,160	29,658
Exchange translation	—	—	723	(112)
Goodwill written off	—	—	—	(4,730)
Premium on issue of shares	—	—	—	—
Transfer from reserves to profit and loss account	—	(72)	73	(1)
Loss for the year	—	—	—	(831)
At 31st December 1995	<u>5,273</u>	<u>—</u>	<u>3,956</u>	<u>23,984</u>

Other reserves comprise:

	Group	
	1995 £'000	1994 £'000
Other non-distributable reserves	183	110
Unrealised exchange gains	<u>3,773</u>	<u>3,050</u>
	<u>3,956</u>	<u>3,160</u>

(b) Company

	Share Premium Account £'000	Profit & Loss Account £'000
At 1st January 1995	5,273	29,661
Profit for the year	—	3,422
At 31st December 1995	<u>5,273</u>	<u>33,083</u>

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these accounts. The parent company's profit for the financial year was £14,507,000 (1994: £2,557,000).

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

22. Reconciliation of movements in equity shareholders' funds

	1995	1994
	£'000	£'000
Profit for the financial year	10,254	23,463
Ordinary dividends	(11,085)	(25,206)
	<u>(831)</u>	<u>(1,743)</u>
Other recognised gains and losses relating to the year (net)	611	1,128
Goodwill written off during the year	(4,730)	(369)
New share capital issued	—	792
Premium on issue of shares	—	4,750
	<u>(4,950)</u>	<u>4,558</u>
Net (deduction from)/addition to shareholders' funds	68,955	64,397
Opening shareholders' funds	<u>64,005</u>	<u>68,955</u>
Closing shareholders' funds	<u>64,005</u>	<u>68,955</u>

23. Cumulative goodwill

During the year the movement in net goodwill taken to reserves was as follows:

	Group
	£'000
At 1st January 1995	123,641
Taken to reserves in year	4,730
Goodwill re dormant companies struck off	(4)
	<u>128,367</u>
At 31st December 1995	<u>128,367</u>

24. Pension costs

(a) Defined contribution schemes

The Group operates a number of defined contribution schemes throughout the world.

The total pension cost for the Group was £3,197,000 (1994: £3,773,000) of which £1,192,000 (1994: £1,637,000) related to overseas schemes. At the year end contributions accrued but not paid totalled £527,000 (1994: £1,066,000).

(b) Defined benefit schemes

The Group has significant funded defined benefit schemes in Germany, Hong Kong, Switzerland and the USA.

In Hong Kong and the USA the pension costs are assessed in accordance with a qualified actuary's advice. The last actuarial assessment was performed by an independent actuary as at 1st January 1995 in the USA and 1st January 1994 in Hong Kong.

At the most recent formal valuation the main assumptions were:

	USA	Hong Kong
Investment return	8.25%	3.5%
Salary increases	5.5%	5%-8%

NOTES TO THE ACCOUNTS
31st December 1995

24. Pensions costs (continued)

The market values of the schemes were £4,934,000 (1994: £4,143,000) and the level of funding was considered to be in accordance with requirements. At the present time there are expected to be no material changes to pensions arrangements which would affect future costs.

In Germany the defined benefit scheme is wholly reinsured with a German insurance company with the pension obligation being determined by employee contributions to a defined contribution scheme.

In Switzerland the defined benefit schemes are wholly reinsured with Swiss insurance companies, with the pension obligation being determined by the premiums paid to the reinsurers.

During the year defined benefit contributions charged to the profit and loss account were £404,000 (1994: £836,000) and at the year end contributions accrued but not paid totalled £1,098,000 (1994: £1,017,000).

As at 31st December 1995 no deficiencies are considered to exist on the basis of the current funding levels.

25. Contingent liabilities and commitments**(a) Capital commitments:**

	Group	
	1995	1994
	£'000	£'000
Contracted for	37	394
	<hr/>	<hr/>
Authorised but not contracted for	298	2,215
	<hr/>	<hr/>

(b) Other commitments

(i) In the normal course of business, the company and its subsidiary undertakings have entered into forward commitments for the purchase and sale of securities.

(ii) The Group has various commitments in respect of operating leases. The amount charged to the consolidated profit and loss account in 1995 was £8,071,000 (1994: £8,346,000). In 1996 the minimum rentals payable under operating leases are as follows:

	£'000
In respect of leases for land and buildings expiring:	
– within one year	179
– between two and five years	1,626
– in more than five years	5,976
	<hr/>
	7,781
	<hr/>

In respect of other leases expiring:

	£'000
– within one year	471
– between two and five years	1,322
– in more than five years	—
	<hr/>
	1,793
	<hr/>

(iii) At the balance sheet date the Group was liable to purchase the minority interests in Exco Shorcan Limited, Exco Bierbaum Securities GmbH and Exco Scandinavia A/S at purchase prices based on profits.

The consideration for the acquisition in 1993 of a subsidiary undertaking in Switzerland is based on a formula linked to future profits. A further payment may be due in 1997 under this arrangement.

NOTES TO THE ACCOUNTS
31st December 1995

25. Contingent liabilities and commitments (continued)

(c) Contingent liabilities

The company has given guarantees on behalf of various subsidiary undertakings in respect of their business.

In addition;

- A subsidiary undertaking has given a guarantee on behalf of a third party in respect of property with a current passing rent of £104,000 per annum, the lease of which expires in 1999.
- A subsidiary undertaking has given a guarantee to a third party in respect of loans to its employees amounting to C\$463,070 to purchase shares in that subsidiary.
- The company has issued a counter indemnity to a bank in respect of a guarantee of A\$200,000 given by the bank for a property occupied by a subsidiary undertaking.

A subsidiary undertaking is being sued by a former employee for alleged wrongful dismissal. The subsidiary undertaking has been advised that it has a valid defence to such claim and the directors are of the view that no material liability will fall on the Group as a result of such litigation.

In the past the Group has acted as broker in a number of interest rate swap and similar transactions entered into by UK local authorities. The House of Lords decision announced on 24th January 1991 was that all such swap transactions entered into by local authorities were ultra vires. The Group has received claims from third parties which acted as principals in such transactions for the restitution of commission earned by the Group. Although it is not possible to determine how the current state of affairs will eventually be resolved, the directors made a prudent estimate of the likely financial effect on the Group and accordingly set aside appropriate provision in the accounts for the year ended 31st December 1989. Based on legal advice received, the directors do not believe that any material unprovided liability to the Group will result from the broking of such transactions.

26. Regulatory capital

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

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31st December 1995

27. Purchase of subsidiary undertaking

The summarised profit and loss account for Exco Bierbaum for the period 12 months to 30th September 1995 is as follows:—

Profit and loss account

	Period ended 30th September 1995 £'000
Turnover	26,614
Operating profit	131
Loss on ordinary activities before taxation	(880)
Tax on ordinary activities	(1)
Loss on ordinary activities after taxation	(881)

The assets and liabilities acquired are set out below:

	Book value £'000	Fair value Adjustments £'000	Fair value £'000
Fixed Assets			
Tangible fixed assets	3,181	(900)	2,281
Other investments	62	—	62
Current assets			
Debtors	8,603	405	9,008
Cash at bank and in hand	1,080	—	1,080
Total assets	12,926	(495)	12,431
Liabilities			
Creditors	(8,980)	—	(8,980)
Bank overdrafts	(830)	—	(830)
Net assets	3,116	(495)	2,621
Goodwill			3,246
			5,867
Satisfied by			
Cash			5,867

The values of furniture, fixtures and equipment acquired have been adjusted to align the subsidiary undertaking's depreciation policy with the group policy.

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

28. Reconciliation of operating profit to net cash inflow from operating activities

	1995	1994
	£'000	£'000
Operating profit	14,331	38,607
Depreciation of tangible fixed assets	6,069	6,199
Gain on sale of tangible fixed assets	(1,217)	(358)
Gain on sale of fixed asset investments	—	(112)
Decrease in operating debtors and prepayments	6,741	9,010
Decrease in operating creditors and accruals	(1,960)	(16,055)
Net cash inflow from operating activities	<u>23,964</u>	<u>37,291</u>

29. Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertaking

	1995
	£'000
Cash consideration	5,867
Cash at bank and in hand acquired	(1,080)
Bank overdrafts of acquired subsidiary undertaking	<u>830</u>
Net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertaking	<u>5,617</u>

30. Analysis of changes in financing during the year

	Share capital (excluding premium)	Loans and finance lease obligations	Share capital (excluding premium)	Loans and finance lease obligations
	1995	1995	1994	1994
	£'000	£'000	£'000	£'000
At 1st January	30,792	15,768	30,000	23,592
Cash inflows/(outflows) from financing	—	2,825	—	(8,795)
Shares issued for non-cash consideration	—	—	792	—
Inception of finance lease contracts	—	776	—	1,857
Effect of foreign exchange rate changes	—	(367)	—	(886)
At 31st December	<u>30,792</u>	<u>19,002</u>	<u>30,792</u>	<u>15,768</u>

Exco plc and Subsidiary Undertakings

NOTES TO THE ACCOUNTS

31st December 1995

31. Cash and cash equivalents

	1995 £'000	1994 £'000	
Changes during the year:			
At 1st January	49,432	59,231	
Net cash outflow before adjustments for the effects of foreign exchange rates	(2,954)	(9,328)	
Effect of foreign exchange rates	828	(471)	
At 31st December	<u>47,306</u>	<u>49,432</u>	
	1995 £'000	1994 £'000	Change in year £'000
Analysis of balances			
Cash at bank and in hand	42,786	44,186	(1,400)
Short-term investments	5,400	5,400	—
Bank overdrafts	(880)	(154)	(726)
Cash and cash equivalents	<u>47,306</u>	<u>49,432</u>	<u>(2,126)</u>
Bank deposits over three months	4,400	6,400	
Other investments	9,265	10,868	
Cash at bank and in hand, investments and short term overdrafts ;	<u>60,971</u>	<u>66,700</u>	

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate so to do.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgement and estimates have been made in the preparation of the accounts for the year ended 31st December 1995. The directors also confirm that applicable accounting standards have been followed.

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

A large, stylized handwritten signature in black ink, appearing to read 'E. Pank', with a long horizontal stroke extending from the bottom right.

By order of the Board,
Edward Pank
Secretary
London, 14th March 1996

Exco plc and Subsidiary Undertakings

REPORT OF THE AUDITORS

To the Members of Exco plc.

We have audited the accounts on pages 18 to 43 and 46.

Respective responsibilities of directors and auditors

As described on page 44 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

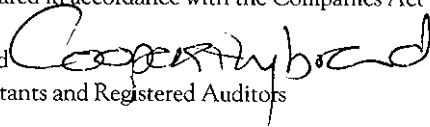
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosure in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the Group at 31st December 1995 and of the result, total recognised gains and cashflows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
LONDON



14th March 1996

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

The following were the principal operating subsidiary and associated undertakings of the Group at 31st December 1995:

Subsidiary undertakings	Country of Incorporation and Operation	Nature of Business	Issued Ordinary Share Capital
Exco Moneybroking Australia Pty Limited	Australia	Moneybroking	A\$600,000
Exco Scandinavia A/S (77%)	Denmark	Moneybroking	Dkr300,000
Exco Bierbaum Money Markets GmbH	Germany	Moneybroking	Dmk 1,500,000
Exco Bierbaum GmbH & Co oHG	Germany	Moneybroking	Dmk 2,850,000
Exco Moneybroking UK Limited	Great Britain	Moneybroking	£14,071,156
Exco Derivatives UK Limited	Great Britain	Moneybroking	£1,371,000
Exco Channel Islands Limited	Guernsey	Moneybroking	£7
Exco Moneybroking Hong Kong Limited	Hong Kong	Moneybroking	HK\$5,000,000
Exco AP Singapore Pte Limited	Singapore	Moneybroking	S\$1,000,000
Astley & Pearce (Proprietary) Limited (93.5%)	South Africa	Moneybroking	Rand 100,000
Exco CMS (Switzerland) Limited	Switzerland	Moneybroking	Sfr300,000
Exco Noonan Inc	U.S.A.	Moneybroking	US\$438,000
Exco FIB Pty Limited	Australia	Fixed Income	A\$300,000
		Securities Broking	
Exco Shorcan Limited (78.17%)	Canada	Fixed Income	Can\$67,263
		Securities Broking	
Exco Bierbaum Securities GmbH (86.5%)	Germany	Fixed Income	Dmk 500,000
		Securities Broking	
Exco Shorcan/London Limited (78.17%)	Great Britain	Fixed Income	£350,000
		Securities Broking	
*Exco WCLK Limited	Great Britain	Fixed Income	£1,000,000
		Securities Broking	
Exco RMJ Securities Corp	U.S.A.	Fixed Income	US\$2,115
		Securities Broking	
*Exco (Management Services) Limited	Great Britain	Central Services	£1,000
*Exco (Treasury) Limited	Great Britain	Investment Company	£2
*Exco International Inc	U.S.A.	Holding Company	US\$5,220
Associated undertakings			
PT AP Nusantara Indonesia (25%)	Indonesia	Moneybroking	Rp2,100,000,000
Nittan Exco Limited (33%)	Japan	Moneybroking	Y300,000,000
KAF Astley & Pearce Sdn Bhd (40%)	Malaysia	Moneybroking	Ringgit 200,000
Delta Government Options Corp (20%)	U.S.A.	Clearing Agency	US\$ 9,000

The financial year ends of KAF Astley & Pearce Sdn Bhd and Nittan AP Company Limited are 31st May and 30th September respectively. Before 1st April 1996, Nittan Exco Limited operated under the name of Nittan AP Company Limited.

Except where marked with an asterisk the above undertakings are owned indirectly. The Group's interest is 100 per cent unless otherwise stated. All undertakings incorporated in Great Britain are registered in England.

NOTICE OF AN ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take you are recommended to consult an appropriate independent adviser. If you have sold or transferred all your ordinary shares in Exco plc please pass this document to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 119 Cannon Street, London EC4N 5AX on Thursday, 18th April 1996 at noon for the following purposes:

Ordinary Business

1. That the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 1995 be received and adopted.
2. That Coopers & Lybrand be re-appointed auditors of the Company and that the directors be authorised to determine their remuneration.
3. That a final dividend in respect of the year ended 31st December 1995 be declared.
4. That Mr C.J. Cooke be elected a director of the Company.
5. That Mr. R.D.C. Hubbard be elected a director of the Company.
6. That Mr. M.C. Johns be re-elected a director of the Company.
7. That Mr. R.C. Lacy be re-elected a director of the Company.

Special Business

To consider and if thought fit, to pass the following resolutions of which resolution 8 will be proposed as an Ordinary Resolution and resolution 9 will be proposed as a Special Resolution.

8. That in substitution for any other authority previously conferred on them, the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 (2) of the Act) up to an aggregate nominal amount of £11,610,561. This authority shall expire on 17th April 2001 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. That, subject to the passing of Resolution 8 above, the directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 8 above as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with a rights or other pre-emptive issue in favour of Ordinary Shareholders where the equity securities offered are proportionate (as nearly as practicable) to the respective number of Ordinary Shares held by such holders but subject to such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements, record dates, or legal or practical problems under the laws of, or the requirements of, any regulatory authority in any territory or otherwise however; and/or

(b) pursuant to the acceptance of any scrip dividend offer; and/or

(c) otherwise than pursuant to (a) or (b) above for cash up to an aggregate nominal amount of £1,539,600 representing 5 per cent. of the issued Ordinary Share capital of the Company as at the date hereof.

NOTICE OF AN ANNUAL GENERAL MEETING

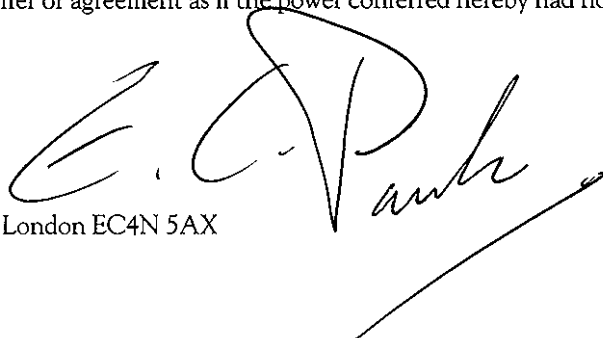
This power shall expire on the date of the Annual General Meeting of the Company to be held in 1997 or, if earlier, on 17th July 1997, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

E.C. Pank

Secretary

Registered Office: 119 Cannon Street, London EC4N 5AX

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

14th March 1996

1. A member of the Company entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company.
2. A form of proxy is enclosed for use in connection with the above Meeting. To be valid the instrument appointing a proxy and the Power of Attorney (if any) under which it is signed must be deposited at the office of the Company's Registrars, Lloyds Bank Registrars Limited, The Causeway, Worthing, West Sussex BN99 6DA, not later than noon on 16th April 1996. Completion of the form of proxy will not affect the right of a shareholder to attend and vote at the above meeting should he or she afterwards so decide.
3. The following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting and at the venue of the Meeting from 11.45 a.m. on 18th April 1996 until the conclusion of the Meeting.
 - (i) copies of the service contracts of the directors; and
 - (ii) the register of directors' interests in the share capital of the Company.

Exco plc
FORM OF PROXY

For use at the Annual General Meeting on 18th April 1996

I/We _____
(Please complete in block capitals)

of _____
(Address)

being (a) holder(s) of Shares in the above Company hereby appoint Mr. C. M. Mosselmans or failing him the
Chairman of the Meeting/ _____ (see note 5 below)
as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held on 18th April 1996 and at
any adjournment thereof.

Please indicate with an x how you wish your vote to be cast in respect of the Resolutions. In the absence of any
specific directions, the proxy will vote or abstain at his discretion.

Ordinary Business	For	Against
1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31st December 1995.		
2. To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the directors to determine their remuneration.		
3. To declare a final dividend on the ordinary shares.		
4. To elect Mr C. J. Cooke as a director of the Company.		
5. To elect Mr R. D. C. Hubbard as a director of the Company.		
6. To re-elect Mr M. C. Johns as a director of the Company.		
7. To re-elect Mr R. C. Lacy as a director of the Company.		
Special Business		
8. To authorise the directors to allot shares.		
9. Special Resolution – to disapply pre-emption rights.		

Signed _____ Dated _____ 1996

Notes:

1. A member who is entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
2. Only one of joint holders needs to sign. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
3. Corporations should affix their common seal or sign by a duly authorised officer or attorney.
4. To be valid, this Form of Proxy and the Power of Attorney (if any) under which it is signed or a duly certified copy of such power or authority must reach Lloyds Bank Registrars, the Registrars of the Company, at the address overleaf not later than noon on 16th April 1996.
5. If you wish to appoint some person of your own choosing as your proxy you should complete in block capitals his or her full name in the space provided and delete the words "Mr. C. M. Mosselmans or failing him the Chairman of the Meeting". Such proxy need not be a member of the Company. Any alterations must be initialled.
6. Completion of this form will not preclude you from attending and voting at the Meeting in person if you so wish.
7. You should print your name and address in the space provided.
8. You should sign in the space provided.

FOLD

FOLD

BUSINESS REPLY SERVICE
LICENCE NO. BR 3002

111

Lloyds Bank Registrars
The Causeway, Worthing,
West Sussex,
BN99 6DB

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