INTERCAPITAL GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
31 March 1999

Company Number 2011009



INTERCAPITAL GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A SPENCER	CHAIRMAN
D M GELBER	MANAGING DIRECTOR
R LEES	
P NEWMAN	
P O'TOOLE	
S H J MANSELL	FINANCE DIRECTOR
D CASTERTON	
D KELLY	

SECRETARY

S H J MANSELL

REGISTERED OFFICE

PARK HOUSE
16 FINSBURY CIRCUS
LONDON
EC2M 7UR

BANKERS

BARCLAYS BANK PLC
54 LOMBARD STREET
LONDON
EC3P 3AH

AUDITORS

MRI MOORES ROWLAND
MITRE HOUSE
177 REGENT STREET
LONDON W1R 8BB

SOLICITORS

MACFARLANES
10 NORWICH STREET
LONDON EC4A 1BD

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The business of the Company and its subsidiaries is the broking of international capital market instruments and the provision of other financial based services.

REVIEW OF BUSINESS

As announced in the previous Report of the Directors, the Group completed the merger of its principal money broking businesses with Exco plc on 26 October 1998.

The Group acquired an effective 55.5% interest in the renamed Intercapital plc, a company quoted on the London Stock Exchange. The Company, as a result of the merger, has been able to improve its balance sheet and is able to make further investments as opportunities arise.

Post the merger, Intercapital plc has incurred the expected losses related to the rationalisation of the new businesses. Underlying business however has performed in line with expectations and the directors are confident for the future.

The Group's non-money broking activities in North America have now ceased post the Exco plc merger.

POST BALANCE SHEET EVENTS

On 9 September 1999 Intercapital plc merged with Garban plc, a London Stock Exchange quoted company. The newly created group was renamed Garban-Intercapital plc and the Group's effective interest in this company was reduced to 25.5%.

YEAR 2000

The Group has so far not encountered any problems relating to the year 2000 issue, however, other key dates could potentially lead to system failures. As part of the Group's year 2000 action plan which included reviewing the Group's business, operations and its relationships with customers, suppliers and other relevant bodies, all key dates were considered and the board believes that it is unlikely that the Group will encounter any problems. However, due to the complexity of the problem it is not possible for any organisation to guarantee that no problems will occur. The total cost of the year 2000 compliance work undertaken by the Group is not deemed to be material, and no further costs are anticipated.

DIVIDENDS

The Directors recommend a final dividend of £1.987 million making the total dividend for the year £4.992 million (1998 - £2.111 million).

DONATIONS

During the year the Group made charitable donations of £1,390,061 (1998 - £574,517) as a result of its annual Charity Day, and a political donation of £25,000 to the Conservative and Unionist Party.

AUDITORS

MRI Moores Rowland were appointed since the year end and have expressed their willingness to continue in office as auditors. A resolution for their reappointment will be presented at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS

The Directors' interests in the ordinary shares of the Company at 31 March 1999 and 1 April 1998, or date of appointment if later, were: -

	Beneficial Holdings	
	1999	**1998**
M A Spencer	306,780	306,780
D Gelber	20,000	20,000
R Lees	25,000	25,000
P Newman	14,000	14,000
P O'Toole	14,500	11,500
S H J Mansell	7,500	7,500
D Casterton	10,000	10,000
D Kelly	15,500	15,500

The Directors also held the following interests in the ordinary shares of Intercapital Brokerage Services Limited at 31 March 1999: P Newman 2,125,000, P O'Toole 3,600,000 and M Spencer 120,000. The Directors who served during the year and those serving at the year end are set out on page 1.

The following Directors had related party loans outstanding at 31 March 1999: -

	Maximum outstanding during the year	**1999**	**1998**
	£'000	**£'000**	**£'000**
M A Spencer	1,320	1,179	944
R Lees	72	-	65
P Newman	263	238	244
P O'Toole	337	337	180
S H J Mansell	19	17	18
D Kelly	1	1	1

In addition, the following Directors had loans with the Intercapital Group Limited Employee Benefit Trust outstanding at 31 March 1999: -

	1999	**1998**
	£'000	**£'000**
M A Spencer	658	757
R Lees	104	121
D Gelber	175	228
P Newman	96	104
P O'Toole	233	133
S Mansell	110	127
D Casterton	224	266
D Kelly	465	546

Interest is charged at a market rate on all loans.

By order of the Board of Directors
and signed on behalf of the Board

S H J MANSELL
Secretary

Park House
16 Finsbury Circus
LONDON
EC2M 7DJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for that year. In preparing those financial statements, 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF INTERCAPITAL GROUP LIMITED

We have audited the financial statements on pages 6 to 28.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's and Group's affairs at 31 March 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland

MRI MOORES ROWLAND
Chartered Accountants
Registered Auditor

29 June 2000

INTERCAPITAL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £'000	1998 £'000
TURNOVER			
Continuing operations	1	92,793	75,687
Acquisitions		56,624	-
Discontinued operations		3,459	-
Total turnover		152,876	75,687
OPERATING EXPENSES			
Continuing operations		(59,378)	(68,637)
Acquisitions		(78,395)	-
Discontinued operations		(4,515)	-
OPERATING (LOSS)/PROFIT	3		
Continuing operations		33,415	6,050
Acquisitions		(21,771)	-
Discontinued operations		(1,056)	-
		10,588	6,050
Interest receivable and similar income	4	7,104	2,514
Interest payable	5	(1,251)	(577)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,441	7,987
Tax on profit on ordinary activities	6	(12,373)	(3,846)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,068	4,141
Minority interests		2,562	(754)
PROFIT FOR THE FINANCIAL YEAR		6,630	3,387
Dividends	7	(4,992)	(2,111)
RETAINED PROFIT FOR THE FINANCIAL YEAR		**1,638**	**1,276**

STATEMENT OF MOVEMENTS ON RESERVES FOR THE YEAR ENDED 31 MARCH 1999

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Foreign exchange translation £'000	Profit and loss account £'000	Total £'000
GROUP						
Balance at 1 April 1998	90	3	726	(303)	32,539	33,055
Retained profit for the year	-	-	-	-	1,638	1,638
Reserves released on disposal of shares in subsidiaries	-	-	(726)	(168)	894	-
Foreign exchange translation differences	-	-	-	23	-	23
Balance at 31 March 1999	90	3	-	(448)	35,071	34,716
COMPANY						
Balance at 1 April 1998	90	3	-	-	8,461	8,554
Profit retained for the year	-	-	-	-	43,591	43,591
Balance at 31 March 1999	90	3	-	-	52,052	52,145

At the year end, cumulative goodwill of £472,360 had been written off against reserves.

INTERCAPITAL GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 1999

	Notes	£'000	1999 £'000	£'000	1998 £'000
FIXED ASSETS					
Positive goodwill	9	625		990	
Negative goodwill	9	(9,643)		-	
			(9,018)		990
Tangible assets	10	20,401		4,335	
Investments	11	12,589		7,294	
			32,990		11,629
CURRENT ASSETS					
Debtors	12	77,045		85,106	
Investments	13	8,840		5,749	
Cash at bank and in hand		40,235		19,950	
		126,120		110,805	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(80,806)		(85,323)	
NET CURRENT ASSETS			45,314		25,482
TOTAL ASSETS LESS CURRENT LIABILITIES			69,286		38,101
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(6,205)		-
PROVISIONS FOR LIABILITIES AND CHARGES	16		(9,394)		-
MINORITY INTERESTS			(18,235)		(4,310)
TOTAL NET ASSETS			**35,452**		**33,791**
CAPITAL AND RESERVES					
Called up share capital	18		736		736
Share premium account		90		90	
Capital redemption reserve		3		3	
Other reserves		-		726	
Profit and loss account		34,623		32,236	
			34,716		33,055
SHAREHOLDERS' FUNDS			**35,452**		**33,791**

THE FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON 29/6/00

Signed on behalf of the Board of Directors

M A SPENCER **D M GELBER**

INTERCAPITAL GROUP LIMITED

COMPANY BALANCE SHEET AS AT 31 MARCH 1999

	Notes	£'000	1999 £'000	£'000	1998 £'000
FIXED ASSETS					
Tangible assets	10	36		20	
Investments	11	60,359		12,242	
			60,395		12,262
CURRENT ASSETS					
Debtors	12	21,630		17,958	
Investments	13	2,400		2,380	
Cash at bank and in hand		3,972		248	
		28,002		20,586	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(35,516)		(23,558)	
NET CURRENT LIABILITIES			(7,514)		(2,972)
TOTAL ASSETS LESS CURRENT LIABILITIES			**52,881**		**9,290**
CAPITAL AND RESERVES					
Called up share capital	18		736		736
Share premium account		90		90	
Capital redemption reserve		3		3	
Profit and loss account		52,052		8,461	
			52,145		8,554
SHAREHOLDERS' FUNDS			**52,881**		**9,290**

THE FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON 29/6/00

Signed on behalf of the Board of Directors

M A SPENCER **D M GELBER**

INTERCAPITAL GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £000	1998 £000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		10,588	6,050
Depreciation		3,576	2,412
Goodwill amortisation		365	247
Negative goodwill released		(10,967)	-
Decrease/(increase) in debtors		61,269	(138,811)
(Decrease)/increase in creditors		(69,504)	143,944
Loss on sale of tangible fixed assets		233	-
Profit/(loss) on sale of investments		(3,229)	388
Loss on disposal of shares in subsidiaries		-	126
Lease provisions		9,394	-
Net cash inflow from operating activities		**1,725**	**14,356**
CASH FLOW STATEMENT			
Net cash inflow from operating activities		1,725	14,356
Return on investments and servicing of finance	21	2,207	903
Taxation		(6,753)	(6,044)
Capital expenditure	21	5,214	(8,433)
		2,393	782
Acquisitions and disposals	21	25,384	-
Equity dividends paid		(4,062)	(1,808)
		23,715	(1,026)
Management of liquid resources	21	3,881	1,024
Financing	21	(11,217)	-
Increase/(decrease) in cash		**16,379**	**(2)**
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash for the year		16,379	(2)
Cash flow from decrease in liquid resources		(3,881)	(1,024)
Cash flow from debt and lease financing		11,217	-
Change in net funds arising from cashflows		23,715	(1,026)
Loans and finance leases acquired with subsidiary		(20,208)	-
Loan cleared on disposal of investments		7,883	-
Effect of foreign exchange differences		(559)	(196)
		10,831	(1,222)
Net funds at 1 April		18,937	20,159
Net funds at 31 March	22	**29,768**	**18,937**

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF RECOGNISED GAINS AND LOSSES

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1999	**1999 £'000**	**1998 £'000**
Profit for the financial year	6,630	3,387
Dividends	(4,992)	(2,111)
	1,638	1,276
Other recognised gains and losses relating to the financial year	23	(84)
Reserves written back on disposal of shares in subsidiaries	-	(12)
Goodwill	-	(261)
Net addition to shareholders' funds	1,661	919
Opening shareholders' funds	33,791	32,872
Closing shareholders' funds	**35,452**	**33,791**

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 1999	**1999 £'000**	**1998 £'000**
Profit for the financial year	6,630	3,387
Foreign exchange translation differences	23	(84)
Total recognised gains and losses relating to the year	**6,653**	**3,303**

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies which the Directors have adopted are set out below.

a) **Accounting Convention** - The financial statements are prepared under the historical cost convention.

b) **Basis of Consolidation** - The Group financial statements consolidate the financial statements of the Company and all subsidiaries for the financial year ended 31 March 1999 and also include the financial statements of The Intercapital Group Limited Employee Benefit Trust. Overseas subsidiaries are consolidated using the closing rate method. Foreign exchange differences arising on consolidation are taken to reserves.

c) **Foreign Exchange** - Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Income earned or expenses incurred in foreign currencies are translated at the rates ruling at the time of the transaction. Profits and losses on translation are taken to the profit and loss account.

d) **Pension Costs** - The Group operates defined contribution, externally funded pension schemes. Contributions are charged against profits as they fall due. Certain defined benefit schemes are operated by overseas subsidiaries, further details are given at note 19.

e) **Fixed Assets and Depreciation** - Depreciation is calculated as follows:-

Short leasehold, motor cars, office equipment and furniture - to write off their cost by equal annual instalments over their estimated useful lives which are considered to be between two and five years.

f) **Deferred Taxation** is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

g) **Turnover** relates to commission on capital markets transactions, market making services, sales of software and subscriptions. It is recognised in the financial statements when invoiced. In the spread index bookmaking subsidiaries, open bets are included in the financial statements at market value in order to give a true and fair view of the results for the year.

h) **Segmental Information** - No analysis of turnover between geographical and business segments is given as in the opinion of the Directors this would be seriously prejudicial to the interests of the Group.

i) **Current Asset Investments** - Investments are stated at the lower of cost or net realisable value except for listed investments which are stated at market value.

1. ACCOUNTING POLICIES (Continued)

j) **Goodwill** arising on the acquisition of subsidiaries is treated in accordance with FRS 10 "Goodwill and Intangible Assets" and capitalised rather than written off directly to reserves as was the case under the previous policy. Capitalised goodwill is amortised over the shorter of its useful economic life or five years. Amounts previously written off to reserves will be charged to the profit and loss account in the event of the disposal of the subsidiaries to which it relates.

In accordance with FRS 10, negative goodwill arising on acquisitions is capitalised and recognised on the face of the balance sheet. Negative goodwill is credited to the profit and loss account over the period in which the non-monetary assets are depreciated or sold.

k) **Matched Principal Business** - Certain companies in the Group are involved as matched principal in the purchase and simultaneous commitment to sell equities and securities between third parties. The trades are complete only when both sides of the deal are matched, and so risk for these companies arises in the event of one side of the transaction remaining unsettled. Substantially all the transactions settle within a short period of time and the settlement risk is considered to be minimal. To reflect the substance of the transactions and be in accordance with industry practice, the amounts due to and payable by counterparties are offset, and the net amount included in trade debtors. Unsettled transactions are matched principal deals which have not settled in the normal course of trading. These amounts are shown gross and included within trade debtors and trade creditors.

l) **Derivative Instruments** - The Group uses a range of Derivative Instruments, including Forward Foreign Exchange and Foreign Exchange Options contracts. These Derivative Instruments are used for hedging purposes. Such contracts are matched at their inception to expected future cash flows from specific income or expense. Gains and losses are released to the profit and loss account to match the income and costs of underlying transactions they are intended to hedge. At a period end outstanding Forward Foreign Exchange contracts used as a hedge are not revalued, but are carried forward to match against corresponding gains or losses from the original exposures.

m) **Leases** - Amounts payable under operating leases are charged to the profit and loss account as they are incurred.

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the lease and hire purchase contracts is charged to the profit and loss using the actuarial method.

2. DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors:-		
Aggregate emoluments	2,085	2,043
Company pension contributions	82	58
	2,167	2,101
Highest paid director:-		
Aggregate emoluments	619	623
Company pension contributions	6	6
	625	629

All Directors have benefits accruing under pension schemes.

Employees	Number of Employees 1999	1998
The average number of persons employed by the Group was:	602	373

Staff Costs	1999 £'000	1998 £'000
Wages and salaries	68,265	34,965
Social security costs	6,545	2,868
Pension costs	1,026	789
Other costs	998	6,019
	76,834	**44,641**

3. OPERATING (LOSS)/PROFIT

	Continuing £'000	Acquisitions £'000	Discontinued £'000	1999 Total £'000	1998 Total £'000
Operating profit is stated after charging:-					
Goodwill amortisation	365	-	-	365	247
Negative goodwill released	-	10,967	-	10,967	-
Auditors' remuneration: -					
Audit fees	76	138	-	214	132
Other services	163	-	-	163	124
Depreciation	819	2,757	-	3,576	2,412
Staff costs (note 2)	40,361	31,414	5,059	76,834	44,641
Property relocation costs	-	12,034	378	12,412	-
Redundancy costs	-	5,900	1,420	7,320	-
Operating leases	724	2,332	56	3,112	707

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £'000	1998 £'000
Bank interest	3,146	1,907
Profit on sale of investments and foreign exchange transactions	826	105
Other interest	3,222	363
Income from interest in associated undertaking	(90)	139
	7,104	**2,514**

5. INTEREST PAYABLE

	1999 £'000	1998 £'000
Bank interest	1,029	577
On finance leases	222	-
	1,251	**577**

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
UK taxation is based on profit for the year at a rate equivalent to 31% (1998-31%):-		
Corporation tax on taxable profit for the year	7,617	4,542
Adjustment in respect of prior year	(22)	(692)
Deferred tax	2,554	-
Overseas tax	2,224	(4)
	12,373	**3,846**

7. DIVIDENDS

	1999 £'000	1998 £'000
Interim paid £5.00 per ordinary share [1998 £1.70]	3,005	1,052
Proposed dividend £3.20 per ordinary share [1998 £1.80]	1,987	1,059
	4,992	**2,111**

8. PROFIT ATTRIBUTABLE TO PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's profit for the financial year amounted to £43,591,271 (1998 £474,075).

9. GOODWILL

	£'000
Positive goodwill	
Cost	
At 31 March 1999 and 31 March 1998	1,822
Amortisation	
At 31 March 1998	832
Charge for the year	365
At 31 March 1999	1,197
Net book value at 31 March 1999	**625**
Net book value at 31 March 1998	**990**

Negative goodwill

	£'000
Arising in the year	20,610
At 31 March 1999	20,610
Amortisation	
Charge for the year	10,967
At 31 March 1999	10,967
Net book value at 31 March 1999	**9,643**

Acquisition of Exco plc

On 26 October 1998 the Group acquired an effective 55.5% interest in the ordinary shares of Exco plc through an exchange of 100% of the shares in the following Group subsidiaries:

Intercapital Commodity Swaps Ltd
Intercapital Equity Derivatives Ltd
Intercapital Securities Ltd
Intercapital Brokers Ltd
Intercapital Commodity Derivatives Inc.
Intercapital Securities Inc.
Intercapital Group (Australia) Pty Ltd

9. GOODWILL (Continued)

The assets acquired were analysed as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	16,555	-	16,555
Investments	17,596	-	17,596
Debtors	51,323	-	51,323
Cash at bank and in hand	25,384	-	25,384
Current asset investments	6,918	-	6,918
Creditors	(60,536)	-	(60,536)
Bank loans and overdrafts	(17,950)	-	(17,950)
Minority interest	(14,877)	-	(14,877)
Net assets	**24,413**	**-**	**24,413**
Negative goodwill arising on acquisition			(20,610)
			3,803
Satisfied by:			
Fair value of consideration representing the Group's share of subsidiaries' net assets surrendered			**3,803**

The Directors are of the opinion that the book value of assets as stated in the Exco plc Balance Sheet at the date of acquisition is not significantly different from fair value at that date.

In the period from 1 January 1998 to 26 October 1998 Exco plc recorded the following:

Profit and Loss	**£'000**
Turnover	128,794
Operating loss	(3,369)
Loss before taxation	(3,020)
Taxation and minority interests	507
Loss after taxation	**(2,513)**

Statement of Total Recognised Gains and Losses

Loss for the period	(2,513)
Exchange adjustments on foreign currency net investments	679
Total recognised losses in the period	**(1,834)**

Exco plc reported a loss after taxation of £5,999,000 for the year ended 31 December 1997.

10. TANGIBLE FIXED ASSETS

GROUP	Short Leasehold £'000	Office Furniture & Equipment £'000	Motor Cars £'000	Total £'000
Cost				
At 1 April 1998	117	9,798	892	10,807
Additions	218	5,610	726	6,554
Acquisition of subsidiary	1,774	37,230	6,794	45,798
Disposals	(809)	(11,659)	(1,245)	(13,713)
Translation adjustments	10	453	78	541
At 31 March 1999	1,310	41,432	7,245	49,987
Depreciation				
At 1 April 1998	59	6,100	313	6,472
Provided in the year	257	3,183	136	3,576
Acquisition of subsidiary	892	26,679	1,672	29,243
Disposals	(478)	(8,535)	(1,082)	(10,095)
Translation adjustments	5	371	14	390
At 31 March 1999	735	27,798	1,053	29,586
Net book value at 31 March 1999	**575**	**13,634**	**6,192**	**20,401**
Net book value at 31 March 1998	**58**	**3,698**	**579**	**4,335**

Office furniture and equipment includes assets held under finance leases with a net book value of £1,626,000 (1998: £nil). Depreciation of £96,000 was charged on these assets during the year (1998: £nil).

COMPANY	Office Furniture & Equipment £'000
Cost	
At 1 April 1998	89
Additions	57
At 31 March 1999	146
Depreciation	
At 1 April 1998	69
Provided in the year	41
At 31 March 1999	110
Net book value at 31 March 1999	**36**
Net book value at 31 March 1998	**20**

11. FIXED ASSET INVESTMENTS

GROUP	Own Shares £'000	Associated Undertakings £'000	Other £'000	Total £'000
Cost/equity valuation				
At 1 April 1998	5,057	402	1,835	7,294
Additions	144	151	2,692	2,987
Acquisition of subsidiaries	-	-	17,596	17,596
Disposals	(748)	-	(14,450)	(15,198)
Share of post acquisition losses	-	(90)	-	(90)
At 31 March 1999	**4,453**	**463**	**7,673**	**12,589**

Employee Benefit Trust

As referred to in note 1 the financial statements of the Employee Trust have been incorporated in the consolidated financial statements in accordance with UITF 13. This has been done because, although the Employee Trust is controlled by independent trustees and its assets are held separately from those of the Group, in practice the Group's advice as to how the assets are used for the benefit of employees is generally accepted.

Contributions to the Employee Trust are determined by the board from time to time. The contributions made in respect of the current year were £87,711(1998 - £1.042 million).

At 31 March 1999 the net assets of the Employee Trust amounted to £1.975 million (1998 - £1.778 million). These assets include 117,111 ordinary shares in the Company carried at cost. Other assets were primarily receivables from employees in connection with the purchase of shares in the Company and its liabilities related to bank borrowings. All dividends have been waived. The Employee Trust bears its own administration and financing costs.

Associated Undertakings

Name of Undertaking	Ordinary Shareholding	Country of Incorporation	Nature of Business
Sheffield Horwath Ltd	27.3%	UK	Recruitment agency
Integral Treasury Group Inc	40.0%	Australia	Credit finance

Participating Interests

Name of Undertaking	Ordinary Shareholding	Country of Incorporation	Nature of Business
Moneyline	25%	USA	Information Provider
SI Vulcan	50%	Australia	Software Consultancy
PT Exco Nusantara Indonesia	25%	Indonesia	Moneybroking
KAF Astley & Pearce Sdn Bhd	40%	Malaysia	Moneybroking
S-One Exco Co Limited	30%	Thailand	Moneybroking
Nittan AP Marshalls (Singapore) Private Ltd	20.06%	Singapore	Moneybroking

All of the above are held indirectly.

11. FIXED ASSET INVESTMENTS (Continued)

Although the Group's interest in the above companies is greater than 20%, the Directors do not consider that the Group has significant influence over decisions of these Companies and accordingly the Group's interests are treated as other fixed asset investments.

During the year the Group sold the following investments which were acquired on acquisition of Exco plc.

Name of Undertaking	Net Assets Disposed £'000	Proceeds £'000	Group Profit/(Loss) £'000
Nittan Exco Limited	10,476	10,886	410
Exco Shorcan Limited	1,207	178	(1,029)
Exco Singapore Money Broking Division	1,822	5,310	3,488

COMPANY Cost	Shares in Subsidiaries £'000	Loans to Subsidiaries £'000	Total £'000
At 1 April 1998	10,469	2,698	13,167
Additions	52,033	1,544	53,577
Disposals	(4,510)	(950)	(5,460)
At 31 March 1999	57,992	3,292	61,284
Provision			
At 1 April 1998 and 31 March 1999	925	-	925
Net book value at 31 March 1999	**57,067**	**3,292**	**60,359**
Net book value at 31 March 1998	**9,544**	**2,698**	**12,242**

Subordinated loans were advanced to subsidiary undertakings and are repayable on demand, subject to the rules of the Securities and Futures Authority.

12. DEBTORS

	GROUP		COMPANY	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Trade debtors	47,839	72,087	-	-
Other debtors	18,425	7,814	3,277	3,376
Amounts owed by group undertakings	-	-	14,988	10,572
Dividends receivable	-	-	2,092	1,713
Prepayments	4,221	3,258	75	1,842
Corporation tax	2,188	1,622	1,198	455
ACT recoverable	2,753	325	-	-
Deferred taxation (note 17)	1,619	-	-	-
	77,045	**85,106**	**21,630**	**17,958**

13. INVESTMENTS HELD AS CURRENT ASSETS

	GROUP		COMPANY	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Other short term investments	8,840	5,749	2,400	2,380

The Group's bankers hold a charge over £2,400,000 (1998 - £2,380,000) of the certificates of deposit in respect of borrowing facilities provided to The Intercapital Group Limited Employee Benefit Trust.

Other short term investments are unlisted and relate principally to Certificates of Deposit and Treasury Bills.

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts	10,668	6,762	846	1,221
Trade creditors	13,709	59,680	-	-
Other creditors	7,144	1,985	11	-
Corporation tax	9,775	3,408	-	-
Other tax and social security	4,150	1,392	63	679
Accruals and deferred income	32,869	10,730	22	45
Proposed dividends	1,987	1,059	1,989	1,059
ACT payable	-	307	-	-
Amounts owed to group undertakings	-	-	32,585	20,554
Obligations under hire purchase contracts	504	-	-	-
	80,806	**85,323**	**35,516**	**23,558**

15. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank loans repayable between one and two years	880	-	-	-
Obligations under hire purchase contracts repayable between one and two years	1,214	-	-	-
Other creditors	4,111	-	-	-
	6,205	**-**	**-**	**-**

16. PROVISION FOR LIABILITIES AND CHARGES

As a result of a reorganisation following the Group's acquisition of Exco plc, provision has been made for rental expenses which are anticipated to exceed rental income in respect of certain properties leased by the Group.

The provision is expected to be utilised as follows:

	£'000
Within one year	4,094
Between one and two years	1,600
Between two and five years	1,800
After more than five years	1,900
	9,394

17. DEFERRED TAXATION

The provision for deferred taxation comprises:

		GROUP		COMPANY
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
(a) Deferred taxation asset:				
Amount recognised:				
Capital and other investment allowances on fixed asset and finance leases	427	-	-	-
Other timing differences	1,192	-	-	-
Deferred timing differences	**1,619**	-	-	-
Amount not recognised:				
Capital and other investment allowances on fixed assets and finance leases	158	-	-	-
Losses	3,707	-	-	-
Other timing differences	4,451	-	-	-
	8,316	-	-	-

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

	GROUP	COMPANY
	£'000	£'000
At 1 April 1998	-	-
Acquisition of subsidiary	4,173	-
Charged to profit and loss account	(2,554)	-
At 31 March 1999	**1,619**	-

(b) 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.

18. CALLED UP SHARE CAPITAL

	1999	1998
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	**1,000**
Allotted and fully paid		
736,000 ordinary shares of £1 each	**736**	**736**

19. PENSION COSTS

The total pension cost for the Group was £1,026,000 (1998: £789,000). There were no prepaid or accrued contributions at the balance sheet date (1998 £nil).

Defined contribution schemes

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

Defined benefit schemes

Certain of the Group's subsidiaries have significant funded benefit schemes in Germany, Switzerland and the USA.

In 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 31 March 1999, and the main assumption was that the investment return would be 8.5%. This scheme was closed at 31 July 1996.

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.

The market values of the schemes were £4,108,000 (1998: £4,341,100) 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.

As at 31 March 1999 no deficiencies are considered to exist on the basis of current funding levels.

20. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has given guarantees on behalf of various subsidiary undertakings.

A subsidiary undertaking in Germany is disposing of part of its business to local management. Under the terms of the agreement, should the local management's trading company become statutorily insolvent and cease to pay pension premiums to its defined benefit pension fund, the subsidiary undertaking would be liable for the pension premiums in respect of 2 members of the local management until they reach 55. The total liability for these premiums totalled DM367,309 at 31 March 1999. Also should the local management's trading company become statutorily insolvent the subsidiary undertaking would be liable to pay 75% of the guaranteed fixed salaries in respect of 3 members of the local management until 30 September 2000. This liability totalled DM1,098,630 at 31 March 1999.

In February 1998, Intercapital Brokers Limited, a Group subsidiary, recruited 13 sterling swap brokers who were at that time employed by MW Marshall (Financial Services) Limited ("Marshalls"). In August 1998, Marshalls and MW Marshalls Limited, both subsidiaries of MW Marshall & Company Limited, served proceedings on Intercapital Brokers Limited, Michael Spencer and one of the former Marshall employees, claiming that they induced and procured breaches of contract by the Marshalls employees. The claim is for damages of £12 million. The defendants deny the claims and they are vigorously defending the proceedings.

A subsidiary undertaking in New York that was acquired during the year, relocated to the World Trade Center in 1997. As part of this relocation, the subsidiary undertaking received an employment incentive grant from the New York City Authorities. As a condition of this grant the subsidiary undertaking must meet certain employment targets over the 15 year period of the grant. If these targets are not met all or part of the grant may have to be repaid. The maximum potential repayment amount is £3.1 million.

21. GROSS CASH FLOWS

	1999 £'000	1998 £'000
Returns on investments and servicing of finance		
Interest received	5,449	2,270
Interest paid	(1,251)	(577)
Dividends paid to minorities	(1,991)	(790)
	2,207	**903**
Capital expenditure		
Payments to acquire tangible fixed assets	(6,554)	(2,629)
Receipts from sales of tangible fixed assets	3,385	176
Payment to acquire investments	(2,987)	(4,482)
Receipts from sales of investments	11,370	1,382
Purchase of subsidiary	-	(3,009)
Sale of subsidiary	-	129
	5,214	**(8,433)**
Management of liquid resources		
Sale of short term investments	**3,881**	**1,024**

21. GROSS CASH FLOWS (Continued)

	1999 £'000	1998 £'000
Financing		
Capital element of finance lease rental payments	(200)	-
Other loan repayments	(11,017)	-
	(11,217)	**-**
Acquisitions and disposals		
Net cash acquired with subsidiary	**25,384**	**-**

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1998 £'000	Cash Flows £'000	Acquisition of subsidiary £'000	Exchange Movements £'000	Other Movements £'000	At 31 March 1999 £'000
Cash at bank	19,950	20,285	-	-	-	40,235
Overdrafts	(6,762)	(3,906)	-	-	-	(10,668)
	13,188	16,379	-	-	-	29,567
Current asset investment	5,749	(3,881)	6,918	54	-	8,840
Other loans	-	11,017	(25,208)	(613)	7,883	(6,921)
Finance leases	-	200	(1,918)	-	-	(1,718)
Total	**18,937**	**23,715**	**(20,208)**	**(559)**	**7,883**	**29,768**

Details of the Group's acquisition of Exco plc are set out on note 9.

23. FINANCIAL COMMITMENTS

	1999 £'000	1998 £'000
Leasehold property held under operating lease:		
Expiring within 1 year	150	381
Expiring within 2-5 years	1,526	1,820
Expiring after more than 5 years	4,691	84
	6,367	**2,285**

	1999 £'000	1998 £'000
Other leases:		
Expiring within 1 year	852	-
Expiring within 2-5 years	1,868	-
Expiring after more than 5 years	23	-
	2,743	-

24. SUBSIDIARY UNDERTAKINGS

The names of the principal investments of Intercapital Group Limited, together with interests in equity shares are given below. The country of operation is the same as the country of incorporation. Indirect holdings are marked with an asterisk.

	Company and Country of Operation	Activity	Holding
	United Kingdom		
*	Intercapital plc	Money and Securities Broker	55.5%
	Intercapital Brokerage Services Limited	Holding Company	88%
	Intercapital Debt Trading Limited	Agency Broker	70%
	Intercapital Clearing Limited	Investment Company	100%
*	Intercapital Equity Derivatives Limited	Moneybroking	55.5%
*	Intercapital Europe Limited	Moneybroking	55.5%
*	Exco Securities UK Limited	Moneybroking	55.5%
	Data Analysis Risk Technology Limited	Computer Consultants	60%
	Weekend City Press Review Limited	Publishers	61%
*	Finisco Limited	Management Consultants	31%
	City Index Holdings Limited	Holding Company	100%
*	City Index Limited	Spread Index Bookmaker	100%
*	Intercapital Securities Limited	Securities Broking	55.5%
*	Exco WCLK Limited	Securities Broking	55.5%
*	Alpha Brokers (Metals) Limited	Commodity Broking	41.6%
*	Intercapital Commodity Swaps Limited	Commodity Broking	55.5%
*	Intercapital Management Services Limited	Central Services	55.5%

24. SUBSIDIARY UNDERTAKINGS (Continued)

	United States		
*	Intercapital America Inc	Moneybroking	55.5%
	Intercapital USA Inc	Service Company	100%
*	Intercapital Brokers Inc	Agency Broker	55.5%
*	Intercapital Commodity Derivatives Inc	Agency Broker	55.5%
*	Intercapital Emerging Markets Inc	Agency Broker	70%
*	Delta Clearing Corp	Clearing House	65%
*	Intercapital Credit Derivatives Inc	Agency Broker	100%
*	Intercapital Government Securities Inc	Securities Broking	55.5%
*	Intercapital Securities Inc	Securities Broking	55.5%
*	Intercapital Group Services Inc	Central Services	55.5%
	Hong Kong		
	Intercapital Group (Hong Kong) Limited	Investment Company	100%
*	Intercapital Brokers (Asia) Limited	Agency Broker	84%
*	Intercapital Emerging Markets (Asia) Limited	Agency Broker	70%
*	O'Neill Associates Limited	Recruitment Consultants	54%
*	DART (Asia) Limited	Computer Consultants	60%
	Australia		
*	Intercapital Group (Australia) Pty Limited	Holding Company	55.5%
*	Intercapital Brokers (Australia) Limited	Agency Broker	55.5%
*	Intercapital Brokers Pty Limited	Moneybroking	55.5%
*	Intercapital Fixed Income Pty Limited	Agency Broker	55.5%
*	Intercapital Fixed Income (Australia) Pty Limited	Securities Broking	55.5%
*	CM-ICAP Pty Limited	Agency Broker	55.5%
*	City Index (Australia) Pty Limited	Spread Index Bookmaker	60%
*	PG Intercapital Limited	Stockbrokers	50%
*	Intercapital FIB Pty Limited	Securities Broking	55.5%
*	Intercapital Securities Pty Limited	Securities Broking	55.5%
*	Intercapital Energy Pty Limited	Commodity Broking	55.5%
*	Intercapital Australia Pty Limited	Central Services	55.5%
	Singapore		
*	Intercapital Commodity Swaps Pte Limited	Agency Broker	55.5%
*	ICAP-Nittan Pte Limited	Moneybroking	55.5%
	Netherlands		
*	INCAP Netherlands (Holdings) BV	Investment Company	100%
	Denmark		
*	Intercapital Scandinavia A/S	Moneybroking	55.5%
	Germany		
*	Exco Bierbaum Devisen GmbH	Moneybroking	55.5%
*	Intercapital Securities Deutschland GmbH	Securities Broking	55.5%
	Switzerland		
*	Intercapital CMS (Switzerland) Limited	Moneybroking	55.5%