

Touche
Ross.



Company Registration No. 2505767

CANTOR FITZGERALD GILTS

Report and Financial Statements

For the year ended 25 March 1994

Touche Ross & Co.
Peterborough Court
133 Fleet Street
London
EC4A 2TR

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REPORT AND FINANCIAL STATEMENTS 1994

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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 25 March 1994.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an unlimited company. It is a member of the Securities and Futures Authority and of The Stock Exchange.

The company acts as an inter-dealer broker in Gilts and intends to continue in this activity.

RESULTS AND DIVIDENDS

The company made a profit of £1,196,467 in the financial year ended 25 March 1994 (1993 - £1,220,222).

The directors do not recommend the payment of a dividend.

FIXED ASSETS

See note 8 on page 10.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

Mr D T Gardner	
Mr A F Goldman	
Mr G Grossman	
Mr J J Hogan	
Mr J Kiddy	
Mr H Lutnick	
Mr J A Malvasio	(resigned on 1 June 1993)
Mr H Needleman	(resigned on 1 July 1993)
Mr A Pover	
Mr R L Turner	

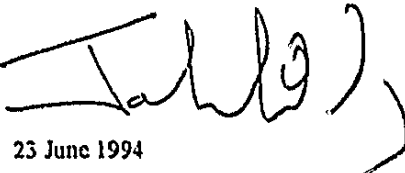
The directors had no interests in the shares of the company at the beginning or at the end of the financial year.

The company is not required to show directors' interests in its immediate and ultimate parent companies incorporated outside Great Britain.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



23 June 1994

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 as at the end of the financial year and of the profit or loss of the company for that period. 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 the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Touche
Ross**



Chartered Accountants

Touche Ross & Co.
Peterborough Court
133 Fleet Street
London EC4A 2TR

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**AUDITORS' REPORT TO THE MEMBERS OF
CANTOR FITZGERALD GILTS**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility 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 circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 25 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants and
Registered Auditors

23 June 1994

**Deloitte Touche
Tohmatsu
International**

Aberdeen Bath Belfast Birmingham Bournemouth Blackpool Bristol Cambridge Cardiff
Colchester Crawley Darford E.burgh Glasgow Leeds Leicester Liverpool London
Manchester Milton Keynes Newcastle upon Tyne Nottingham and Southampton

Principal place of business at which a list of partners' names is available
Peterborough Court, 133 Fleet Street, London EC4A 2TR

Authorized by the Institute of Chartered Accountants in England and Wales to carry on
investment business

PROFIT AND LOSS ACCOUNT
Year ended 25 March 1994

	Note	1994 £	1993 £
TURNOVER - continuing operations	2	74,374,193,161	62,435,776,147
TOTAL EXPENSES		<u>74,372,502,342</u>	<u>62,434,044,625</u>
OPERATING PROFIT - continuing operations	3	1,690,819	1,731,522
Interest receivable	5	315,882	291,689
Interest payable	6	<u>(170,186)</u>	<u>(188,318)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,836,515	1,834,893
Tax on profit on ordinary activities	7	<u>640,048</u>	<u>614,671</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		1,196,467	1,220,222
Profit and loss account brought forward		<u>765,083</u>	<u>(455,139)</u>
Profit and loss account carried forward		<u>1,961,550</u>	<u>765,083</u>

There are no recognised gains or losses or other movements in shareholders' funds for the current and prior years other than as stated above.

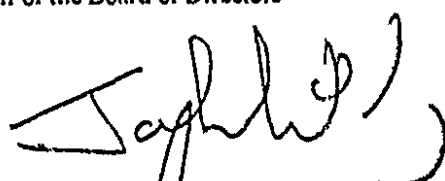
BALANCE SHEET
25 March 1994

	Note	1994 £	1993 £
FIXED ASSETS			
Tangible assets	8	<u>210,357</u>	<u>215,434</u>
CURRENT ASSETS			
Debtors	9	374,402,145	212,078,483
Investments	10	6,141,495	5,064,537
Cash at bank and in hand		<u>38,290</u>	<u>-</u>
		<u>380,581,930</u>	<u>217,143,020</u>
CREDITORS: amounts falling due within one year	11	<u>375,330,737</u>	<u>213,093,371</u>
NET CURRENT ASSETS		<u>5,251,193</u>	<u>4,049,649</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,461,550</u>	<u>4,265,083</u>
CREDITORS: amounts falling due after more than one year	11	<u>1,000,000</u>	<u>1,000,000</u>
		<u>4,461,550</u>	<u>3,265,083</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,500,000	2,500,000
Profit and loss account		<u>1,961,550</u>	<u>765,083</u>
		<u>4,461,550</u>	<u>3,265,083</u>

These financial statements were approved by the Board of Directors on 23 June 1994.

Signed on behalf of the Board of Directors

John Kiddy



Robert Turner



Touche
Ross

CASH FLOW STATEMENT
Year ended 25 March 1994

	Note	1994 £	1993 £
Net cash inflow from operating activities	A	1,697,361	2,109,210
Returns on investments and servicing of finance			
Interest received		315,882	291,689
Interest paid		<u>(170,186)</u>	<u>(188,318)</u>
Net cash inflow from returns on investments and servicing of finance		145,696	103,371
Taxation			
Corporation tax (paid)/recovered		<u>(617,326)</u>	<u>24,096</u>
Tax (paid)/recovered		(617,326)	24,096
Investing activities			
Payments to acquire tangible fixed assets		(118,410)	(42,456)
Receipts from sales of tangible fixed assets		<u>7,927</u>	<u>173,634</u>
Net cash (outflow)/inflow from investing activities		<u>(110,483)</u>	<u>131,178</u>
Increase in cash and cash equivalents	B,C	<u>1,115,248</u>	<u>2,367,855</u>

NOTES TO THE CASH FLOW STATEMENT
Year ended 25 March 1994

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994	1993
	£	£
Operating profit	1,690,819	1,731,522
Depreciation charges	115,560	108,096
Profit on sale of tangible fixed assets	-	(188)
Increase in debtors	(162,323,662)	(100,147,212)
Increase in creditors	162,214,644	100,416,992
Net cash inflow from operating activities	<u>1,697,361</u>	<u>2,109,210</u>

B. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1994	1993
	£	£
Opening balance	5,064,537	2,696,682
Net cash inflow	<u>1,115,248</u>	<u>2,367,855</u>
Closing balance	<u>6,179,785</u>	<u>5,064,537</u>

C. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1994	1993	Change in year
	£	£	£
Cash at bank and in hand	38,290	-	38,290
Current asset investments	<u>6,141,495</u>	<u>5,064,537</u>	<u>1,076,958</u>
	<u>6,179,785</u>	<u>5,064,537</u>	<u>1,115,248</u>

D. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Subordinated loan
	£	£
Balance at 26 March 1993 and 25 March 1994	<u>2,500,000</u>	<u>1,000,000</u>

NOTES TO THE ACCOUNTS
Year ended 25 March 1994

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, apart from current asset investments which are stated at market value.

Foreign exchange

Profit and loss account items and fixed assets involving currencies other than Sterling are translated at the average rates of exchange ruling in the month that the transactions occurred.

Monetary items in the balance sheet are translated at the rates of exchange ruling at the balance sheet date; Exchange differences are taken to the profit and loss account.

Tangible fixed assets

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, at the following rates per annum:

Computer equipment	15% to 22%
Motor vehicles	33%
Equipment and machinery and office furniture	15% to 22%

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Current asset investments

Current asset investments are stated at market value.

Pensions

See note 4.

2. TURNOVER

The company's income is derived from its principal activity which is acting as an inter-dealer broker in Gilts.

Turnover represents the value of transactions in respect of sales of Gilts.

3. OPERATING PROFIT

	1994 £	1993 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	115,560	108,096
Auditors' remuneration, audit	15,000	15,000
Auditors' remuneration, other services	1,945	10,169
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 25 March 1994

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994 £	1993 £
Staff costs during the year amounted to:		
Wages and salaries	1,907,874	1,931,899
Social security costs	202,149	203,724
Other pension costs	696	1,858
	<u>2,110,719</u>	<u>2,137,481</u>

The company operates a defined contribution pension scheme for certain U.K. Directors and employees as determined by their contracts of employment.

The pension charge of £696 represents contributions payable by the company to the scheme and is calculated as a percentage of salary.

The average weekly number of persons (including directors) employed by the company during the year was:

	1994 No.	1993 No.
Direct operating	<u>16</u>	<u>14</u>

The directors received no emoluments for the current or preceding year.

5. INTEREST RECEIVABLE

	1994 £	1993 £
Bank interest	5,240	44,735
Other interest	<u>310,642</u>	<u>246,954</u>
	<u>315,882</u>	<u>291,689</u>

6. INTEREST PAYABLE

	1994 £	1993 £
Interest charged by group company	<u>170,186</u>	<u>188,318</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £	1993 £
United Kingdom corporation tax at 33% based on the profit for the year	<u>640,048</u>	<u>614,671</u>

Deferred taxation

There is no deferred tax provision. There is no unprovided potential deferred tax.

NOTES TO THE ACCOUNTS
Year ended 25 March 1994

8. TANGIBLE FIXED ASSETS

	Computer equipment £	Motor vehicles £	Equipment and machinery £	Office furniture £	Total £
Cost					
At 27 March 1993	275,689	19,958	161,751	16,627	474,025
Additions	61,958	790	55,662	-	118,410
Disposals	-	(11,694)	-	-	(11,694)
At 25 March 1994	337,647	9,054	217,413	16,627	580,741
Accumulated depreciation					
At 27 March 1993	159,899	6,654	85,991	6,047	258,591
Charge for the year	67,189	3,019	41,825	3,527	115,560
Released on disposals	-	(3,767)	-	-	(3,767)
At 25 March 1994	227,088	5,906	127,816	9,574	370,384
Net book value					
At 25 March 1994	110,559	3,148	89,597	7,053	210,357
At 26 March 1993	115,790	13,304	75,760	10,580	215,434

9. DEBTORS

	1994 £	1993 £
Amounts falling due within one year:		
Trade debtors	374,118,306	212,045,707
Amounts owed by parent company	256,589	-
Other debtors	10,958	3,375
Prepayments and accrued income	16,292	29,401
	374,402,145	212,078,483

10. INVESTMENTS HELD AS CURRENT ASSETS

	1993 £	1992 £
Investments listed on recognised investment exchanges: United Kingdom	6,141,495	5,064,537

In the opinion of the directors the historical cost of these investments is not materially different from the market value at which they are stated.

NOTES TO THE ACCOUNTS
Year ended 25 March 1994

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

	1994	1993
	£	£
Trade creditors	374,467,606	212,017,042
Amounts owed to parent company	-	70,010
Corporation tax	637,544	614,822
Other creditors	188,872	284,678
Accruals and deferred income	36,715	106,819
	<u>375,330,737</u>	<u>213,093,371</u>

Amounts falling due after more than one year:

	1994	1993
	£	£
Amounts owed to parent company:		
Subordinated loan stock	<u>1,000,000</u>	<u>1,000,000</u>

Interest on the loan is charged each month at the Sterling LIBOR rate of Chase Manhattan Bank, London at that time.

Repayment of the loan is subject to six months notice and the permission of The Bank of England.

12. CALLED UP SHARE CAPITAL

	1994	1993
	£	£
Authorised		
20,000,000 ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted and fully paid		
2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>

13. PARENT COMPANIES

The immediate parent company is Cantor Fitzgerald International, a company incorporated in Great Britain and registered in England and Wales. The financial statements of the group are available from Companies House, Crown Way, Cardiff CF4 3UZ.

The ultimate parent company is Cantor Fitzgerald L.P. a company incorporated in the United States of America.