

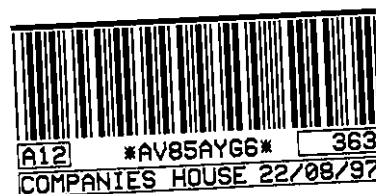


**CANTOR FITZGERALD GILTS**

**Report and Financial Statements**

**For the year ended 28 March 1997**

**Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**



**REPORT AND FINANCIAL STATEMENTS 1997**

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## DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 28 March 1997.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an unlimited company. It is a member of the Securities and Futures Authority and of the London 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 loss of £238,579 in the financial year ended 28 March 1997 (1996 - profit of £156,715).

The directors do not recommend a payment of a dividend during the year (1996 - £2,000,000).

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

Mr L Amaitis	(appointed 01 August 1996)
Mr D Clarke	(appointed 01 July 1996)
Mr R Falkner	
Mr D B Gardner	
Mr D T Gardner	
Mr G Grossman	(resigned 27 September 1996)
Mr J Kiddy	
Mr H Lutnick	
Mr S Merkel	
Mr A Pover	(resigned 27 September 1996)
Mr R L Turner	

The directors had no interests in the shares of the company or any Cantor Fitzgerald International group company at the beginning or at the end of the financial year.

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

### AUDITORS

Deloitte & Touche 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



Robert Falkner

30 June 1997

## **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 a 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.



## Chartered Accountants

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 1198  
LDE: DX 599

## AUDITORS' REPORT TO THE MEMBERS OF

### CANTOR FITZGERALD GILTS

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

#### 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 28 March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

30 June 1997

# CANTOR FITZGERALD GILTS

## PROFIT AND LOSS ACCOUNT Year ended 28 March 1997

	Note	1997 £	1996 £
<b>TURNOVER - continuing operations</b>	2	77,096,892,881	71,420,771,102
Cost of Sales		(77,094,706,373)	(71,418,188,799)
<b>GROSS (LOSS)/PROFIT</b>		2,186,508	2,582,303
Administrative expenses		(2,519,778)	(2,454,398)
<b>OPERATING (LOSS)/PROFIT - continuing operations</b>	3	(333,270)	127,905
Interest receivable	5	189,706	414,410
Interest payable	6	(142,977)	(270,501)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(286,541)	271,814
Tax credit/(provision) on (loss)/profit on ordinary activities	7	47,962	(115,099)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		(238,579)	156,715
Dividends paid		-	(2,000,000)
<b>Retained (loss)</b>		(238,579)	(1,843,285)
<b>Profit and loss account brought forward</b>		917,506	2,760,791
<b>Profit and loss account carried forward</b>		678,927	917,506

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**  
**28 March 1997**

	Note	28 March 1997 £	29 March 1996 £
<b>FIXED ASSETS</b>			
Tangible assets	8	71,885	111,954
<b>CURRENT ASSETS</b>			
Debtors	9	190,403,625	277,862,305
Investments	10	3,378,517	3,310,248
Cash at bank and in hand		113,278	63,753
		193,895,420	281,236,306
<b>CREDITORS: amounts falling due within one year</b>	11	(190,788,378)	(277,930,754)
<b>NET CURRENT ASSETS</b>		3,107,042	3,305,552
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,178,927	3,417,506
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2,500,000	2,500,000
Profit and loss account		678,927	917,506
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		3,178,927	3,417,506

These financial statements were approved by the Board of Directors on 30 June 1997.

Signed on behalf of the Board of Directors

  
David Clarke

**NOTES TO THE ACCOUNTS****Year ended 28 March 1997****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%
Equipment and machinery and office furniture	15% to 22%

**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.

**Cash flow statement**

The company has not prepared a cash flow statement in accordance with FRS 1 (Revised) - Cash Flow Statements. A consolidated cash flow statement is contained in the consolidated financial statements of the immediate parent company (see note 13).

**2. TURNOVER**

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

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

**3. OPERATING (LOSS)/PROFIT**

	1997 £	1996 £
<b>Operating (loss)/profit is stated after charging:</b>		
Depreciation of tangible fixed assets	44,137	56,363
Auditors' remuneration, audit	-	15,000
	<hr/>	<hr/>

In 1997, the auditor's remuneration has been borne by Cantor Fitzgerald International.

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Staff costs during the year amounted to:		
Wages and salaries	1,257,520	1,037,064
Social security costs	136,483	102,225
	<u>1,394,003</u>	<u>1,139,289</u>

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

	1997 No.	1996 No.
Direct operating	<u>13</u>	<u>17</u>

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

## 5. INTEREST RECEIVABLE

	1997 £	1996 £
Bank interest	-	4,720
Other interest	189,706	409,690
	<u>189,706</u>	<u>414,410</u>

## 6. INTEREST PAYABLE

	1997 £	1996 £
Bank interest	7,373	-
Interest charged by group company	135,604	270,501
	<u>142,977</u>	<u>270,501</u>

## 7. TAX CREDIT/(PROVISION) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 33%	48,067	(120,095)
(Under)/over provision in prior years	(105)	4,996
	<u>47,962</u>	<u>(115,099)</u>

The tax credit for the year is disproportionately low due to a high level of disallowed expenditure.

## Deferred taxation

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

**NOTES TO THE ACCOUNTS**  
**Year ended 28 March 1997**

**8. TANGIBLE FIXED ASSETS**

	Computer equipment £	Equipment and machinery £	Office furniture £	Total £
<b>Cost</b>				
At 30 March 1996	337,647	311,643	16,627	665,917
Additions	4,068	-	-	4,068
	<u>341,715</u>	<u>311,643</u>	<u>16,627</u>	<u>669,985</u>
<b>Accumulated depreciation</b>				
At 30 March 1996	311,624	226,327	16,012	553,963
Charge for the year	11,927	31,595	615	44,137
	<u>323,551</u>	<u>257,922</u>	<u>16,627</u>	<u>598,100</u>
<b>Net book value</b>				
At 28 March 1997	<u>18,164</u>	<u>53,721</u>	<u>-</u>	<u>71,885</u>
At 30 March 1996	<u>26,023</u>	<u>85,316</u>	<u>615</u>	<u>111,954</u>

**9. DEBTORS**

	28 March 1997 £	29 March 1996 £
Amounts falling due within one year:		
Trade debtors	190,389,291	277,787,561
Amounts owed by parent company	-	53,085
Other debtors	14,334	21,659
	<u>190,403,625</u>	<u>277,862,305</u>

**10. INVESTMENTS HELD AS CURRENT ASSETS**

	28 March 1997 £	29 March 1996 £
Investments listed on recognised investment exchanges:		
United Kingdom	<u>3,378,517</u>	<u>3,310,248</u>

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 28 March 1997

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

	28 March 1997 £	29 March 1996 £
Trade creditors	190,276,411	277,780,351
Amounts owed to parent company	178,589	-
Corporation tax	117,089	120,065
Other creditors	1,574	10,000
Accruals and deferred income	214,715	20,338
	<u>190,788,378</u>	<u>277,930,754</u>

## 12. CALLED UP SHARE CAPITAL

	28 March 1997 £	29 March 1996 £
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, Maindy, Cardiff CF4 3UZ.

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

The company has not provided the disclosures required by FRS 8 - Related Party Transactions in respect of transactions with companies in the Cantor Fitzgerald International group as more than 90% of the voting rights of the company are controlled within the Cantor Fitzgerald International group and consolidated financial statements in which Cantor Fitzgerald Gilts is included are publicly available from the above address.