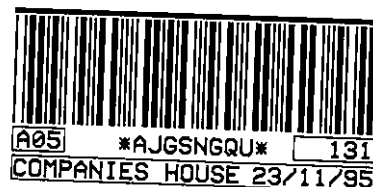


CANTOR FITZGERALD GILTS

Report and Financial Statements

For the year ended 31 March 1995

**Touche Ross & Co.
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR**



REPORT AND FINANCIAL STATEMENTS 1995

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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 March 1995.

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 £799,241 in the financial year ended 31 March 1995 (1994 - £1,196,467).

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 A Pover
Mr R L Turner

The directors had no interests in the shares of the company or its immediate parent 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

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 1995



**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

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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 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

23 June 1995


PROFIT AND LOSS ACCOUNT
 Year ended 31 March 1995

	Note	1995 £	1994 £
TURNOVER - continuing operations	2	63,097,829,048	74,374,193,161
Cost of Sales		63,095,275,621	74,371,100,498
GROSS PROFIT		2,553,427	3,092,663
Administrative expenses		(1,389,685)	(1,401,844)
OPERATING PROFIT - continuing operations	3	1,163,742	1,690,819
Interest receivable	5	341,274	315,882
Interest payable	6	(224,961)	(170,186)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,280,055	1,836,515
Tax on profit on ordinary activities	7	(480,814)	(640,048)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		799,241	1,196,467
Profit and loss account brought forward		1,961,550	765,083
Profit and loss account carried forward		2,760,791	1,961,550

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
31 March 1995

	Note	31 March 1995 £	25 March 1994 £
FIXED ASSETS			
Tangible assets	8	156,622	210,357
CURRENT ASSETS			
Debtors	9	338,117,376	374,402,145
Investments	10	6,718,466	6,141,495
Cash at bank and in hand		196,262	38,290
		<u>345,032,104</u>	<u>380,581,930</u>
CREDITORS: amounts falling due within one year	11	<u>338,927,935</u>	<u>375,330,737</u>
NET CURRENT ASSETS		<u>6,104,169</u>	<u>5,251,193</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,260,791</u>	<u>5,461,550</u>
CREDITORS: amounts falling due after more than one year	11	<u>(1,000,000)</u>	<u>(1,000,000)</u>
		<u>5,260,791</u>	<u>4,461,550</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,500,000	2,500,000
Profit and loss account		<u>2,760,791</u>	<u>1,961,550</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>5,260,791</u>	<u>4,461,550</u>

These financial statements were approved by the Board of Directors on 23 June 1995.

Signed on behalf of the Board of Directors

John Kiddy

Robert Turner


CASH FLOW STATEMENT
Year ended 31 March 1995

	Note	1995 £	1994 £
Net cash inflow from operating activities	A	1,338,661	1,697,361
Returns on investments and servicing of finance			
Interest received		341,274	315,882
Interest paid		<u>(224,961)</u>	<u>(170,186)</u>
Net cash inflow from returns on investments and servicing of finance		116,313	145,696
Taxation			
Corporation tax paid		<u>(640,644)</u>	<u>(617,326)</u>
Tax paid		(640,644)	(617,326)
Investing activities			
Payments to acquire tangible fixed assets		(82,535)	(118,410)
Receipts from sales of tangible fixed assets		<u>3,148</u>	<u>7,927</u>
Net cash outflow from investing activities		<u>(79,387)</u>	<u>(110,483)</u>
Increase in cash and cash equivalents	B,C	<u>734,943</u>	<u>1,115,248</u>



NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 1995

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

	1995	1994
	£	£
Operating profit	1,163,742	1,690,819
Depreciation charges	133,122	115,560
Decrease/(increase) in debtors	36,284,769	(162,323,662)
(Decrease)/increase in creditors	(36,242,972)	162,214,644
Net cash inflow from operating activities	1,338,661	1,697,361

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

	1995	1994
	£	£
Opening balance	6,179,785	5,064,537
Net cash inflow	734,943	1,115,248
Closing balance	6,914,728	6,179,785

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

	1995	1994	Change in year
	£	£	£
Cash at bank and in hand	196,262	38,290	157,972
Current asset investments	6,718,466	6,141,495	576,971
	6,914,728	6,179,785	734,943

D. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £	Subordinated loan £
Balance at 26 March 1994 and 31 March 1995	2,500,000	1,000,000

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

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

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

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

3. OPERATING PROFIT

	1995 £	1994 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	133,122	115,560
Auditors' remuneration, audit	15,000	15,000
Auditors' remuneration, other services	-	1,945
	<u>133,122</u>	<u>115,560</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1995 £	1994 £
Staff costs during the year amounted to:		
Wages and salaries	1,528,802	1,907,874
Social security costs	156,279	202,149
Other pension costs	-	696
	<u>1,685,081</u>	<u>2,110,719</u>

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

	1995 No.	1994 No.
Direct operating	<u>16</u>	<u>16</u>

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

5. INTEREST RECEIVABLE

	1995 £	1994 £
Bank interest	6,932	5,240
Other interest	334,342	310,642
	<u>341,274</u>	<u>315,882</u>

6. INTEREST PAYABLE

	1995 £	1994 £
Bank interest	2,228	-
Interest charged by group company	222,733	170,186
	<u>224,961</u>	<u>170,186</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
United Kingdom corporation tax at 33% based on the profit for the year	480,814	640,048

Deferred taxation

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

8. TANGIBLE FIXED ASSETS

	Computer equipment £	Motor vehicles £	Equipment and machinery £	Office furniture £	Total £
Cost					
At 26 March 1994	337,647	9,054	217,413	16,627	580,741
Additions	-	-	82,535	-	82,535
Disposals	-	(9,054)	-	-	(9,054)
At 31 March 1995	337,647	-	299,948	16,627	654,222
Accumulated depreciation					
At 26 March 1994	227,088	5,906	127,816	9,574	370,384
Charge for the year	71,526	-	58,102	3,494	133,122
Released on disposals	-	(5,906)	-	-	(5,906)
At 31 March 1995	298,614	-	185,918	13,068	497,600
Net book value					
At 31 March 1995	39,033	-	114,030	3,559	156,622
At 25 March 1994	110,559	3,148	89,597	7,053	210,357

9. DEBTORS

	31 March 1995 £	25 March 1994 £
Amounts falling due within one year:		
Trade debtors	338,071,757	374,118,306
Amounts owed by parent company	-	256,589
Other debtors	17,227	10,958
Prepayments and accrued income	28,392	16,292
	338,117,376	374,402,145

NOTES TO THE ACCOUNTS
Year ended 31 March 1995

10. INVESTMENTS HELD AS CURRENT ASSETS

	31 March 1995	25 March 1994
	£	£
Investments listed on recognised investment exchanges:		
United Kingdom	<u>6,718,466</u>	<u>6,141,495</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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

	31 March 1995	25 March 1994
	£	£
Trade creditors	338,050,732	374,467,606
Amounts owed to parent company	61,442	-
Corporation tax	477,714	637,544
Other creditors	286,995	188,872
Accruals and deferred income	<u>51,052</u>	<u>36,715</u>
	<u>338,927,935</u>	<u>375,330,737</u>

Amounts falling due after more than one year:

	1995	1994
	£	£
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

	31 March 1995	25 March 1994
	£	£
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>

NOTES TO THE ACCOUNTS

Year ended 31 March 1995

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 company incorporated in the United States of America.