

**Tullett & Tokyo
International Securities Limited**

Company Registration Number 2533369

Report & Accounts

December 31, 1995



TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1995.

Results & dividends

The trading profit for the year, after taxation, amounted to £52,097 (1994 loss £373,107).

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company is a corporate member of The International Securities Management Association, authorised by The Securities and Futures Authority. The company trades as an Inter Dealer Broker and agency broker in Government and other Securities.

The operations of Tullett Securities Limited, along with its associated assets and liabilities as at December 31, 1995, were transferred to Tullett & Tokyo International Securities on January 1, 1996.

Directors & their interests

The directors who held office during the year were as follows :

A. J. Styant	(appointed October 10, 1995)
T. R. Sparkes	
M. S. Perkins	(resigned October 10, 1995)
C. Drinkwater	
D. Tuffley	(appointed March 23, 1995; resigned October 31, 1995)
R. Williams	
P. McCaffrey	(appointed December 28, 1995)
L. W. O'Malley	
D. Martin	
R. Woodbridge	
M. Sweeting	(resigned February 28, 1995)

None of the directors had a beneficial interest in the issued share capital of the company during the year.

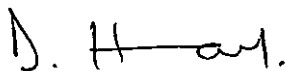
A. J. Styant is a director of Tullett & Tokyo Forex International Limited, the ultimate parent undertaking, and his interest in the share capital of group companies is disclosed in the financial statements of Tullett & Tokyo Forex International Limited.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

D. Hart
Company Secretary



March 29, 1996

TULLET & TOKYO INTERNATIONAL SECURITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the profit of the company 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;
- and
- * prepare the accounts 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 accounts comply with the Companies Act 1985. 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED**

We have audited the accounts on pages 4 to 13, which have been prepared under the historical cost convention and on the basis of 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

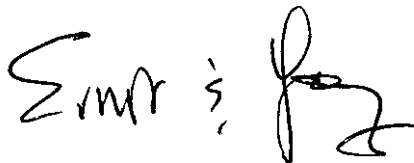
Basis of opinion

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 disclosures 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 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at December 31, 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Chartered Accountants
Registered Auditor
London

March 29, 1996

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1995**

	Notes	1995 £	1995 £	1994 £
Turnover :				
Continuing operations	2		13,722,721	15,022,216
Net operating expenses				
Other operating income	3	(739,813)		(391,761)
Staff costs	5	8,211,129		8,873,297
Other operating charges		<u>5,740,678</u>		<u>6,569,560</u>
			(13,211,994)	(15,051,096)
Operating profit/(loss):				
Continuing operations	4		510,727	(28,880)
Interest receivable	6		331,932	182,469
Interest payable	7		(476,777)	(407,062)
Profit/(loss) on ordinary activities before taxation			<u>365,882</u>	<u>(253,473)</u>
Tax on profit/(loss) on ordinary activities	8		<u>(313,785)</u>	<u>(119,634)</u>
Retained Profit/(loss) for the financial year	15		<u><u>52,097</u></u>	<u><u>(373,107)</u></u>

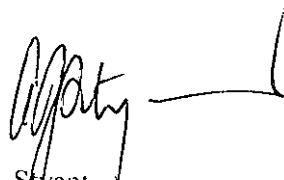
During the year there were no recognised gains or losses other than the profit for the financial year.

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1995

	Notes	1995 £	1994 £
Current assets:			
Debtors	9	5,458,810	2,189,732
Cash at bank	10	5,769,522	5,471,969
		<u>11,228,332</u>	<u>7,661,701</u>
Creditors: amounts falling due within one year	11	(3,712,422)	(4,197,888)
Net current assets		<u>7,515,910</u>	<u>3,463,813</u>
Creditors: amounts falling due after more than one year	12	(4,000,000)	-
Net assets		<u><u>3,515,910</u></u>	<u><u>3,463,813</u></u>
Capital and reserves:			
Called up share capital	14	4,000,000	4,000,000
Profit and loss account	15	(484,090)	(536,187)
		<u><u>3,515,910</u></u>	<u><u>3,463,813</u></u>

The accounts were approved at a meeting of the board of directors on March 29, 1996.


A. J. Syant
Director

March 29, 1996

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Trade date accounting

Security transactions and related income are recorded on a trade date basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the last day of the previous month. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group support

Tullett & Tokyo Forex International Limited has undertaken to continue to support the company for the foreseeable future and accordingly the accounts have been prepared on the going concern basis.

2. Turnover

Turnover represents income earned as an Inter Dealer Broker and agency broker in the course of dealings with members of the Association of International Bond Dealers, net of VAT and recorded on a trade date basis. Details of the geographical turnover by destination are as follows:

	1995	1994
	£	£
Europe	13,686,656	14,587,402
North America	36,065	244,977
Far East & Australia	-	162,684
Other	-	27,153
	<u>13,722,721</u>	<u>15,022,216</u>

3. Other operating income

Other operating income represents intra group recharges.

	1995	1994
	£	£
Tullett & Tokyo Forex Limited	11,430	-
Tullett & Tokyo Forex International Limited	(735,432)	(84,751)
Tullett & Tokyo New York	(15,811)	(307,010)
	<u>(739,813)</u>	<u>(391,761)</u>

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995 (CONTINUED)

4. Operating profit

	1995 £	1994 £
(a) This is stated after charging:		
Directors' remuneration (see below)	677,684	824,524

A material proportion of the company's expenditure, including auditors' remuneration, is incurred by Tullett & Tokyo Forex International Limited, the ultimate parent undertaking. This is recovered from Tullett & Tokyo International Securities Limited by way of a management charge, which passes through the intermediary parent undertaking, Tullett & Tokyo Securities (Holdings) Limited.

	1995 £	1994 £
(b) Directors' remuneration		
Emoluments (including pension contributions)	677,684	767,524
Compensation for loss of office	-	57,000
	<u>677,684</u>	<u>824,524</u>

All directors are employees of the ultimate parent undertaking. Amounts paid to the directors by the ultimate parent undertaking in respect of services as directors for the company or in connection with the management of the company or as a compensation for the loss of office was £Nil (1994 - £824,524) (including pension contributions), all of which was charged to the company as a direct allocation of expenses.

Where directors of the company are also directors of the ultimate parent undertaking, their remuneration is received directly from the parent undertaking. The directors do not believe it is practicable to apportion this amount between their services as directors of the company and of the parent undertaking. A management charge of £1,312,300 (1994 - £1,437,500) in respect of administration costs, has been made by Tullett & Tokyo Securities (Holdings) Limited, which includes directors' emoluments, which it is not possible to separately, or in aggregate, identify.

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

4. Operating profit (continued)

The emoluments, excluding pension contributions, of the chairman were £Nil (1994- £Nil) and of the highest paid director were £233,838 (1994 - £273,052). The directors' emoluments, excluding pension contributions, fell within the following ranges:

	1995	1994
£ Nil - £ 5,000	6	4
£ 15,001 - £ 20,000	1	-
£ 75,001 - £ 80,000	-	1
£ 80,001 - £ 85,000	1	-
£ 90,001 - £ 95,000	-	2
£ 95,001 - £100,000	-	1
£125,001 - £130,000	-	1
£155,001 - £160,000	1	-
£170,001 - £175,000	1	-
£230,001 - £235,000	1	-
£270,001 - £275,000	-	1

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

5. Staff costs

	1995 £	1994 £
Wages and salaries	7,086,424	7,745,887
Social security costs	838,047	827,631
Other pension costs	286,658	299,779
	<u>8,211,129</u>	<u>8,873,297</u>

The company's operations are carried out by employees of the ultimate parent undertaking. Staff costs represent amounts charged to the company as a direct allocation of expenses by the ultimate parent undertaking. During the year, the average weekly number of employees identified as being directly involved in the operation of the company was 93 (1994 - 105).

A group pension scheme is operated for the employees of Tullett & Tokyo Forex International Limited. The scheme previously provided benefits based on final pensionable pay, but effective November 1, 1991 the scheme was converted to one of the defined contribution type. Employees in service at the date of the change receive benefits on the better of the two bases.

The assets of the scheme are held separately from those of the group in a trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at May 1, 1995 and details of this actuarial valuation are disclosed in the accounts of Tullett & Tokyo Forex International Limited.

The pension charge for the year was £286,658 (1994 - £299,779) which represents a direct allocation of expenses by Tullett & Tokyo Forex International Limited, calculated in accordance with Statement of Standard Accounting Practice No. 24.

Interest receivable

	1995 £	1994 £
On amounts due from group undertakings	29,562	-
On bank deposits	302,370	182,469
	<u>331,932</u>	<u>182,469</u>

Interest payable

	1995 £	1994 £
On amounts due to group undertakings	314,286	177,886
On bank overdrafts	162,491	229,176
	<u>476,777</u>	<u>407,062</u>

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

8. Tax on (loss)/profit on ordinary activities

The taxation charge is made up as follows:

	1995 £	1994 £
Based on the profit/(loss) for the year:		
Corporation tax @ 33% (1994 - 33%)	<u>313,785</u>	<u>119,634</u>

The effective tax rate is higher than the corporation tax rate as a result of disallowable expenses.

9. Debtors

	1995 £	1994 £
Trade debtors	884,292	807,359
Amounts payable by settlement offices (note 13)	4,531,142	1,307,130
Other debtors	-	30,475
Prepayments and accrued income	43,376	44,768
	<u>5,458,810</u>	<u>2,189,732</u>

10. Cash at bank

Included in cash at bank is £5,000,000 (1994 - £3,000,000) which is maintained on deposit to secure an overdraft facility for Tullett & Tokyo International Securities Limited at Euroclear.

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

11. Creditors: amounts falling due within one year

	1995 £	1994 £
Subordinated loan	-	2,000,000
Bank overdraft	1,417,276	1,585,161
Trade creditors	-	45,025
Amounts owed to parent undertaking	1,906,982	346,544
Corporation tax payable	303,471	162,446
Other creditors	-	3,050
Accruals	84,693	55,662
	<u>3,712,422</u>	<u>4,197,888</u>

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

	1995 £	1994 £
Subordinated loan	<u>4,000,000</u>	<u>-</u>

The subordinated loan is repayable to the ultimate parent undertaking subject to the approval of the Securities & Futures Authority Limited.

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

13. Settlement Office

a) The amounts payable by the settlement offices represent the company's net position with Euroclear.

	1995 £	1994 £
Receivable from settlement office	111,053,658	41,512,543
Payable to settlement office	108,370,494	41,014,789
Net receivable	<u>2,683,164</u>	<u>497,754</u>

b) The amounts payable by the settlement offices represent the company's net position with Barclays Bank in Amsterdam.

	1995 £	1994 £
Receivable from Barclays Bank	40,899,439	29,424,453
Payable to Barclays Bank	39,051,461	28,615,077
Net receivable	<u>1,847,978</u>	<u>809,376</u>

Amounts outstanding with the settlement office and Barclays Bank are in respect of unsettled security transactions and have been shown net in accordance with reporting practices of the Association of International Bond Dealers.

4. Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1995 Number	1994 Number	1995 £	1994 £
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1995

(CONTINUED)

15. Reconciliation of shareholders' funds and movement on reserves

	Share Capital £	Profit & Loss Account £	Total Shareholder Funds £
Balance at January 1, 1994	1,000,000	(163,080)	836,920
Loss for the year		(373,107)	(373,107)
Issue of ordinary shares	3,000,000		3,000,000
Balance at January 1, 1995	4,000,000	(536,187)	3,463,813
Profit for the year		52,097	52,097
Balance at December 31, 1995	4,000,000	(484,090)	3,515,910

16. Ultimate parent undertaking

The ultimate parent undertaking of Tullett & Tokyo International Securities Limited is Tullett & Tokyo Forex International Limited, a company registered in England & Wales. Copies of the group accounts can be obtained from Tullett & Tokyo Forex International Limited, 54-62 New Broad Street, London, EC2M 1JJ.