

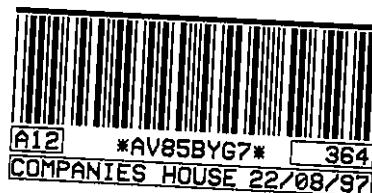


**CANTOR FITZGERALD INTERNATIONAL**

**Report and Financial Statements**

**For the year ended 28 March 1997**

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



# **CANTOR FITZGERALD INTERNATIONAL**

## **REPORT AND FINANCIAL STATEMENTS 1997**

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## DIRECTORS' REPORT

The directors of the company 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 regulated by the Securities and Futures Authority and is a member of the London Stock Exchange and the London International Financial Futures and Options Exchange.

The company acts as an introducing broker in US government and Federal agency securities, over the counter and third market equity securities, interest rate derivatives, emerging market securities, European government securities and as an inter-dealer broker in Eurobonds and intends to continue in these activities.

## RESULTS AND DIVIDENDS

The retained loss for the year amounted to US\$13,870,297 (1996 - US\$8,479,544 profit).

During the year, the company invested heavily in new branches in Frankfurt and Luxembourg and relocated its London operations. As part of the London relocation, the company wrote off significant leasehold improvement costs at its previous location. The directors believe that the investment in a modern infrastructure in London and the European branches will provide excellent returns in the medium term.

## EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within the company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

## EMPLOYEE INVOLVEMENT

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions which affect their current jobs or future prospects.

## DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

Mr L Amaitis	
Mr D Clarke	(appointed 01 July 1996)
Mr R Falkner	
Mr S Fraser	
Mr D B Gardner	
Mr D T Gardner	
Mr P Ginsberg	
Mr G Grossman	(resigned 27 September 1996, re-appointed 07 April 1997)
Mr J Kiddy	
Mr J Malgieri	(appointed 01 July 1996)
Mr S Merkel	
Mr H Lutnick	
Mr A Pover	(resigned 27 September 1996)
Mr R L Turner	

## CANTOR FITZGERALD INTERNATIONAL

### DIRECTORS' REPORT (continued)

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

The company is not required to show directors' interests in its immediate and ultimate parent companies 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 its profit or loss 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.

# CANTOR FITZGERALD INTERNATIONAL

## PROFIT AND LOSS ACCOUNT Year ended 28 March 1997

	Note	1997 US\$	1996 US\$
<b>TURNOVER - continuing operations</b>	2	877,480,518,808	492,490,381,331
<b>Cost of Sales</b>		(877,471,794,925)	(492,468,204,049)
<b>GROSS PROFIT</b>		8,723,883	22,177,282
<b>Administrative expenses</b>		(24,327,514)	(12,600,766)
<b>OPERATING (LOSS)/PROFIT - continuing operations</b>	3	(15,603,631)	9,576,516
Interest receivable	5	1,831,907	1,848,315
Other income - dividends received from subsidiary		-	3,009,600
Interest payable	6	(1,579,674)	(1,686,524)
(Loss)/profit before effect of foreign currency translation		(15,351,398)	12,747,907
Profit on foreign currency translation		951,773	746,445
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(14,399,625)	13,494,352
Tax credit/(charge) on (loss)/profit on ordinary activities	7	529,328	(5,014,808)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(13,870,297)	8,479,544
<b>Profit and loss account brought forward</b>		30,504,670	22,025,126
<b>Profit and loss account carried forward</b>		16,634,373	30,504,670

There are no recognised gains or losses for the current and prior year other than as stated above.

# CANTOR FITZGERALD INTERNATIONAL

## BALANCE SHEET 28 March 1997

	Note	28 March 1997 US\$	29 March 1996 US\$
<b>FIXED ASSETS</b>			
Tangible assets	8	19,991,287	17,251,801
Investments	9	11,511,243	10,142,740
		<u>31,502,530</u>	<u>27,394,541</u>
<b>CURRENT ASSETS</b>			
Debtors	10	11,287,103,225	10,020,193,649
Investments	11	17,074,293	41,143,608
Cash at bank and in hand		5,724,773	4,669,428
		<u>11,309,902,291</u>	<u>10,066,006,685</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(11,282,302,714)</u>	<u>(10,033,328,822)</u>
<b>NET CURRENT ASSETS</b>		<u>27,599,577</u>	<u>32,677,863</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>59,102,107</u>	<u>60,072,404</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	-	(22,200,000)
<b>TOTAL NET ASSETS</b>		<u>59,102,107</u>	<u>37,872,404</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	42,467,734	7,367,734
Profit and loss account		16,634,373	30,504,670
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>59,102,107</u>	<u>37,872,404</u>

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

Signed on behalf of the Board of Directors

David Clarke

# CANTOR FITZGERALD INTERNATIONAL

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS Year ended 28 March 1997

	1997 US\$	1996 US\$
(Loss)/profit for the financial year	(13,870,297)	8,479,544
Issue of shares	35,100,000	-
Net addition to shareholders' funds	21,229,703	8,479,544
Opening shareholders' funds	37,872,404	29,392,860
Closing shareholders' funds	59,102,107	37,872,404

**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.

Except for the disclosure of the bandings of directors' emoluments, in note 4, the financial statements are prepared in U.S. dollars.

**Foreign exchange**

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

Other non-monetary items in the balance sheet involving overseas currencies are translated at the rates of exchange ruling on the dates on which the transactions occurred. Share capital is translated at the rate of exchange applicable on the date of allotment of the shares.

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.

Premiums and discounts on forward foreign exchange contracts, used for hedging purposes, are taken to the profit and loss account over the life of the contracts.

**Tangible fixed assets**

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives. The rates of depreciation are as follows:

Computer equipment	15% to 22%
Motor vehicles	33%
Leasehold improvements	over the period of the lease
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.

**Fixed asset investments**

Investments in subsidiary companies are stated at cost less any provisions for permanent diminution in value.

**Current asset investments**

Current asset investments are stated at market value.

**Pensions**

See note 4.



## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 1. ACCOUNTING POLICIES (Continued)

**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 company (see note 18).

**Consolidation**

These financial statements do not report the consolidated state of affairs of Cantor Fitzgerald International and its subsidiaries as at 28 March 1997 (see note 18).

## 2. TURNOVER

The company's income is derived from acting as an introducing broker in U.S. government and Federal agency securities, over the counter and third market equity securities, interest rate derivatives, emerging market securities, European government securities and as an inter-dealer broker in Eurobonds.

Turnover represents the income received in respect of the sale of Eurobonds and commissions earned from agency trades and introducing business.

## 3. OPERATING (LOSS)/PROFIT

	1997 US\$	1996 US\$
Operating (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets	10,311,839	5,652,208
Auditors' remuneration, audit	97,345	46,800
Auditors' remuneration, other services	249,035	138,592
Rents payable under operating leases	<u>2,759,041</u>	<u>1,932,125</u>

## 4. DIRECTORS AND EMPLOYEES

	1997 US\$	1996 US\$
Staff costs during the year amounted to:		
Wages and salaries	67,961,578	53,305,980
Social security costs	6,595,791	5,101,771
Other pension costs	<u>589,335</u>	<u>433,038</u>
	<u>75,146,704</u>	<u>58,840,789</u>

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

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 US\$589,335 for the year ended 28 March 1997 (29 March 1996 - US\$433,038) represents contributions payable by the company to the scheme and is calculated as a percentage of salary.

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

	1997	1996
	No.	No.
Direct operating	340	330
Other	190	127
	<u>530</u>	<u>457</u>

The remuneration paid to the directors of Cantor Fitzgerald International was:

	1997	1996
	US\$	US\$
Directors' remuneration	<u>2,887,673</u>	<u>2,380,097</u>

The remuneration, disclosed above include amounts paid to:

	1997	1996
	US\$	US\$
Remuneration of the highest paid director	<u>745,434</u>	<u>564,963</u>

The directors (including the highest paid director) received remuneration in the following ranges:

	1997	1996
	No.	No.
£ 0 - £ 5,000	7	7
£ 35,001 - £ 40,000	-	1
£ 70,001 - £ 75,000	-	1
£ 135,001 - £ 140,000	1	-
£ 155,001 - £ 160,000	1	-
£ 175,001 - £ 180,000	-	1
£ 180,001 - £ 185,000	1	-
£ 235,001 - £ 240,000	-	1
£ 240,001 - £ 245,000	1	-
£ 275,001 - £ 280,000	1	-
£ 280,001 - £ 285,000	-	1
£ 345,001 - £ 350,000	1	-
£ 350,001 - £ 355,000	-	1
£ 360,001 - £ 365,000	-	1
£ 465,001 - £ 470,000	1	-
	<u>1</u>	<u>-</u>

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 5. INTEREST RECEIVABLE

	1997 US\$	1996 US\$
Bank interest	619,130	180,488
Interest on Eurobond settlements	117,157	25,583
Interest on current asset investments	793,052	1,428,986
Intercompany interest receivable	73,841	133,166
Other interest	228,727	80,092
	<u>1,831,907</u>	<u>1,848,315</u>

## 6. INTEREST PAYABLE

	1997 US\$	1996 US\$
Interest on settlements	1,231,144	797,266
Intercompany interest charged	328,901	888,566
Other interest	19,629	692
	<u>1,579,674</u>	<u>1,686,524</u>

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

	1997 US\$	1996 US\$
United Kingdom corporation tax at 33%	857,332	(5,605,000)
Adjustment in respect of prior years	(328,004)	399,890
Deferred taxation	-	190,302
	<u>529,328</u>	<u>(5,014,808)</u>

The tax credit for the year is low in relation to the loss due to the disallowance for tax purposes of certain items of expenditure.

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 8. TANGIBLE FIXED ASSETS

	Computer equipment US\$	Motor vehicles US\$	Leasehold improve- ments US\$	Equipment and machinery US\$	Office furniture US\$	Total US\$
<b>Cost</b>						
At 30 March 1996	5,075,385	534,555	7,601,646	24,683,871	1,589,071	39,484,528
Additions	3,304,760	291,802	6,257,100	2,714,997	482,666	13,051,325
Disposals	-	(349,352)	(8,066,142)	-	-	(8,415,494)
At 28 March 1997	8,380,145	477,005	5,792,604	27,398,868	2,071,737	44,120,359
<b>Depreciation</b>						
At 30 March 1996	3,264,978	534,555	3,506,595	13,877,861	1,048,738	22,232,727
Charge for the year	1,042,124	170,597	4,565,207	4,221,417	312,494	10,311,839
Disposals	-	(349,352)	(8,066,142)	-	-	(8,415,494)
At 28 March 1997	4,307,102	355,800	5,660	18,099,278	1,361,232	24,129,072
<b>Net book value</b>						
At 28 March 1997	4,073,043	121,205	5,786,944	9,299,590	710,505	19,991,287
At 30 March 1996	1,810,407	-	4,095,051	10,806,010	540,333	17,251,801

## 9. INVESTMENTS HELD AS FIXED ASSETS

	Equity in subsidiary companies US\$	Loans to subsidiary companies US\$	Total US\$
<b>Cost</b>			
At 30 March 1996	9,642,740	500,000	10,142,740
Additions in year	1,368,503	-	1,368,503
At 28 March 1997	11,011,243	500,000	11,511,243

The equity investment in subsidiary companies as at 28 March 1997 represents the following:

- 99% investment in Cantor Fitzgerald Gilts, a Gilts inter-dealer broker.
- 100% investment in Cantor Fitzgerald (Nominees) Limited, a non trading nominee company.
- 99% investment in Cantor Fitzgerald Capital Markets, an inter-dealer broker in foreign currency forwards, foreign currency options and derivative and money market instruments.
- 99% investment in Data and Technology Associates, a provider of data services.
- 99% investment in Cantor Fitzgerald Europe, a provider of brokerage services.

Cantor Fitzgerald International and its subsidiary companies are incorporated in Great Britain and registered in England and Wales.

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

**10. DEBTORS**

	1997 US\$	1996 US\$
Amounts falling due within one year:		
Trade debtors	11,265,227,628	10,012,344,341
Amounts owed by subsidiary company	1,870,505	274,634
Amounts owed by other group companies	7,531,333	134,526
Corporation tax	551,869	-
Other debtors	9,470,841	6,580,952
Prepayments and accrued income	2,451,049	768,039
Receivable under forward foreign exchange contracts	-	91,157
	<u>11,287,103,225</u>	<u>10,020,193,649</u>

**11. INVESTMENTS HELD AS CURRENT ASSETS**

	1997 US\$	1996 US\$
Stocks listed on recognised investment exchanges:		
United Kingdom	-	4,279,271
Overseas	15,994,343	36,058,231
	<u>15,994,343</u>	<u>40,337,502</u>
Other current asset investments	1,079,950	806,106
	<u>17,074,293</u>	<u>41,143,608</u>

**12. CREDITORS:**

	1997 US\$	1996 US\$
Amounts falling due within one year:		
Trade creditors	11,249,499,506	10,005,587,232
Amounts owed to parent company	605,600	-
Amounts owed to subsidiary company	50,158	95,708
Amounts owed to other group company	1,041,737	1,698,001
Corporation tax	32,593	5,254,621
Other taxes and social security	5,465,733	2,105,976
Other creditors	15,568,641	12,303,909
Accruals and deferred income	9,987,467	6,283,375
Obligations under forward foreign exchange contracts	51,279	-
	<u>11,282,302,714</u>	<u>10,033,328,822</u>

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 12. CREDITORS: (continued)

Amounts falling due after more than one year:	1997 US\$	1996 US\$
Amounts owed to parent company:		
Subordinated loan stock	-	22,200,000

The subordinated loan was repaid during October 1996. Interest on the loan was charged each month at the monthly LIBOR rate at the time plus a margin of 1%.

## 13. DEFERRED TAX

Deferred taxation movement for the year

	1997 US\$	1996 US\$
Opening balance	-	190,302
Current year charge	-	(190,302)
Closing balance	-	-

There is no provision for deferred tax contained in the accounts (1996 - \$ nil) and there is no unprovided potential deferred tax.

## 14. CALLED UP SHARE CAPITAL

	1997 US\$	1996 US\$
<b>Authorised</b>		
30,000,000 ordinary shares of £1 each		
20,000,000 preferred shares of £10 each		
<b>Allotted and fully paid</b>		
26,771,068 (1996 - 4,908,607) ordinary shares of £1 each	42,467,734	7,367,734
<b>Called up share capital</b>		

Capital was increased by \$35,100,000 for capital adequacy purposes.

All shares have been issued under Table A of the Companies Act 1985 and rank pari passu with respect to voting rights, distribution of profits and winding up. Regulations 3, 32, 34 and 35 of Table A shall not apply to the company.

## NOTES TO THE ACCOUNTS

Year ended 28 March 1997

## 15. OTHER FINANCIAL COMMITMENTS

At 28 March 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	1997 US\$	1996 US\$
Leases which expire:		
Within one year	334,852	-
Within two to five years	389,952	1,937,276
Over five years	2,258,717	-
	<u>2,983,521</u>	<u>1,937,276</u>

The company has given the Bank of England a guarantee to cover any losses made by the subsidiary company Cantor Fitzgerald Gilts.

## 16. CONTINGENT LIABILITIES

The company is a defendant in legal actions following the engagement of a number of employees. Legal advice has been obtained and the cases are being defended. In management's opinion, any adverse decision arising from these cases will not have a material impact on the financial position of the company.

## 17. U.S. FINANCIAL STATEMENTS

As stated in note 1, the financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the UK. The company also prepares financial statements suitable for consolidation by the U.S. parent in accordance with U.S. GAAP, in which the closing rate method of foreign currency translation is adopted and exchange differences on non-monetary items are taken directly to reserves.

For ease of comparison, the two balance sheets as at 28 March 1997 are summarised below, the differences being due to the different bases adopted for foreign currency translation.

	UK GAAP US\$	US GAAP US\$
Tangible fixed assets	19,991,287	20,391,452
Other net assets	39,110,820	39,110,820
	<u>59,102,107</u>	<u>59,502,272</u>
Share capital issued	42,467,734	42,467,734
Profit and loss account	16,634,373	16,287,339
Foreign currency translation adjustment taken to reserves	-	747,199
	<u>59,102,107</u>	<u>59,502,272</u>

**NOTES TO THE ACCOUNTS**

**Year ended 28 March 1997**

**18. PARENT COMPANIES**

The immediate parent company is Cantor Fitzgerald International Holdings L.P. and the ultimate parent is Cantor Fitzgerald L.P. Both these entities are partnerships 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. The consolidated financial statements for Cantor Fitzgerald International and its subsidiaries are publicly available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.



## ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 March 1997

## A. RECONCILIATION OF MONTHLY REPORTING STATEMENT (MRS) AND ANNUAL REPORTING STATEMENT (ARS) AS AT 28 MARCH 1997 TO THE AUDITED FINANCIAL STATEMENTS (AFS) AS AT 28 MARCH 1997

## 1. RECONCILIATION OF MRS TO ARS

	MRS	Adj 1	Adj 2	Adj 3	Adj 4	Adj 5	Adj 6	Round- ing	ARS
Other tangible fixed assets	19,787	(950)	349			805			19,991
Stock and investments	560		(349)						211
Trade debtors	11,221,820			4,506					11,226,326
Trade creditors	(11,173,695)			(4,506)				1	(11,178,200)
Non trade debtors	21,123				(5,676)			(1)	15,446
Non trade creditors	(37,204)				5,676	(805)	(177)	(2)	(32,512)
Profit and loss	(17,764)	950					177	2	(16,635)

## Adjustments

1. Foreign exchange translation regarding fixed assets
2. Reclassification of computer and telecommunications equipment and hardware from stock to fixed assets
3. Grossing up of balances
4. Contra of corporation tax balances
5. Reclassification from accrual to fixed assets
6. Reduction of corporation tax asset

## 2. RECONCILIATION OF ARS TO AFS

	ARS	Adj 1	Adj 2	AFS
Stock and investments	16,140	869	65	17,074
Fixed assets	32,371	(869)		31,502

## Adjustments

1. Intangible Investment in LIFFE
2. Short debt/equity position included in trade debtors in ARS

## ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 March 1997

## A. RECONCILIATION OF MONTHLY REPORTING STATEMENT (MRS) AND ANNUAL REPORTING STATEMENT (ARS) AS AT 28 MARCH 1997 TO THE AUDITED FINANCIAL STATEMENTS (AFS) AS AT 28 MARCH 1997 (CONTINUED)

## 3. RECONCILIATION OF CLASSIFICATION DIFFERENCES

		Annual reporting statement 28 March 1997		Audited financial statements 28 March 1997	
		DR US\$'000	CR US\$'000	DR US\$'000	CR US\$'000
Trade debtors	Note 1	11,210,452		11,259,474	
FX Contract	Note 2	15,874		-	
Amounts due from clearing houses	Note 1	-		5,754	
		<u>11,226,326</u>		<u>11,265,228</u>	
Amounts owed by subsidiary company	Note 3	1,821		1,871	
Amounts owed by other group company	Note 4	2,525		7,531	
Corporation tax		552		552	
Other debtors	Note 5	10,621		9,471	
Loans	Note 5	6,589		-	
Prepayments and accrued income	Note 4	8,785		2,451	
		<u>30,893</u>		<u>21,876</u>	
Cash at bank and in hand	Note 1	9,776		5,725	
		<u>9,776</u>		<u>5,725</u>	
<b>Total debtors and cash at bank in hand</b>		<u>11,266,995</u>		<u>11,292,829</u>	

## ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 March 1997

## A. RECONCILIATION OF MONTHLY REPORTING STATEMENT (MRS) AND ANNUAL REPORTING STATEMENT (ARS) AS AT 28 MARCH 1997 TO THE AUDITED FINANCIAL STATEMENTS (AFS) AS AT 28 MARCH 1997 (CONTINUED)

## 3. RECONCILIATION OF CLASSIFICATION DIFFERENCES (CONTINUED)

		Annual reporting statement 28 March 1997		Audited financial statements 28 March 1997	
		DR US\$'000	CR US\$'000	DR US\$'000	CR US\$'000
Trade creditors	Note 1		11,162,276		11,162,276
FX Contracts	Note 2		15,925		-
Due to clearing houses			-		-
Bank loans and overdrafts	Note 1		45,691		87,224
			<u>11,223,892</u>		<u>11,249,500</u>
Amounts owed to parent company			606		606
Amounts owed to other group company	Note 6		658		1,042
Amounts owed to subsidiary company	Note 3		-		50
Corporation tax	Note 7		-		33
Other taxes and social security	Note 7		-		5,466
Other creditors	Note 7		31,248		15,569
Accruals and deferred income	Note 8		-		9,987
FX Contracts	Note 2		-		51
			<u>32,512</u>		<u>32,804</u>

## Notes

1. Amounts due to and from clearing houses shown as overdraft or cash in ARS. In AFS shown as trade debtor/creditor and netted against amounts due from clearing houses.
2. Shown gross in ARS and net in AFS.
3. Shown net in ARS and gross in AFS.
4. Intercompany balance shown as prepayment in ARS.
5. AFS includes loans and reclassifies non trading book debtors in trade debtors.
6. Intercompany balance shown net in ARS and gross in AFS.
7. Shown as other creditors in ARS.
8. Non trade debtor grossed up in AFS. Includes bank overdraft in AFS.

**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 28 March 1997**

**B. ANNUAL EXPENDITURE REQUIREMENT FOR 28 MARCH 1997**

	US\$'000
Total Annual Expenditure	141,403
Exceptional Items - subject to SFA approval	(9,291)
Shared commission	(12,820)
Bonus and profit shares	(4,243)
Fees and brokerage	(2,756)
Interest	(977)
	<hr/>
Relevant Annual Expenditure	111,316
	<hr/>
Expenditure Requirement (1/4)	27,829
	<hr/>



## Chartered Accountants

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## AUDITORS' REPORT TO THE SECURITIES AND FUTURES AUTHORITY ("SFA")

### IN RESPECT OF CANTOR FITZGERALD INTERNATIONAL

For the year ended 28 March 1997

We report on the attached annual financial statements of Cantor Fitzgerald International ("the firm") on the information contained in the attached reporting statement and on the further matters set out below. Our report is provided to SFA in its capacity as a regulator under the Financial Services Act 1986.

We have audited the annual financial statements in accordance with Auditing Standards, and have carried out such other procedures as we considered necessary for the purposes of this report having regard to the Practice Note 'Investment businesses'. We have obtained all the information and explanations which we consider necessary.

#### Financial statements

In our opinion

1. the financial statements give a true and fair view of the firm's state of affairs at 28 March 1997 and of its loss for the year then ended;
2. the annual reporting statement has been properly prepared in accordance with SFA Rules;
3. the balance sheet and profit and loss account in the annual reporting statement are in agreement with the firm's accounting records and returns;
4. the balance sheet in the annual reporting statement has been properly reconciled to the balance sheet in the annual financial statements and to the balance sheet in the monthly reporting statement prepared by the firm as at 28 March 1997.

#### Financial resources

In our opinion

1. the statements of financial resources on pages 2 to 5 of the annual reporting statement have been prepared in accordance with SFA Rules to show the actual financial resources and the requirement for financial resources as at 28 March 1997.
2. the statement of the firm's expenditure requirement for the following year disclosed in the additional notes to the accounts has been prepared in accordance with SFA Rules.

#### Accounting records

In our opinion the firm has, throughout the year, kept proper accounting records in accordance with SFA Rules.

**Client assets**

The firm is not authorised to hold client money or investments.

The directors have stated that the firm did not hold client money or customer investments during the year. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held client money or customer investments during the year.

A handwritten signature in dark ink, appearing to read "Deloitte & Touche", is written in a cursive, flowing style.

Chartered Accountants and Registered Auditors

30 June 1997