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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**



SEC FILE NUMBER
8- 12726

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 04/01/04 AND ENDING 03/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Garban Corporates LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Harborside Financial Center, 1100 Plaza Five

(No. and Street)

Jersey City

New Jersey

07311

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Philip Curry 212-341-9746

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

1177 Avenue of the Americas

New York

New York

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**PROCESSED**  
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 AUG 24 2005  
 THOMSON  
 FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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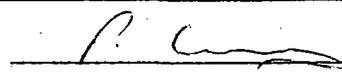
Handwritten signature/initials

OATH OR AFFIRMATION

I, the undersigned, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Garban Corporates LLC, as of March 31, 2005, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer. The financial statements of the Company are made available to all Company members and Allied members of the New York Stock Exchange, Inc. and other regulatory agencies.

LOREN ANEIRO  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires March 13, 2008

  
\_\_\_\_\_  
Notary Public

  
\_\_\_\_\_  
Signature  
Chief Financial Officer  
\_\_\_\_\_  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Garban Corporates LLC

Statement of Financial Condition

March 31, 2005



**Garban Corporates LLC**

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**March 31, 2005**

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PricewaterhouseCoopers LLP  
PricewaterhouseCoopers Center  
300 Madison Avenue  
New York NY 10017  
Telephone (646) 471 3000  
Facsimile (813) 286 6000

**Report of Independent Auditors**

To the Member of  
Garban Corporates LLC

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Garban Corporates LLC (the "Company") at March 31, 2005 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



May 20, 2005

**Garban Corporates LLC**  
**Statement of Financial Condition**  
**March 31, 2005**

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*(dollars in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 11,861
Cash and securities segregated under federal regulations	8,086
Deposits with clearing organizations	24,480
Securities owned, at estimated fair value	1,953
Receivable from brokers, dealers and clearing organizations	2,175,471
Commissions receivable	9,598
Receivable from customers	9,396
Receivable from affiliates	3,127
Exchange memberships, at cost (market value - \$6,000)	3,220
Prepaid expenses and other assets	1,333
	<u>\$ 2,248,525</u>
<b>Liabilities and Member's Equity</b>	
<b>Liabilities</b>	
Securities sold, but not yet purchased, at estimated fair value	\$ 1,737
Payable to brokers and dealers	2,121,177
Payable to customers	64,426
Accrued expenses and accounts payable	13,574
	<u>2,200,914</u>
Commitments and contingencies (Note 6)	
Member's equity	47,611
	<u>\$ 2,248,525</u>

The accompanying notes are an integral part of this financial statement.

**Garban Corporates LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2005**

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*(dollars in thousands)*

**1. Organization**

Garban Corporates LLC (the "Company") is a Delaware limited liability company. The Member is Garban LLC a subsidiary of Intercapital North America Inc. ("INA"). As a result of a corporate restructuring on January 1, 2005, a new company, Intercapital Broking Holdings North America LLC ("IBHNA") was formed with two members: INA and First Brokers Securities Inc. ("FBSI"). The Company's Member's interest was subsequently transferred from INA to IBHNA.

The Company is an indirect wholly owned subsidiary of ICAP plc, a public company registered in the United Kingdom and engages principally in money and securities broking throughout the world.

The Company, headquartered in New Jersey, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD") and the New York Stock Exchange ("NYSE"), which operates primarily in the interdealer market in bonds listed on the New York and American stock exchanges, over the counter corporate bonds, preferred stock, direct access, NASDQ market making, credit derivatives, certificates of deposits, collateralized mortgage obligations and other asset-backed corporate debt securities.

**2. Summary of Significant Accounting Policies**

The preparation of the financial statement in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from these estimates.

Cash and cash equivalents at March 31, 2005 include approximately \$151 of short-term highly liquid money market mutual funds and \$338 invested in commercial paper of a single issuer. The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents.

Securities owned and securities sold, but not yet purchased, are recorded at estimated fair value. Proprietary securities transactions are recorded on a trade date basis. Securities owned primarily consist of foreign government and corporate obligations, and securities sold, but not yet purchased, primarily consist of U.S. government obligations. Customers' securities transactions are recorded on a settlement date basis.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash. The amount of collateral required to be deposited for securities borrowed or received for securities loaned is an amount generally in excess of the market value of the applicable securities. The Company monitors the market value of securities borrowed and loaned daily, with additional collateral obtained or refunded as appropriate. The amount of collateral received and delivered under these agreements approximates the amounts on the statement of financial condition.

**Garban Corporates LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2005**

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*(dollars in thousands)*

Exchange memberships are valued at cost and are evaluated for impairment on an annual basis.

An allowance for doubtful accounts is maintained at a level that in management's judgment is adequate to absorb potential credit losses.

The Company is party to Tax Sharing Agreements (the "Agreements") with INA and FBSI. Pursuant to these Agreements, the Company is required to remit payments, on a quarterly basis to INA and to FBSI in respect of current and deferred federal taxes and state and local income taxes on net income earned by the Company. The Company is included in the consolidated federal returns filed by INA and the combined state and local returns filed by INA and FBSI. The change in deferred assets or liabilities and the taxes currently receivable or payable are calculated and recorded net on the statement of financial condition. The net tax receivable or payable is settled with INA and FBSI on a regular basis.

All financial assets and financial liabilities are stated at amounts which approximate fair value.

**3. Cash and Securities Segregated Under Federal Regulations**

Cash of \$7,086 has been segregated in a special reserve bank account for the benefit of customers under SEC Rule 15c3-3. Cash in the amount of \$1,000 has been segregated in a PAIB reserve account. The Company computes a PAIB Reserve, which requires that the Company maintain minimum segregated cash in the amount of total credits per the Reserve Computation. As of March 31, 2005, the Company had no PAIB reserve requirement.

**4. Receivable from Brokers, Dealers and Clearing Organizations and Payable to Brokers and Dealers**

Receivable from brokers, dealers and clearing organizations and payable to brokers and dealers primarily include deposits paid for securities borrowed of \$1,928,633 and deposits received for securities loaned \$1,929,154 respectively.

**5. Receivable from and Payable to Customers**

Receivable from and payable to customers includes amounts due on cash transactions.

**6. Commitments and Contingencies**

The Company is involved in litigation arising in the ordinary course of its business. Management believes, based upon consultation with outside legal counsel, that the outcome of these matters will not have a material adverse effect on the Company's financial condition.

No amounts were outstanding on the letters of credit as of March 31, 2005.

The Company has satisfied collateral requirements with a clearing organization at March 31, 2005 by depositing two uncollateralized letters of credit in the amount of \$10,000.

*(dollars in thousands)*

**7. Net Capital Requirements**

As a registered broker-dealer and member of the New York Stock Exchange, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission (the "Rule"). The Company computes its net capital under the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,000 or 2% of aggregate debit balances arising from customer transactions, as defined. The Rule may prohibit a member firm from expanding its business or paying cash dividends, if resulting net capital would be less than 5% of aggregate debit balances or 120% of the minimum dollar amount required. At March 31, 2005, the Company had net capital of approximately \$28,336, which exceeded the minimum requirement of \$1,463 by approximately \$26,873.

**8. Employee Benefits**

The Company participates in an affiliate's trustee profit sharing plan (the "Plan") covering substantially all of its employees, under which Company contributions are made at the discretion of management.

**9. Stock Option Plans**

The Company participates in stock option plans that provide for the granting of options to acquire share in ICAP plc to officers and other key employees of the Company. Options are generally granted at market value of the date of the grant. Under one plan, options granted, with an exercise price that represents 50% of market value at the grant date. Options granted vest between three and four years after the grant date and will expire within seven to ten years after grant date.

**10. Financial Instruments with Off-Balance-Sheet Risk and Concentration of Credit Risk**

In the normal course of business, the Company generally executes transactions as a riskless principal between undisclosed principals. If the riskless principal transactions do not settle because of failure by either counterparty to perform, the Company may be required to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the security at the time of discharge is different from the contract amount of the transaction. However, the Company does not anticipate non-performance by counterparties in the above situation. The Company has loaned to brokers and dealers, securities owned by other brokers and dealers having a market value of approximately \$1,863,034 and received cash or other collateral with a value of approximately \$1,929,154. If a borrowing broker or dealer does not return a security, the Company may be obligated to purchase the security in order to return it to the owner. In such circumstance, the Company may incur a loss equal to the amount by which the market value of the security on the date of nonperformance exceeds the value of the loan or the collateral from the broker or dealer. In addition, the Company has borrowed from other brokers and dealers, securities having a market value of approximately \$1,864,775 and has given cash or other collateral with a value of approximately \$1,928,633. In the event a lender does not return the collateral, the Company may be subject to a loss equal to the amount by which the collateral exceeded the market value of the security borrowed.

*(dollars in thousands)*

In addition, pursuant to the terms of the clearing agreements between the Company and its clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. At March 31, 2005, the Company has recorded no liability. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded this obligation in the financial statements at the March 31, 2005 market value of the related securities. The Company is subject to loss if the market price of the securities increases subsequent to March 31, 2005.

The contractual amount of purchase and sale transactions at March 31, 2005 was approximately \$1,930,024 for both purchases and sales which have not yet reached settlement date. Substantially all of these transactions have subsequently settled.

The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of financial position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business. The Company does not anticipate nonperformance by the counterparties.

#### **11. Transactions with Affiliates**

The Company entered into an agreement with an indirect wholly owned subsidiary of ICAP plc, whereby the subsidiary provides them with shared occupancy, fixed assets and administrative (including finance, human resources, operations, legal and electronic data processing functions) services. In addition, the Company provides clearing services for foreign and domestic affiliates.