

**BGC INTERNATIONAL**

**Report and Consolidated Financial Statements**

**For the year ended 31 December 2005**



# **BGC INTERNATIONAL**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2005**

<b>CONTENTS</b>	<b>Pages</b>
<b>Directors' report</b>	<b>3 - 6</b>
<b>Statement of directors' responsibilities</b>	<b>6</b>
<b>Independent auditors' report</b>	<b>7</b>
<b>Consolidated profit and loss account</b>	<b>8</b>
<b>Consolidated statement of total recognised gains and losses</b>	<b>9</b>
<b>Consolidated balance sheet</b>	<b>10</b>
<b>Company balance sheet</b>	<b>11</b>
<b>Reconciliation of movements in consolidated shareholders' funds</b>	<b>12</b>
<b>Consolidated cash flow statement</b>	<b>14</b>
<b>Notes to the accounts</b>	<b>14 - 30</b>

# **BGC INTERNATIONAL**

## **DIRECTORS' REPORT**

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

BGC International ('BGCI' or 'the company') is a broker in securities and derivatives operating from London, Milan, Paris and Singapore.

BGCI's product range includes government bonds, eurobonds, emerging market debt securities, repos, exchange traded derivatives, credit derivatives, commodity derivatives, interest rate derivatives, foreign exchange spot, options and forwards.

BGCI is regulated by the Financial Services Authority ('FSA'). It is authorised to conduct investment business from its branch offices in Milan under the provisions of the Investment Services Directive and in Singapore by the Monetary Authority of Singapore. It is also authorised to conduct cross-border investment business in EEA member states on a service basis under these provisions.

As at the year end date, BGCI was a member of the following exchanges: The London Metal Exchange, The London Stock Exchange, Borsa Italiana, EUREX, EURONEXT LIFFE, SWX, SGX-DT and MTS.

As of 11 July 2005, the matched principal and introducing voice brokerage businesses of BGC International carried out in London were transferred to BGC International LP in accordance with the amended and restated partnership agreement dated 18 May 2005 between BGC International and BGC USA LP, both as limited partners and BGC International GP Limited as general partner. BGC International has continued to act as principal to trades and be the counterparty for credit and risk purposes but these are now executed by BGC International LP as agent in the name of BGC International. BGC International LP has become the name passing broker for the introducing business. All revenues earned and associated costs incurred in respect of these businesses are not included in these consolidated financial statements.

The company acquired 100% of the ETC Pollak group of companies on 30 September 2005. The group consists of Financiere EPP (SAS), E-Finance (SAS), EPP Holding (SAS) and ETC Pollak (SAS). ETC Pollak is a major French inter dealer broker based in Paris and is well established so will continue to operate under its own name. The acquisition has provided BGCI an immediate presence in France and is an important step in the group's continuing global expansion. The results of the ETC Pollak group are included in these consolidated financial statements.

The trading operations of the group as of the year end include the overseas branches of BGCI in Singapore, Paris and Milan, and the ETC Pollak group. Additionally, the company acts as a service company; employing all administration support staff who provide services for commonly controlled European trading companies from its London headquarters. All costs related to the administration and support of the trading companies, are initially incurred by BGCI and recharged to the trading companies as appropriate.

During the year, the company received \$111,772,155 from the issuance of share capital in order to comply with FSA regulatory requirements. In 2004, \$15,000,000 of surplus share capital was repaid to the parent company.

### **RESULTS AND DIVIDENDS**

The company made an operating loss for the year of US\$50,786,000 (2004 - profit US\$225,000). The retained loss for the year amounted to US\$39,475,000 (2004 - US\$3,583,000) and has been taken to reserves

The business has continued to grow in line with expansion plans. At the top-line level, turnover has increased materially from \$200m in 2004, when the 2005 turnover of the company of \$174m is aggregated with that booked in BGC International LP of \$81m.

However, the operating result of the business was materially impacted by the following factors:

- There was a significant expansion into Asia at the beginning of 2005, in particular in the Singapore branch where staff increased from 7 to over 100 staff by the end of the year. These set up costs have resulted in a loss of approximately \$17m, which is not expected to recur in future years.
- The result for the year has been materially impacted by an exercise undertaken by the company's management to substantiate the balance sheet. The outcome of this exercise was to write-off to the profit and loss account certain unsubstantiated balances amounting to US\$4m that had arisen due to operational failures in the control processes of the company and to provide for an additional US\$13m of potential future liabilities for taxation that had arisen due to a change in accounting estimate.

# **BGC INTERNATIONAL**

## **DIRECTORS' REPORT**

### **RESULTS AND DIVIDENDS (CONTINUED)**

- Post acquisition losses of \$3m were incurred by ETC Pollak due to management re-organisation and integration of ETC Pollak into the group. During this time, there has been an element of duplication of administrative costs, and this loss is not expected to recur in the future.
- Special internal projects, including control process reviews, resulted in one-off costs of \$2m.
- Following the company's decision to move to new premises in 2006, a \$2m charge was taken to account for the accelerated write-off of certain leasehold improvements on existing property.

The directors do not recommend the payment of a dividend (2004 - US\$nil).

### **FUTURE PROSPECTS**

*The company has made significant progress in accordance with its growth plans. Further growth and expansion in Europe, as well as in Asia and certain Emerging Markets is actively being considered.*

The Directors are working to ensure that recent acquisitions and new branches are integrated into the overall business. It is anticipated that the growth plan will deliver profits for the company as top-line turnover is increased and greater operating leverage is obtained through the realisation of savings in cost of sales and administrative expenses.

### **RISK MANAGEMENT**

The company faces credit, market and operational risks in the course of its normal business. The Board places reliance on the Risk Management function and receives regular reports on specific risks affecting the company.

The company transacts business predominantly on an agency or matched principal basis. In its role as an intermediary, matching buyers and sellers, its exposure to credit and market risk is limited. In addition the company has established policies and procedures to mitigate further its exposure to both credit and market risk.

#### **Credit Risk**

Credit risk is the risk of potential loss from a customer or counterparty default. Authority to approve credit exposures is delegated by the Board to the Credit department and the Credit Committee of the ultimate parent group. Credit exposures are monitored by Risk Management and reported to the Board.

#### **Market Risk**

Market risk is the risk of potential loss due to changes in market prices or parameters influencing market prices. Responsibility for establishing policy for the management of market risk and setting limits for business areas lies with the Board. All market risks are monitored by Risk Management and reported to the Board.

Market risk can arise in those instances where one or both counterparties in a matched principal transaction fail to fulfil their obligations or through trade mismatches or other errors. The risk in these situations is restricted to short-term price movements in the underlying securities held by the company and movements in foreign exchange and interest rates. Any such market risk arising is identified and monitored on a daily basis.

The company does, in certain very limited circumstances, take positions; almost exclusively for customer facilitation purposes and these can give rise to market risk in the event of any price movement. Such risks are monitored and controlled by the setting of limits and the use of hedging arrangements where appropriate.

#### **Operational Risk**

This is the risk of a direct or indirect loss resulting from the inadequacies or failures in projects, processes or controls due to technology, staff, organisation or external factors. To monitor and control operational risk, the company maintains a system of comprehensive policies and a control framework which are designed to provide a sound and well-controlled operational environment. Key risk indicators are reported to the Board through the Operational Risk Committee. This enables management to maintain operational risk at appropriate levels within each line of business.

#### **Derivatives**

Financial instruments used to reduce the company's exposure to market risk include: futures and options, foreign exchange forwards and swaps. Such market risk arises when the company executes internal trades with various parties that are related by common interest and control; this risk is immediately hedged through trades with external

# **BGC INTERNATIONAL**

## **DIRECTORS' REPORT**

### **RISK MANAGEMENT (CONTINUED)**

counterparties. The typical fair market value is \$600 to \$700m futures and options, \$10 to \$15m foreign exchange swaps and forwards. (These are gross amounts, being the sum of long and short values; the net value of derivatives in the company is typically zero.)

In addition the company holds foreign exchange swaps in its Treasury function for hedging purposes to manage its liquidity position. The typical fair market value is \$1m to \$2m.

### **CHARITABLE DONATIONS**

During the year, the group made charitable donations of US\$92,022 (2004 - US\$3,664).

### **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 their employment to continue their careers within the company; this includes continued training and development. 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 material decisions which affect their current jobs or future prospects.

### **DIRECTORS**

The following directors who held office throughout the year and to the date of this report (except where otherwise shown) were:

Mr L Amaitis	
Mr S Bartlett	(appointed 3 October 2005)
Mr S Curran	(resigned 1 February 2006)
Mr S Fraser	
Mr H W Lutnick	
Mr S Lynn	
Mr M Macleod	(appointed 6 February 2006)
Mr S Merkel	
Mr R Scott	

The directors had no disclosable interests in the shares of either the company or any other UK company in the UK group at the beginning, at the date of their appointment, or at the end of the year.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company.

Approved by the Board of Directors  
and signed on behalf of the Board



RM Snelling  
Company Secretary

31 March 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 and the group as at the end of the financial year and of the profit or loss of the group 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; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **BGC INTERNATIONAL**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BGC INTERNATIONAL**

We have audited the group and individual company financial statements (the "financial statements") of BGC International for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets, the reconciliation of movement in consolidated shareholders' funds, the consolidated cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **Basis of audit opinion**

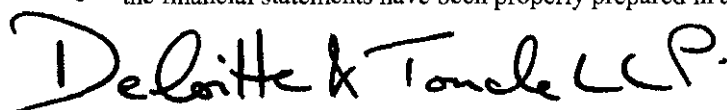
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

31 March 2006

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2005

	Note	2005 Continuing operations US\$'000	2005 Acquisitions US\$'000	2005 Total US\$'000	2004 Total US\$'000
<b>TURNOVER</b>	2	162,033	11,695	173,728	199,834
Cost of sales (including exceptional items in 2005 of US\$17m)	4	<u>(194,925)</u>	<u>(13,720)</u>	<u>(208,648)</u>	<u>(187,429)</u>
<b>GROSS (LOSS) / PROFIT</b>		(32,895)	(2,025)	(34,920)	12,405
Administrative expenses		(14,474)	(1,617)	(16,091)	(7,006)
Foreign exchange gains / (losses)		<u>215</u>	<u>10</u>	<u>225</u>	<u>(5,174)</u>
<b>OPERATING (LOSS) / PROFIT</b>	5	(47,154)	(3,632)	(50,786)	225
Interest receivable and similar income	7			1,778	277
Interest payable and similar charges	8			<u>(3,207)</u>	<u>(27)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(52,215)	475
Tax credit / (charge) on (loss) / profit on ordinary activities	9			<u>12,733</u>	<u>(4,064)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>				(39,482)	(3,589)
Equity minority interests	25			<u>7</u>	<u>6</u>
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>				(39,475)	(3,583)
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD</b>	19			<u>(28,831)</u>	<u>(25,248)</u>
<b>PROFIT AND LOSS ACCOUNT CARRIED FORWARD</b>	19			<u><u>(68,306)</u></u>	<u><u>(28,831)</u></u>



**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2005**

	<b>Note</b>	<b>2005</b> <b>US\$'000</b>	<b>2004</b> <b>US\$'000</b>
Loss for the financial year	19	(39,475)	(3,583)
Revaluation of fixed asset investments	13, 19	559	4,083
<b>TOTAL RECOGNISED GAINS AND LOSSES</b> <b>FOR THE YEAR</b>		<u>(38,916)</u>	<u>500</u>

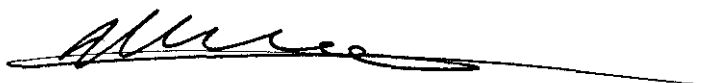
# BGC INTERNATIONAL

## CONSOLIDATED BALANCE SHEET 31 December 2005

	Note	2005 US\$'000	2004 US\$'000
<b>FIXED ASSETS</b>			
Intangible assets	11	9,901	-
Tangible assets	12	37,340	24,643
Investments	13	99,517	12,715
		<u>146,758</u>	<u>37,358</u>
<b>CURRENT ASSETS</b>			
Long positions		46,063	38,052
Debtors	14	1,066,397	499,534
Cash at bank and in hand		10,262	6,115
		<u>1,122,722</u>	<u>543,701</u>
<b>CREDITORS - amounts falling due within one year</b>	15	<u>(1,077,451)</u>	<u>(508,026)</u>
<b>NET CURRENT ASSETS</b>		<u>45,271</u>	<u>35,675</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>192,029</u>	<u>73,033</u>
<b>CREDITORS - amounts falling due after more than one year</b>	16	(46,000)	-
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	<u>(865)</u>	<u>(793)</u>
		<u>145,164</u>	<u>72,240</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	202,692	90,920
Revaluation reserve	19	10,652	10,093
Profit and loss account	19	(68,306)	(28,831)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>145,038</u>	<u>72,182</u>
<b>MINORITY INTERESTS - EQUITY</b>	25	<u>126</u>	<u>58</u>
		<u>145,164</u>	<u>72,240</u>

The financial statements were approved by the Board of Directors on 28 March 2006.

Signed on behalf of the Board of Directors



Mark Macleod  
Director

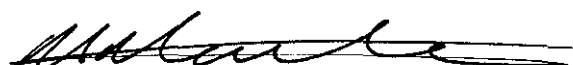
# BGC INTERNATIONAL

## COMPANY BALANCE SHEET 31 December 2005

	Note	2005 US\$'000	2004 US\$'000
<b>FIXED ASSETS</b>			
Tangible assets	12	35,054	24,643
Investments	13	114,164	13,616
		<u>149,218</u>	<u>38,259</u>
<b>CURRENT ASSETS</b>			
Long positions		46,063	38,052
Debtors	14	1,062,600	499,286
Cash at bank and in hand		6,690	6,130
		<u>1,115,353</u>	<u>543,468</u>
<b>CREDITORS - amounts falling due within one year</b>	15	(1,069,521)	(508,393)
<b>NET CURRENT ASSETS</b>		<u>45,832</u>	<u>35,075</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		195,050	73,334
<b>CREDITORS - amounts falling due after more than one year</b>	16	(46,000)	-
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	-	(793)
		<u>149,050</u>	<u>72,541</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	202,692	90,920
Revaluation reserve	19	10,652	10,093
Profit and loss account	19	(64,294)	(28,472)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>149,050</u>	<u>72,541</u>

The financial statements were approved by the Board of Directors on 28 March 2006.

Signed on behalf of the Board of Directors



Mark Macleod  
Director

**RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS**

**For the year ended 31 December 2005**

<b>GROUP</b>	<b>Note</b>	<b>2005 US\$'000</b>	<b>2004 US\$'000</b>
Loss for the financial year	19	(39,475)	(3,583)
Revaluation of fixed asset investments	13	559	4,083
Share capital issuance		111,772	-
Share capital repayment	18	-	(15,000)
Net increase / (decrease) in shareholders' funds		72,856	(14,500)
Opening equity shareholders' funds		72,182	86,682
Closing equity shareholders' funds		145,038	72,182

<b>COMPANY</b>		<b>2005 US\$'000</b>	<b>2004 US\$'000</b>
Loss for the financial year	19	(35,822)	(3,533)
Revaluation of fixed asset investments	13	559	4,083
Share capital issuance		111,772	-
Share capital repayment	18	-	(15,000)
Net increase / (decrease) in shareholders' funds		76,509	(14,450)
Opening equity shareholders' funds		72,541	86,991
Closing equity shareholders' funds		149,050	72,541

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 December 2005**

	Note	2005 US\$'000	2004 US\$'000
<b>Net cash (outflow)/inflow from operating activities</b>	26	(35,042)	37,386
<b>Returns on investments and servicing of finance</b>			
Interest received		1,778	277
Interest paid		(3,207)	(27)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		(1,429)	250
<b>Taxation</b>			
UK corporation tax received/(paid)		4,356	(6,455)
<b>Capital expenditure</b>			
Purchase of fixed asset investments		(86,250)	(2,300)
Purchase of tangible fixed assets		(23,907)	(11,720)
<b>Net cash outflow from capital expenditure</b>		(110,157)	(14,020)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking	27	(13,071)	-
Net cash acquired with subsidiary		1,852	-
<b>Net cash outflow from acquisitions</b>		(11,219)	-
<b>Financing</b>			
Subordinated loans received		46,000	-
Issue of Share capital		111,772	-
Issue of subsidiary undertaking's share capital to minority interest		75	-
Repayment of ordinary share capital		-	(15,000)
<b>Net cash inflow/(outflow) from financing</b>		157,847	(15,000)
<b>Increase in cash in the year</b>	28	4,356	2,161

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

The principal accounting policies are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention, as modified by the inclusion of long and short investment positions at fair value.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and all subsidiaries for the year ended 31 December 2005. Intra-group sales and profits are eliminated fully on consolidation.

**Functional currency**

The financial statements are prepared in US Dollars, which the directors believe is the currency of the primary economic environment in which the company operates.

**Foreign exchange**

All monetary assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars at the exchange rates ruling at the balance sheet date. Transactions in currencies other than US Dollars are recorded at the average exchange rates ruling during the month that the transactions occurred. Translation differences are taken to the profit and loss account.

**Tangible fixed assets**

Tangible fixed assets are stated at cost being, their purchase price together with any incidental costs of acquisition, less accumulated depreciation and provision for any impairment in value.

Depreciation is calculated to write off the cost, less estimated residual value, of fixed assets over their estimated useful lives, at the following rates per annum:

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%

**Fixed asset investments**

Fixed asset investments are stated at cost less provision for any impairment in value, save where there is a quoted market value where market valuation is applied. Any surplus over cost is taken to the revaluation reserve.

**Goodwill**

Goodwill capitalised on the face of the group consolidated balance sheet, is calculated on acquisition of subsidiary undertakings as being the difference between the consideration provided and the fair values of the assets and liabilities acquired. It is amortised over a period of 20 years and charged to the profit and loss account along with any impairment in value.

**Inventory positions**

Long and short inventory positions are recorded on a trade date basis and are valued at market prices at the close of business at the balance sheet date.

**Operating leases**

Annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2005

#### 1. ACCOUNTING POLICIES (continued)

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

##### Pensions

The company operates a defined contribution scheme for certain UK employees as determined by their contracts of employment. Contributions are charged to the profit and loss account as they are incurred. The company provides no other post retirement benefits to its employees.

#### 2. TURNOVER

The group's income is derived from a single class of business, namely trading and brokerage services in European government bonds, eurobonds, emerging market debt securities and contracts for difference, as an introducing broker in US government and federal agency securities, interest rate and credit derivatives, forward foreign exchange and foreign exchange options and as an executing broker in on-exchange derivatives.

Turnover represents the income received in respect of the sale of Gilts and Eurobonds and commissions earned from agency trades and introducing business. It is shown net of any related dealing/broking expense (eg commissions, carry).

#### 3. SEGMENTAL REPORTING

	2005			2004		
		Loss before taxation	Net assets		Profit / (loss) before taxation	Net assets
	Turnover US\$'000	US\$'000	US\$'000	Turnover US\$'000	US\$'000	US\$'000
United Kingdom	145,218	(19,778)	122,858	198,564	1,070	71,005
Continental Europe	11,695	(3,466)	(3,466)	-	-	-
Singapore	16,815	(16,238)	25,772	1,270	(595)	1,235
	<u>173,728</u>	<u>(39,482)</u>	<u>145,164</u>	<u>199,834</u>	<u>475</u>	<u>72,240</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 4. EXCEPTIONAL ITEMS

The company made an operating loss for the year of US\$50,786,000 (2004: profit US\$225,000). The result for the year has been materially impacted by an exercise undertaken by the company's management to substantiate the balance sheet. The outcome of this exercise was to write-off to the profit and loss account certain unsubstantiated balances amounting to US\$4m that had arisen due to operational failures in the control processes of the company and to provide for an additional US\$13m of potential future liabilities that had arisen due to a change in accounting estimate.

## 5. OPERATING (LOSS) / PROFIT

	2005 US\$'000	2004 US\$'000
<b>The operating (loss) / profit is stated after charging / (crediting):</b>		
Amortisation of intangible fixed assets	121	-
Depreciation of tangible fixed assets	13,617	5,467
Auditors' remuneration, audit (group and company)	1,075	617
Auditors' remuneration, other services (group and company)	236	161
Rents payable under operating leases	692	1,345
Loss on disposal of tangible fixed assets	802	-

## 6. DIRECTORS AND EMPLOYEES

	2005 US\$'000	2004 US\$'000
<b>Staff costs during the year amounted to:</b>		
Wages and salaries	164,876	117,544
Social security costs	29,279	9,990
Other pension costs	885	379
	<u>195,040</u>	<u>127,913</u>
<b>Of which charged to the group's profit and loss account are:</b>		
Wages and salaries	114,655	117,544
Social security costs	23,883	9,990
Other pension costs	771	379
	<u>139,309</u>	<u>127,913</u>

The remainder of the 2005 costs are recharged BGC International LP following the transfer of business during the year.

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

The pension charge of US\$885,408 for the year ended 31 December 2005 (2004 - US\$379,303) represents contributions payable by the group to the scheme. At 31 December 2005 there were no outstanding or prepaid contributions to the scheme (2004 - \$nil).



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2005****6. DIRECTORS AND EMPLOYEES (CONTINUED)**

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

	<b>2005</b>	<b>2004</b>
	<b>No.</b>	<b>No.</b>
Direct operating	383	304
Other	244	186
	<u>627</u>	<u>490</u>

The remuneration paid to the directors comprised:

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Directors' emoluments	4,601	3,292
Compensation for loss of office	-	422
	<u>4,601</u>	<u>3,714</u>

Highest paid director's remuneration:

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Emoluments of the highest paid director	<u>1,546</u>	<u>1,778</u>

The Chairman and two of the directors received no remuneration (2004 – US\$ nil) from the company.

No directors had entitlements in relation to the pension scheme in the current or prior year.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Bank interest	1,205	121
Interest on settlements	17	36
Subordinated loan interest – group companies	556	120
	<u>1,778</u>	<u>277</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Bank interest	-	13
Interest on settlements	24	-
Subordinated loan interest – group companies	1,785	-
Loans from other group companies	1,376	-
Other interest	22	14
	<u>3,207</u>	<u>27</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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

	2005 US\$'000	2004 US\$'000
i) Analysis of tax credit/(charge) on ordinary activities		
United Kingdom corporation tax at 30% (2004 – 30%) based on the profit for the year	4,058	(4,372)
Adjustment in respect of prior periods	4,044	(4)
	<hr/>	<hr/>
	8,102	(4,376)
Foreign tax for current year	(767)	(53)
Adjustment in respect of prior periods	(33)	-
	<hr/>	<hr/>
Current tax credit/(charge) for year	7,302	(4,429)
Deferred tax – timing differences, origination	5,431	365
	<hr/>	<hr/>
	12,733	(4,064)
	<hr/>	<hr/>
ii) Factors affecting tax credit/(charge) for the current year		
The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK:30% (2004 – 30%) The differences are explained below:		
	2005 US\$'000	2004 US\$'000
(Loss)/profit on ordinary activities before tax	(52,211)	475
	<hr/>	<hr/>
Tax at 30% thereon	15,663	(143)
Effects of:		
Expenses not deductible for tax purposes	(8,212)	(4,700)
Depreciation in excess of capital allowances	(753)	153
Movement in short term timing differences	44	-
UK dividend income	32	318
Unrelievable foreign tax	(537)	(53)
Origination of tax losses	(5,453)	-
Partnership losses	2,507	-
Prior period adjustments	4,011	(4)
	<hr/>	<hr/>
Current tax credit/(charge) for year	7,302	(4,429)
	<hr/>	<hr/>
iii) Deferred tax		
	2005 US\$'000	2004 US\$'000
Movement on deferred taxation balance in the year		
Opening balance	(793)	(1,076)
Foreign exchange adjustment	87	(82)
Release to profit and loss account	5,431	365
	<hr/>	<hr/>
Closing balance	4,725	(793)
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2005

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

	2005 US\$'000	2004 US\$'000
This is represented by		
Unused trading losses	4,501	-
Depreciation in excess of capital allowances	224	(793)
	<u>4,725</u>	<u>(793)</u>

### 10. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's retained loss after tax for the financial year amounted to US\$35,822,000 (2004 – US\$3,533,000 loss).

### 11. INTANGIBLE FIXED ASSETS

THE GROUP	Goodwill US\$'000	Total US\$'000
<b>COST</b>		
At 1 January 2005	-	-
Additions	10,022	10,022
At 31 December 2005	<u>10,022</u>	<u>10,022</u>
<b>AMORTISATION</b>		
At 1 January 2005	-	-
Charge for the year	(121)	(121)
At 31 December 2005	<u>(121)</u>	<u>(121)</u>
<b>NET BOOK VALUE</b>		
At 31 December 2005	<u>9,901</u>	<u>9,901</u>
At 31 December 2004	<u>-</u>	<u>-</u>

Goodwill arose on the acquisition of ETC Pollak and its group companies during the year (see notes 13 and 27).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 12. TANGIBLE FIXED ASSETS

THE GROUP	Computer equipment US\$'000	Motor vehicles US\$'000	Leasehold improve- ments US\$'000	Equipment and machinery US\$'000	Office furniture US\$'000	Total US\$'000
<b>COST</b>						
At 1 January 2005	26,759	452	16,541	14,045	3,586	61,383
Additions	19,422	120	6,322	-	1,252	27,116
Disposals	(17)	-	(2,697)	-	-	(2,714)
At 31 December 2005	46,164	572	20,166	14,045	4,838	85,785
<b>DEPRECIATION</b>						
At 1 January 2005	15,009	399	5,321	13,771	2,240	36,740
Charge for year	6,959	7	5,923	119	609	13,617
Disposals	-	-	(1,912)	-	-	(1,912)
At 31 December 2005	21,968	406	9,332	13,890	2,849	48,445
<b>NET BOOK VALUE</b>						
At 31 December 2005	24,196	166	10,834	155	1,989	37,340
At 31 December 2004	11,750	53	11,220	274	1,346	24,643
<b>THE COMPANY</b>						
	Computer equipment US\$'000	Motor vehicles US\$'000	Leasehold improve- ments US\$'000	Equipment and machinery US\$'000	Office furniture US\$'000	Total US\$'000
<b>COST</b>						
At 1 January 2005	26,759	452	16,541	14,045	3,586	61,383
Additions	18,858	120	4,236	-	656	23,870
Disposals	-	-	(1,848)	-	-	(1,848)
At 31 December 2005	45,617	572	18,929	14,045	4,242	83,405
<b>DEPRECIATION</b>						
At 1 January 2005	15,009	399	5,321	13,771	2,240	36,740
Charge for year	6,891	7	5,851	119	590	13,458
Disposals	-	-	(1,847)	-	-	(1,847)
At 31 December 2005	21,900	406	9,325	13,890	2,830	(48,351)
<b>NET BOOK VALUE</b>						
At 31 December 2005	23,717	166	9,604	155	1,412	35,054
At 31 December 2004	11,750	53	11,220	274	1,346	24,643

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 13. INVESTMENTS HELD AS FIXED ASSETS

THE GROUP	Subordinated loans US\$'000	Listed investments other than loans US\$'000	Non-listed investments other than loans US\$'000	Total US\$'000
<b>COST OR VALUATION</b>				
At 1 January 2005	2,748	10,093	824	13,665
Additions	10,250	-	76,000	86,250
Revaluations	-	559	-	559
At 31 December 2005	12,998	10,652	76,824	100,474
<b>PROVISION FOR IMPAIRMENT</b>				
At 1 January 2005	-	(870)	(80)	(950)
Provided in the year	-	-	(7)	(7)
At 31 December 2005	-	(870)	(87)	(957)
<b>NET BOOK VALUE</b>				
At 31 December 2005	12,998	9,782	76,737	99,517
At 31 December 2004	2,748	9,223	744	12,715

THE COMPANY	Subordinated loans US\$'000	Listed investments other than loans US\$'000	Non-listed investments other than loans US\$'000	Shares in group undertakings US\$'000	Total US\$'000
<b>COST OR VALUATION</b>					
At 1 January 2005	2,748	10,093	824	901	14,566
Additions	10,250	-	76,000	13,746	99,996
Revaluations	-	559	-	-	559
At 31 December 2005	12,998	10,652	76,824	14,647	115,121
<b>PROVISION FOR IMPAIRMENT</b>					
At 1 January 2005	-	(870)	(80)	-	(950)
Provided in the year	-	-	(7)	-	(7)
At 31 December 2005	-	(870)	(87)	-	(957)
<b>NET BOOK VALUE</b>					
At 31 December 2005	12,998	9,782	76,737	14,647	114,164
At 31 December 2004	2,748	9,223	744	901	13,616

The addition to non-listed investments other than loans represents the company's capital contribution to BGC International LP.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 13. INVESTMENTS HELD AS FIXED ASSETS (continued)

Shares in group undertakings, whose financial results are consolidated in the group financial statements, as at 31 December 2005 represents the following equity investments in the ordinary share capital of subsidiary companies, all carrying equal voting rights:

Company name	Holding	Company activity	Country of incorporation	Registration
Cantor Fitzgerald (Nominees) Limited	99%	Non trading nominee company	Great Britain	England and Wales
Cantor Fitzgerald Assets	99%	Dormant	Great Britain	England and Wales
Data and Technology Associates	99%	Dormant	Great Britain	England and Wales
Cantor Fitzgerald Financial	99%	Dormant	Great Britain	England and Wales
Tower Bridge Securities Limited	90%	Dormant	Great Britain	England and Wales
Cantor Fitzgerald Capital Markets Limited	100%	Dormant	Great Britain	England and Wales
Cantor Fitzgerald Services Limited	100%	Dormant	Great Britain	England and Wales
Financiere EPP (SAS)	100%	Holding company	France	France
E-Finance (SAS)	100%	Holding company	France	France
EPP Holding (SAS)	100%	Holding company	France	France
ETC Pollak (SAS)	100%	Securities, Derivatives and Equites broker	France	France

The group of companies; Financiere EPP (SAS), E-Finance (SAS), EPP Holding (SAS) and ETC Pollak (SAS) were acquired during 2005 for \$13,070,653 consideration. The fair value of the individual assets and liabilities purchased at the date of acquisition amounted to \$3,048,697 creating a goodwill figure on acquisition of the group of \$10,021,957 (see notes 11 and 27).

Subordinated loans made to companies under common control as at 31 December 2005 were:

Company name	Currency	Value	Effective date	Term	Rate
MIS Brokers Limited	GBP	250,000	31/12/2003	2 years	6.00%
MIS Brokers Limited	USD	2,000,000	28/03/2004	2 years	6.00%
MIS Brokers Limited	USD	300,000	30/11/2004	2 years	6.90%
Cantor Index Limited	USD	2,250,000	14/03/2005	2 years	5.50%
MIS Brokers Limited	USD	2,000,000	14/04/2005	2 years	5.35%
Cantor Index Limited	USD	1,000,000	14/04/2005	2 years	5.35%
MIS Brokers Limited	USD	1,500,000	29/04/2005	2 years	5.40%
Cantor Index Limited	USD	2,500,000	17/05/2005	2 years	5.50%
MIS Brokers Limited	USD	1,000,000	20/06/2005	2 years	5.60%

The subordinated loan to MIS Brokers Limited dated 31 December 2003 for £250,000 was repaid in full on 1 January 2006.

The interest rate charged on the above loans is 1% above the London Inter Bank Offer Rate.

The group and company own 857,142 London Stock Exchange shares with a historical cost of US\$ nil. The shares were revalued on 31 December 2005 to their quoted market value of US\$9,782,246 (2004:US\$9,222,832).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 14. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Trade debtors	987,197	385,940	980,467	385,941
Amounts owed by subsidiary companies	-	-	4,768	66
Amounts owed by other group undertakings	22,363	84,268	22,333	84,604
Deferred taxation (note 9iii)	4,725	-	4,725	-
Other debtors	40,624	22,130	39,324	21,482
Prepayments and accrued income	11,488	7,196	10,983	7,193
	<u>1,066,397</u>	<u>499,534</u>	<u>1,062,600</u>	<u>499,286</u>

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

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Bank loans and overdrafts	883	1,092	994	1,092
Trade creditors	884,275	445,403	884,317	445,399
Amounts owed to subsidiary company	-	-	744	1,000
Amounts owed to other group undertakings	101,501	6,405	101,532	6,405
Corporation tax	-	2,859	-	2,859
Other taxes and social security	16,113	15,907	13,079	15,756
Other creditors	11,606	4,045	7,779	4,045
Accruals and deferred income	63,073	32,315	61,076	31,837
	<u>1,077,451</u>	<u>508,026</u>	<u>1,069,521</u>	<u>508,393</u>

## 16. CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Subordinated loans	<u>46,000</u>	<u>-</u>	<u>46,000</u>	<u>-</u>

Subordinated loans provided to the company to meet FSA regulatory capital requirements during the year were:

Company providing loan	Currency	Value	Effective date	Term	Rate
Cantor Fitzgerald LP	USD	18,000,000	11/03/2005	2 years	5.22%
Cantor Fitzgerald LP	USD	11,000,000	15/04/2005	2 years	5.35%
Cantor Fitzgerald LP	USD	8,000,000	29/04/2005	2 years	5.40%
Cantor Fitzgerald LP	USD	9,000,000	08/06/2005	2 years	5.60%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 17. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Provision for onerous lease	865	-	-	-
Deferred tax (see note 7iii)	-	793	-	793
	<u>865</u>	<u>793</u>	<u>-</u>	<u>793</u>

The provision for onerous lease commitments has been calculated for properties vacated during 2005 by reference to discounted expected future net cashflows relating to the properties.

## 18. CALLED UP SHARE CAPITAL

	2005	2004
	£'000	£'000
<b>Authorised:</b>		
200,000,000 (2004 – 66,755,872) ordinary shares of £1 each	200,000	66,756
2,000,000 (2004 – 2,000,000) preferred shares of £10 each	<u>20,000</u>	<u>20,000</u>
	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Called up, allotted and fully paid:</b>		
118,469 (2004 – 55,945,417) ordinary shares of £1 each	<u>202,692</u>	<u>90,920</u>

During the year, the company issued 62,523,630 £1 ordinary shares for a cash consideration of \$111,772,155 in order to meet additional FSA regulatory capital requirements. The authorised share capital was increased by 133,244,128 £1 ordinary shares during the year. In 2004, the authorised and issued share capital was reduced by 8,252,187 shares and \$15,000,000 was repaid to the parent company as the company had more capital than required at that time.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2005**

**19. RESERVES**

	<b>Revaluation reserve US\$'000</b>	<b>Profit and loss account US\$'000</b>	<b>Total US\$'000</b>
<b>THE GROUP</b>			
At 1 January 2004	6,010	(25,248)	(19,238)
Loss for the financial year	-	(3,583)	(3,583)
Revaluation of fixed asset investments	4,083	-	4,083
At 1 January 2005	10,093	(28,831)	(18,738)
Loss for the financial year	-	(39,475)	(39,475)
Revaluation of fixed asset investments	559	-	559
At 31 December 2005	10,652	(68,306)	(57,654)
<b>THE COMPANY</b>			
At 1 January 2004	6,010	(24,939)	(18,929)
Loss for the financial year	-	(3,533)	(3,533)
Revaluation of fixed asset investments	4,083	-	4,083
At 1 January 2005	10,093	(28,472)	(18,379)
Loss for the financial year	-	(35,822)	(35,822)
Revaluation of fixed asset investments	559	-	559
At 31 December 2005	10,652	(64,294)	(53,642)

Both reserves are distributable.

**20. COMMITMENTS**

At 31 December 2005 the company and the group were committed to making the following payments during the next year in respect of operating leases:

<b>GROUP AND COMPANY</b>	<b>2005 US\$'000</b>	<b>2004 US\$'000</b>
<b>Leases which expire:</b>		
Within one year – computer equipment	-	3,094
Within two to five years – land and buildings	4,135	1,386
After five years – land and buildings	6,811	3,879
	10,946	8,359

**NOTES TO THE FINANCIAL STATEMENTS**

***For the year ended 31 December 2005***

**21. CLIENT MONEY**

The company holds client money in accordance with client money regulations of The Financial Services Authority ('FSA'). Such money and corresponding liabilities are not shown on the balance sheet as the company is not beneficially entitled thereto.

At 31 December 2005, amounts held by the firm on behalf of clients in accordance with FSA regulations amounted to \$2,139,937 (2004 – \$2,492,000).

**22. CONTINGENT LIABILITIES**

The company is a defendant in various 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.

**23. PARENT COMPANIES**

The immediate parent and controlling party is BGC International Holdings, L.P. The smallest group into which the consolidated results of the company are consolidated is BGC Partners, L.P. The ultimate parent, controlling party and the largest group into which the consolidated results of the company are consolidated is Cantor Fitzgerald L.P. These entities are all registered in the United States of America.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 24. RELATED PARTY TRANSACTIONS

The company and its subsidiaries enter into securities transactions and service fee arrangements with various parties that are related by common ownership and control. As of 31 December 2005 the intercompany balances held with related parties comprised:

	2005		2004	
	Owed to US\$'000	Owed by US\$'000	Owed to US\$'000	Owed by US\$'000
Cantor Fitzgerald Leasing	-	30	-	33
Cantor Fitzgerald Nova Scotia	-	2,692	-	171
Cantor Fitzgerald & Co.	-	51	-	4
Cantor Fitzgerald Securities	-	118	808	-
Cantor Fitzgerald LP	-	446	-	4,278
Cantor Fitzgerald Brokerage LP	-	-	-	1,005
BGC Capital Markets (Hong Kong) Limited	556	-	221	-
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	-	244	300	-
BGC Capital Markets (Japan) LLC	-	4,385	-	739
BGC Shoken Kaisha Limited	1,241	-	3,721	-
BGC Securities (Hong Kong) LLC	-	3	348	-
BGC Securities	-	33	-	-
BGC Capital Markets LP	-	4,209	-	-
Cantor Fitzgerald Europe	34,573	-	-	46,012
Cantor Index Limited	-	1,091	-	452
Electronic Screen Brokerage Exchange Limited	-	154	-	29
Cantor Fitzgerald Energy Europe Limited	708	-	708	-
MIS Holdings LLC	-	3,800	-	5,800
MIS Brokers Limited	9,048	-	-	11,840
BGC Capital Markets (Switzerland) LLC	70	-	-	2,760
Cantor Casino (Alderney) Limited	31	-	-	329
Cantor Gaming Limited	50	-	50	-
BGC Partners (Australia) Pty Limited	-	153	14	-
Cantor Fitzgerald South Africa Pty Ltd	-	333	-	290
Eaustbond Pty Limited	-	976	-	26
CO2e.com LLC	-	43	-	1,324
CO2e.com Limited	-	444	-	916
CO2e.com Australia Pty Limited	-	-	-	8
ITSECCO Holdings Limited	254	-	-	443
Eccoware Limited	-	263	178	-
eSpeed (Hong Kong) Limited	-	231	-	65
eSpeed, Inc.	-	781	-	122
eSpeed International Limited	1,710	-	-	2,562
eSpeed Australia Pty Limited	93	-	-	38
eSpeed (Japan) Limited	37	-	57	-
Sub-total	48,371	20,480	6,405	84,268

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

	2005		2004	
	Owed to US\$'000	Owed by US\$'000	Owed to US\$'000	Owed by US\$'000
Sub-total from previous page	48,371	20,480	6,405	84,268
BGC Financial Inc.	3,508	434	-	-
Euro Brokers Holdings Limited	351	-	-	-
Euro Brokers Limited	6,299	-	-	-
Euro Brokers Services Limited	-	73	-	-
Euro Brokers (Switzerland) SA	2,630	-	-	-
Cantor Fitzgerald Brokerage LP	14	-	-	-
BGC International LP	40,320	-	-	-
BGC Securities Sarl	8	-	-	-
CF South Africa pty Limited	-	17	-	-
Cantor G&W International LP	-	1,359	-	-
	<u>101,501</u>	<u>22,363</u>	<u>6,405</u>	<u>84,268</u>

During the year ended 31 December 2005, the value of commissions payable to and receivable from those related parties comprised:

	2005		2004	
	Commission payable US\$'000	Commission receivable US\$'000	Commission payable US\$'000	Commission receivable US\$'000
Cantor Fitzgerald Securities	1,705	2,740	1,906	7,740
BGC Capital Markets LP	3,981	52,281	2,593	71,183
Cantor Fitzgerald & Co	905	447	587	796
BGC Shoken Kaisha Ltd	234	34	641	273
BGC Securities (Hong Kong) LLC	5,908	52	6,752	869
BGC Capital Markets (Japan) LLC	248	133	248	133
Cantor Fitzgerald Europe	375	628	113	80
eSpeed International Limited	17,719	1,810	21,652	3,483
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	3,499	555	1,153	-
BGC Capital Markets (Switzerland) LLC	1,943	425	-	30
BGC Securities	185	-	-	-
BGC International LP	30,272	5,573	-	-
	<u>66,974</u>	<u>64,678</u>	<u>35,645</u>	<u>84,587</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

**25. MINORITY INTERESTS - EQUITY**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At 1 January	58	64
Additional investment in Tower Bridge Securities Limited	75	-
Profit and loss account movement	(7)	(6)
	<u>126</u>	<u>58</u>
At 31 December	<u>126</u>	<u>58</u>

**26. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2005</b>	<b>2004</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Operating (loss)/profit	(50,786)	225
Depreciation and amortisation	14,547	6,344
Increase in long positions	(8,011)	(25,686)
(Increase)/decrease in debtors	(554,093)	748,547
Increase/(decrease) in creditors	563,301	(692,044)
	<u>(35,042)</u>	<u>37,386</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(35,042)</u>	<u>37,386</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2005**

**27. PURCHASE OF SUBSIDIARY UNDERTAKINGS**

	<b>2005</b> <b>US\$'000</b>
<b>Fair value of net assets acquired:</b>	
Fixed assets	3,209
Debtors	8,045
Cash at bank and in hand	1,852
Creditors	(10,057)
	<hr/> 3,049
Goodwill (see note 11)	10,022
	<hr/>
Acquisition satisfied by cash	13,071
	<hr/> <hr/>

**28. ANALYSIS OF NET FUNDS**

	<b>At</b> <b>1 January</b> <b>2005</b> <b>US\$'000</b>	<b>Cash flows</b> <b>US\$'000</b>	<b>At</b> <b>31 December</b> <b>2005</b> <b>US\$'000</b>
Cash at bank and in hand	6,115	4,147	10,262
Bank loans and overdrafts	(1,092)	209	(883)
	<hr/> 5,023	<hr/> 4,356	<hr/> 9,379
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>