Company Registration No 01976691

BGC INTERNATIONAL

Report and Consolidated Financial Statements

For the year ended 31 December 2006

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2006

CONTENTS

BGC INTERNATIONAL

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company and group, together with the financial statements and auditors' report, for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

BGC International ('BGCI' or 'the company'), an unlimited company having a share capital, is an inter-dealer broker and clearer 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 and Paris 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

BGCI acquired 100% of the ETC Pollak group in 2005 and their results are included in these consolidated financial statements

BUSINESS REVIEW

Overview

The company and its subsidiaries made an operating loss for the year of US$30,879,000 (2005 US$50,786,000) The retained loss for the year amounted to US$10,472,000 (2005 loss US$39,475,000) and has been taken to reserves

During the year, the company received $616,012 from the issuance of share capital in order to comply with FSA regulatory requirements In 2005, the company received $111,772,155 from the issuance of share capital

Broking activities

The business conducted in BGCI is part of the global "BGC Group", part of Cantor Fitzgerald, L P , the ultimate parent entity of BGCI The BGC Group is a full service inter-dealer broker which specialises in broking over-the-counter financial products and related derivative products The BGC Group is managed along product lines, and this approach is followed in BGCI Management review the performance of each product line, and work to ensure that in the medium term each product line achieves an acceptable profit margin

The principal risks facing the company arise from competition from other brokerage and financial services firms, and from not being able to continue to attract and retain highly skilled brokers

The management of the BGC Group is seeking to become the leading global inter-dealer broker by increasing its share of existing markets and expanding into new markets

As of July 2005, BGCI's inter-dealer broker business in London (matched principal and name give up) was contributed to BGC International LP, an entity under common ownership of Cantor Fitzgerald, L P Since that date BGCI's role in relation to that business has been limited to acting as the counterparty for credit and risk purposes on principal trades which are executed by BGC International LP as agent in the name of BGCI The effect of the transfer of the London business to BGC International LP was to trigger a transfer of employees to BGC International LP

Also with effect from July 2005, the beneficial ownership of the Milan and Singapore branch offices of BGCI was contributed to BGC International LP, such that from that date all profits and losses are transferred to BGC International LP Legal ownership of the Milan and Singapore branches has remained with BGCI

The results for Milan and Singapore are reported in the profit and loss account of BGCI and transferred to BGC International LP via retained earnings

Included in "Operating loss" is a loss of $11 7m in respect of the ETC Pollak group The ETC Pollak group had a difficult year and its results were impacted by a number of one-off items as the French broker was integrated into the wider BGC Group

Clearing activities

Included in "Turnover" is $1 5m from clearing activities BGCI acts as clearer to trades executed by entities under the common ownership of Cantor Fitzgerald, L P , (under a Clearing Agreement), and settles trades executed by eSpeed Inc (under a Joint Services Agreement)

Service company activities

Historically, BGCI has acted as a service company for entities under the common ownership of Cantor Fitzgerald, L P in the UK, Europe and Asia The services provided include employing all administration support staff who provide services, owning all fixed assets and leasehold improvements, and having legal title to property leases Included in "Turnover" is $3 8m earned from service company activities, which is calculated in accordance with an Administrative Services Agreements between BGCI and the service receivers

In order to maximise capital efficiency across the commonly controlled entities, the Directors plan to transfer these service company activities to an unregulated entity in the UK On 31st December 2006 the first phase of this plan was executed and the administrative staff were transferred to Tower Bridge International Services LP, a commonly owned entity The Directors obtained an independent valuation on the business being transferred from a firm of chartered accountants The business was valued at $4 5m and a gain of this amount is included in "Other operating income"

Sale of investments

Included in "Profit on sale of fixed asset investments" is a gain of $18 1m from the disposal of investments in LSE plc

Additionally, the equities business of ETC Pollak group was sold to Cantor Fitzgerald Europe for $2 6m, an entity under common ownership of Cantor Fitzgerald, L P The equities business was estimated to account for approximately 20% of the goodwill in the ETC Pollak group, and accordingly a goodwill write-off of $2 6m was taken in BGCI The net impact of the sale on BGCI's 2006 results was nil

Litigation costs

Included in "Administrative expenses" is $10 3m relating to litigation costs

Expected future developments

The principal driver of the loss in 2006 was the result in the ETC Pollak subsidiary Prospects for the ETC Pollak business in 2007 are more favourable, due to both the avoidance of further one-off integration costs and also the improved outlook for operating profitability

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This is as described in note 31 to the financial statements

DIVIDENDS

The directors do not recommend the payment of a dividend (2005 - US$nil)

DIRECTORS

The directors, who served throughout the period except as noted, were as follows

Mr L Amaitis	
Mr S Bartlett	
Mr S Curran	(resigned 1 February 2006)
Mr S Fraser	(resigned 1 June 2006)
Mr H W Lutnick	(resigned 28 December 2006)
Mr S Lynn	(resigned 19 January 2007)
Mr M Macleod	(appointed 6 February 2006, resigned 22 January 2007)
Mr S Merkel	(resigned 28 December 2006)
Mr G Moorehouse	(appointed 13 February 2007)
Mr R Scott	(resigned 19 May 2006)

BGC INTERNATIONAL

DIRECTORS' REPORT (Continued)

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

CHARITABLE AND POLITICAL DONATIONS

During the year, the group made charitable donations of US$6,894 (2005 - US$92,022)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be reappointed as auditors for a further term under the provisions of S386(2) of the Companies Act 1985

Approved by the Board and signed on its behalf by

RM Snelling
Company Secretary

26 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BGC INTERNATIONAL

We have audited the group and parent company financial statements (the "financial statements") of BGC International for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the reconciliation of movement in consolidated shareholders' funds, the consolidated cash flow statement and the related notes 1 to 31 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 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

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 group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
30 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	2006 Total US$'000	2005 Total US$'000
TURNOVER	3	138,608	173,728
Cost of sales (including exceptional items in 2006 of US$NIL (2005 – US$17m))	5	(156,211)	(208,648)
GROSS LOSS		(17,603)	(34,920)
Administrative expenses		(17,518)	(16,091)
Foreign exchange (losses)/gains		(258)	225
Other operating income		4,500	-
OPERATING LOSS	6	(30,879)	(50,786)
Interest receivable and similar income	8	8,843	1,778
Interest payable and similar charges	9	(6,492)	(3,207)
Profit on sale of fixed asset investments	14	18,069	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(10,459)	(52,215)
Tax credit on loss on ordinary activities	10	-	12,733
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(10,459)	(39,482)
Equity minority interests	26	(13)	7
RETAINED LOSS FOR THE FINANCIAL YEAR		(10,472)	(39,475)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2006

	Note	2006 US$'000	2005 US$'000
Loss for the financial year	20	(10,472)	(39,475)
Revaluation of fixed asset investments	14	10,086	559
Transfer to profit and loss on sale of available for sale investments		(18,069)	-
Currency translation adjustment	20	(268)	-
TOTAL RECOGNISED LOSSES FOR THE YEAR		(18,723)	(38,916)

BGC INTERNATIONAL

CONSOLIDATED BALANCE SHEET
31 December 2006

	Note	2006 US$'000	2005 as restated US$'000
FIXED ASSETS			
Intangible assets	12	6,658	9,901
Tangible assets	13	55,743	37,340
Investments	14	85,336	99,517
		147,737	146,758
CURRENT ASSETS			
Long positions		57,911	46,063
Debtors	15	3,297,151	1,066,397
Cash at bank and in hand		20,825	12,402
		3,375,887	1,124,862
CREDITORS - amounts falling due within one year	16	(3,315,054)	(1,070,272)
NET CURRENT ASSETS		60,833	54,590
TOTAL ASSETS LESS CURRENT LIABILITIES		208,570	201,348
CREDITORS - amounts falling due after more than one year	17	(51 000)	(46,000)
PROVISION FOR LIABILITIES AND CHARGES	18	(6,808)	(865)
		150 762	154,483
CAPITAL AND RESERVES			
Called up share capital	19	203,308	202,692
Revaluation reserve	20	1,799	9,782
Currency translation reserve	20	(268)	-
Profit and loss account	20	(54,216)	(58,117)
EQUITY SHAREHOLDERS' FUNDS		150,623	154,357
MINORITY INTERESTS – EQUITY	26	139	126
		150,762	154 483

The financial statements were approved by the Board of Directors on 26 April 2007

Signed on behalf of the Board of Directors

George E Moorehouse

G Moorehouse

Director

BGC INTERNATIONAL

COMPANY BALANCE SHEET
31 December 2006

	Note	2006 US$'000	2005 as restated US$'000
FIXED ASSETS			
Tangible assets	13	53,116	35,054
Investments	14	105,265	114,164
		158 381	149 218
CURRENT ASSETS			
Long positions		57,911	46,063
Debtors	15	3,309,584	1,062,600
Cash at bank and in hand		7,268	8,830
		3,374,763	1,117,493
CREDITORS - amounts falling due within one year	16	(3,308,867)	(1,062,342)
NET CURRENT ASSETS		65,896	55,151
TOTAL ASSETS LESS CURRENT LIABILITIES		224,277	204,369
CREDITORS - amounts falling due after more than one year	17	(51,000)	(46,000)
PROVISION FOR LIABILITIES AND CHARGES	18	(6,808)	-
		166,469	158,369
CAPITAL AND RESERVES			
Called up share capital	19	203,308	202,692
Revaluation reserve	20	1,799	9,782
Profit and loss account	20	(38,638)	(54,105)
EQUITY SHAREHOLDERS' FUNDS		166 469	158,369

The financial statements were approved by the Board of Directors on 26 April 2007

Signed on behalf of the Board of Directors

George E. Moorehouse

G Moorehouse

Director

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS
For the year ended 31 December 2006

GROUP	Note	2006 US$'000	2005 as restated US$'000
Loss for the financial year	20	(10,472)	(39,475)
Capital contribution from related undertakings		14,373	9,319
Revaluation of fixed asset investments	14	10,086	559
Transfer to profit and loss on sale of LSE shares		(18,069)	-
Share capital issuance	19	616	111,772
Foreign currency translation		(268)	-
Net (decrease)/increase in shareholders' funds		(3,734)	82,175
Opening equity shareholders' funds		154,357	72,182
Closing equity shareholders' funds		150,623	154,357

COMPANY		2006 US$'000	2005 as restated US$'000
Profit/(loss) for the financial year	20	1,118	(35,822)
Capital contribution from related undertakings		14,373	9,319
Foreign currency translation		(24)	-
Revaluation of fixed asset investments	14	10,086	559
Transfer to profit and loss on sale of LSE shares		(18,069)	-
Share capital issuance		616	111,772
Net increase in shareholders' funds		8,100	85,828
Opening equity shareholders' funds		158,369	72,541
Closing equity shareholders' funds		166,469	158,369

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

	Note	2006 US$'000	2005 as restated US$'000
Net cash outflow from operating activities	27	(44,772)	(32,902)
Returns on investments and servicing of finance			
Interest received		8,843	1,778
Interest paid		(6,492)	(3,207)
Net cash inflow/(outflow) from returns on investments and servicing of finance		2,351	(1,429)
Taxation			
UK corporation tax received		-	4,356
Capital expenditure and financial investment			
Purchase of fixed asset investments		-	(86,250)
Purchase of tangible fixed assets		(37,586)	(23,907)
Sale of fixed asset investments		18,069	-
Sale of business unit		2,465	-
Redemption of subordinated loan investment		6,198	-
Net cash outflow from capital expenditure		(10,854)	(110,157)
Acquisitions			
Purchase of subsidiary undertaking	28	-	(13,071)
Net cash acquired with subsidiary		-	1,852
Net cash outflow from acquisitions		-	(11,219)
Financing			
Subordinated loans received		51,000	46,000
Issue of share capital		616	111,772
Issue of subsidiary undertaking's share capital to minority interest			75
Net cash inflow from financing		51,616	157,847
(Decrease)/increase in cash in the year	29	(1,659)	6,496

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

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 They have all been applied consistently throughout the year and the preceding year with the exception of the policies applying to

- recognition of client money, explained in note 2, and
- grant awards made to employees, explained in note 2

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 2006 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 recognised and derecognised on trade date, where a purchase or sale of investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost

Fixed asset investments are classified as available for sale and are measured at subsequent dates at fair value Gains and losses arising from the changes in fair value are recognised directly in equity via the revaluation reserve until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is recognised and is included in the profit and loss account for the period, the revaluation reserve having first been reversed

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1. **ACCOUNTING POLICIES (continued)**

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

Operating leases

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

Financial instruments

The company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs

Financial instruments at fair value through profit or loss

Financial instruments classified as held for trading, or designated as such on inception, are included in this category and relate to other derivative financial instruments within trade debtors and trade creditors and long and short inventory position as shown in the balance sheet Financial instruments are classified as held for trading if they are expected to settle in the short term

The financial instruments are initially recognised at fair value on the date on which a contract is entered into and subsequently carried in the balance sheet at fair value with gains or losses recognised in the profit and loss account

The company uses derivative financial instruments in order to hedge exposures resulting from derivatives with clients, which are also classified as held for trading

Determination of fair value

Fair value is determined by reference to third party market values where available Where the Company has assets and liabilities with offsetting market risks, mid-market prices have been used as a basis for establishing fair values for the offsetting risk positions, with bid or offer prices applied to the net open position as appropriate

Where there is no underlying active market, the fair value is determined using proprietary pricing models which apply appropriate valuation techniques and consider the impact of post period end settlement prices

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include amounts due from customers on closed positions, (disclosed within trade debtors) other debtors and subordinated loans These amounts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired

Other financial liabilities

Financial liabilities, other than those classified as held for trading above, are recognised initially at fair value and carried at amortised cost using the effective interest rate method

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1. **ACCOUNTING POLICIES (contınued)**

Taxation

Current tax, ıncludıng UK corporatıon tax and foreıgn tax, ıs provıded at amounts expected to be paıd (or recovered) usıng the tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date

Deferred taxation

Deferred tax ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events that result ın an oblıgatıon to pay more tax ın the future or a rıght to pay less tax ın the future have occurred at the balance sheet date Tımıng dıfferences are dıfferences between the group's taxable profits and ıts results as stated ın the financıal statements that arıse from the ınclusıon of gaıns and losses ın tax assessments ın perıods dıfferent from those ın whıch they are recognısed ın the financıal statements

A deferred tax asset ıs regarded as recoverable and therefore recognısed only when, on the basıs of all avaılable evıdence, ıt can be regarded as more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted Deferred tax assets and lıabılıtıes are not dıscounted

Pensions

The company operates a defined contrıbutıon scheme for certaın UK employees as determıned by theır contracts of employment Contrıbutıons are charged to the profit and loss account as they are ıncurred The company provıdes no other post retırement benefits to ıts employees

Cash at bank and ın hand

The group holds money on behalf of clıents ın accordance wıth the clıent money rules of the Fınancıal Servıces Authorıty (FSA) and other regulatory bodıes Thıs money ıs ıncluded wıthın cash on the balance sheet and the correspondıng lıabılıty to clıents ıs ıncluded ın trade credıtor The return receıved on managıng clıent money ıs ıncluded wıthın finance revenue

Revenue recognition

Revenue ıs recognısed to the extent that economıc benefits wıll flow to the group and the revenue can be relıably measured Renderıng of servıces ıncludes tradıng ın financıal markets, net of commıssıons expensed Open posıtıons are carrıed at faır market value and gaıns and losses arısıng on thıs valuatıon are recognısed ın revenue as well as gaıns and losses realısed on posıtıons that have closed

Fınance revenue ıs accrued on a tıme basıs, by reference to the prıncıpal outstandıng and at the effectıve ınterest rate applıcable The effectıve ınterest rate ıs the rate whıch exactly dıscounts estımated future cash receıpts over the expected lıfe of the financıal asset to that asset's net carryıng amount

Interest payable

The ınterest cost recognısed ın the ıncome statement ıs accrued on a tıme basıs by reference to the prıncıpal amount charged at the effectıve ınterest rate applıcable Issue costs are ıncluded ın the determınatıon of the effectıve ınterest rates

Securities purchased under agreements to resell

Cash balances and accrued ınterest arısıng under repurchase agreements and securıtıes lendıng arrangements are recorded as lıabılıtıes and the related securıtıes, where owned by the company, are ıncluded ın financıal ınstruments at faır value Cash balances and accrued ınterest arısıng under resale agreements and securıtıes borrowıng arrangements are recorded as debtors

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

2 PRIOR YEAR ADJUSTMENTS DUE TO CHANGE IN ACCOUNTING POLICIES

During the year, the Company adopted three new accounting standards

- FRS 20 "Share Based Payments" ("FRS 20"),
- FRS 26 "Financial Instruments Recognition and Measurement" ("FRS 26"), and
- FRS 25 "Financial Instruments Disclosure" ("FRS 25")

The comparative figures in the primary financial statements and notes have been restated to reflect these new policies The effects of adopting these new standards are summarised below

(a) Share based payments

Expense is recognised at the date of award and measured by reference to the fair value of the equity instruments granted

(b) Recognition of client money

Client money which was recorded off-balance sheet under previous UK GAAP has now been included within cash under FRS 26 and the equivalent liability to clients included within trade creditors

(c) Treatment for change in value of investment

Application of FRS 26 requires impairment charge previously taken through the profit and loss is now taken through the revaluation reserve

The effects of the changes in policies on the balance sheet are summarised below

	Note	2006 US$'000	2005 US$'000
Balance sheet			
Assets			
Increase in cash at bank and in hand	2b	3,746	2,140
Liabilities			
Increase in creditors due within one year	2b	(3,746)	(2,140)
Capital and reserves			
Increase in profit and loss account – 2005 b/fwd	2c	-	(870)
Decrease in revaluation reserve	2c	-	870
Increase in net assets		-	-

(d) Additional Restatement

In addition to the effects of adopting the new accounting standards, comparative figures have been restated to reflect the transfer of the net losses in 2005 of the Singapore and Milan branches of BGC International to BGC International LP (an entity under common ownership of Cantor Fitzgerald, L P) Under the terms of an agreement between both parties dated July 2005 the beneficial ownership of the Singapore and Milan businesses are held in trust to BGC International LP and BGC International LP is responsible for all profits and losses for the periods in question In the 2005 financial statements the effect of this trust agreement was omitted in error and the capital contribution associated with transferring the losses of the Singapore and Milan businesses was not reported

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

2 PRIOR YEAR ADJUSTMENTS DUE TO CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The effects of the restatement on the balance sheet are summarised below

	Note	2006 US$'000	2005 US$'000
Balance sheet			
Assets			
Increase in debtors	2d	14,373	-
Liabilities			
Decrease in creditors due within one year		-	9,319
Capital and reserves			
Increase in retained earnings	2d	(14,373)	(9,319)

3. TURNOVER

The group's income is derived from inter dealer 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 principal business and commissions earned from agency trades and introducing business It is shown net of any related dealing/broking expense (eg commissions, carry)

4. SEGMENTAL REPORTING

In the opinion of the directors, the group's activities comprise one class of business An analysis of the group's results by geographical segment is provided below,

	2006			2005		
	Turnover US$'000	Profit/(loss) before taxation US$'000	Net assets US$'000	Turnover US$'000	Loss before taxation US$'000	Net assets as restated US$'000
United Kingdom	64,963	8,815	142,698	145,218	(32,511)	132,177
Continental Europe	40,902	(8,812)	(7,246)	11,695	(3,466)	(3,466)
Singapore	32,743	(10,462)	15,310	16,815	(16,238)	25,772
	138,608	(10,459)	150,762	173,728	(52,215)	154,483

5. EXCEPTIONAL ITEMS

There were no exceptional items which materially impacted on the Group in the year ended 31 December 2006 The result for the 2005 year was materially impacted by an exercise undertaken by the group 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 group and to provide for an additional US$13m of potential future liabilities that had arisen due to a change in accounting estimate

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

6. OPERATING LOSS

	2006 US$'000	2005 US$'000
The operating loss is stated after charging:		
Amortisation of intangible fixed assets	778	121
Depreciation of tangible fixed assets	18,871	13,617
Auditors' remuneration, audit (group and company)	1,092	1,075
Auditors' remuneration, other services (group and company)	284	236
Rents payable under operating leases	-	692
Loss on disposal of tangible fixed assets	312	802

7. DIRECTORS AND EMPLOYEES

	2006 US$'000	2005 as restated US$'000
Staff costs during the year amounted to:		
Wages and salaries	79,206	114,655
Social security costs	13,469	23,883
Other pension costs	2,049	771
	94,724	139,309

The staff costs for 2006, and the 2005 comparatives as restated, include only staff costs paid to employees of BGC International This differs from the disclosure in 2005's financial statements which contained two disclosures first, gross staff costs of all employees of both BGC International and BGC International LP, and then secondly, separate disclosure of the costs of employees of BGC International only

This change is presentational only and has no effect on the 2005 profit and loss of BGC International The staff costs related to BGC International LP employees were correctly charged to BGC International LP's profit and loss in 2005 The average employee note below is consistent with this changed disclosure, with the 2005 figures restated to include only BGC International employees (and exclude BGC International LP employees)

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

The pension charge of US$2,298,075 for the year ended 31 December 2006 (2005 - US$885,408) represents contributions payable by the group to the scheme At 31 December 2006 there were no outstanding or prepaid contributions to the scheme (2005 - $nil)

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

	2006 No	2005 as restated No.
Direct operating	181	266
Other	270	240
	451	506

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

7 DIRECTORS AND EMPLOYEES (CONTINUED)

The remuneration paid to the directors comprised

	2006 US$'000	2005 US$'000
Directors' emoluments	7,987	4,601
	7,987	4,601

Highest paid director's remuneration

	2006 US$'000	2005 US$'000
Emoluments of the highest paid director	3,250	1,546

Six (2005 three) of the directors received no remuneration from the company during the current year

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

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 US$'000	2005 US$'000
Bank interest	5,133	1,205
Interest on settlements	-	17
Subordinated loan interest – group companies	622	556
Loans to other group companies	3,088	-
	8,843	1,778

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 US$'000	2005 US$'000
Subordinated loan interest – group companies	3,936	1,785
Loans from other group companies	1,618	1,376
Other interest	938	46
	6,492	3,207

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

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

	2006 US$'000	2005 as restated US$'000
i) Analysis of tax credit/(charge) on ordinary activities		
United Kingdom corporation tax at 30% (2005 – 30%) based on the profit for the year	-	4,058
Adjustment in respect of prior periods	-	4,044
	-	8,102
Foreign tax for current year	-	(767)
Adjustment in respect of prior periods	-	(33)
Current tax credit/(charge) for year	-	7,302
Deferred tax – timing differences, origination	-	5,431
	-	12,733

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% (2005 – 30%) The differences are explained below

	2006 US$'000	2005 as restated US$'000
Loss on ordinary activities before tax	(10,459)	(52,215)
Tax at 30% thereon	3,138	15,665
Effects of		
Expenses not deductible for tax purposes	(1,448)	(8,212)
Depreciation in excess of capital allowances	-	(753)
Movement in short term timing differences	(879)	44
Disposals	135	-
UK dividend income	18	32
Unrelievable foreign tax	-	(537)
Origination of tax losses	(12,189)	(5,453)
Partnership losses	11,225	2,505
Prior period adjustments	-	4,011
Current tax credit/(charge) for year	-	7,302

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

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

iii) Deferred tax

	2006	2005
Movement on deferred taxation balance in the year	US$'000	US$'000
Opening balance	4,725	(793)
Foreign exchange adjustment	-	87
Release to profit and loss account	-	5,431
Closing balance	4,725	4,725

	2006	2005
This is represented by	US$'000	US$'000
Unused trading losses	13,196	4,501
Depreciation in excess of capital allowances	799	224
	13,995	4,725
Unrecognised losses	(9,270)	-
	4,725	4,725

11. 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 profit after tax for the financial year amounted to US$1,118,000 (2005 – US$35,822,000 loss)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

12. INTANGIBLE FIXED ASSETS

THE GROUP	Goodwill US$'000
COST	
At 1 January 2006	10,022
Asset valuation adjustment	(351)
Disposals	(2,549)
At 31 December 2006	7,122
AMORTISATION	
At 1 January 2006	(121)
Charge for the year	(427)
Disposals	84
At 31 December 2006	(464)
NET BOOK VALUE	
At 31 December 2006	6,658
At 31 December 2005	9,901

Goodwill arose on the acquisition of ETC Pollak and its group companies during the year ended 31 December 2005 (see notes 14 and 28)

During 2006 the equities business of ETC Pollak was sold to Cantor Fitzgerald Europe, a company under common ownership of Cantor Fitzgerald, L P , for consideration of $2 5m The Directors estimate that 20% of the goodwill in the ETC Pollak group related to the equities business, and accordingly $2 5m of goodwill was deemed to be disposed of at the time of the sale

13. TANGIBLE FIXED ASSETS

THE GROUP	Computer equipment US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Equipment and machinery US$'000	Office furniture US$'000	Total US$'000
COST						
At 1 January 2006	46,164	572	20,166	14,045	4,838	85,785
Additions	15,768	-	18,814	337	2,667	37,586
Disposals	(624)	-	-	-	-	(624)
At 31 December 2006	61,308	572	38,980	14,382	7,505	122,747
DEPRECIATION						
At 1 January 2006	21,968	406	9,332	13,890	2,849	48,445
Charge for year	12,114	93	5,540	118	1,006	18,871
Disposals	(312)	-	-	-	-	(312)
At 31 December 2006	33,770	499	14,872	14,008	3,855	67,004
NET BOOK VALUE						
At 31 December 2006	27,538	73	24,108	374	3,650	55,743
At 31 December 2005	24,196	166	10,834	155	1,989	37,340

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

13 TANGIBLE FIXED ASSETS (continued)

THE COMPANY	Computer equipment US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Equipment and machinery US$'000	Office furniture US$'000	Total US$'000
COST						
At 1 January 2006	45,617	572	18,929	14,045	4,242	83,405
Additions	15,312	-	18,054	337	2,579	36,282
Disposals	(625)	-	-	-	-	(625)
At 31 December 2006	60,304	572	36,983	14,382	6,821	119,062
DEPRECIATION						
At 1 January 2006	21,900	406	9,325	13,890	2,830	48,351
Charge for year	11,595	93	5,202	118	900	17,908
Disposals	(313)	-	-	-	-	(313)
At 31 December 2006	33,182	499	14,527	14,008	3,730	65,946
NET BOOK VALUE						
At 31 December 2006	27,122	73	22,456	374	3,091	53,116
At 31 December 2005	23,717	166	9,604	155	1,412	35,054

14. 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
COST OR VALUATION				
At 1 January 2006	12,998	9,782	76,824	99,604
Additions	-	-	-	-
Disposals	(6,198)	(18,069)	-	(24,267)
Revaluations	-	8,287	1,799	10,086
At 31 December 2006	6,800	-	78,623	85,423
PROVISION FOR IMPAIRMENT				
At 1 January 2006	-	-	(87)	(87)
Disposals	-	-	-	-
At 31 December 2006	-	-	(87)	(87)
NET BOOK VALUE				
At 31 December 2006	6,800	-	78,536	85,336
At 31 December 2005	12,998	9,782	76,737	99,517

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

14. INVESTMENTS HELD AS FIXED ASSETS (continued)

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
COST OR VALUATION					
At 1 January 2006	12,998	9,782	76,824	14,647	114,251
Additions	-	-	-	5,282	5,282
Disposals	(6,198)	(18,069)	-	-	(24,267)
Revaluations	-	8,287	1,799	-	10,086
At 31 December 2006	6,800	-	78,623	19,929	105,352
PROVISION FOR IMPAIRMENT					
At 1 January 2006	-	-	(87)	-	(87)
Disposals	-	-	-	-	-
At 31 December 2006	-	-	(87)	-	(87)
NET BOOK VALUE					
At 31 December 2006	6,800	-	78,536	19,929	105,265
At 31 December 2005	12,998	9,782	76,737	14,647	114,164

Shares in group undertakings, whose financial results are consolidated in the group financial statements, as at 31 December 2006 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

14. INVESTMENTS HELD AS FIXED ASSETS (continued)

Subordinated loans classified as loans and receivables, made to companies under common control as at 31 December 2006 were

Company name	Currency	Value	Effective date	Term	Rate
MIS Brokers Limited	USD	2,000,000	23/03/2006	2 years	6 00%
MIS Brokers Limited	USD	300,000	30/11/2006	2 years	7 28%
MIS Brokers Limited	USD	2,000,000	14/04/2005	2 years	5 35%
MIS Brokers Limited	USD	1,500,000	29/04/2005	2 years	5 40%
MIS Brokers Limited	USD	1,000,000	20/06/2005	2 years	5 60%

The interest rate charged on the above loans is 2% above the London Inter Bank Offer Rate, except for the USD$1,000,000 loan which is at 1% above the London Inter Bank Offer Rate

The non-listed investments are held at cost except for those classified as available for sale which are held at fair value

Non listed investments held at fair value are as follows,

	Fair Value US$000	Basis of Fair Value
1,809 shares in Euroclear PLC	1,598	Net asset value of consolidated group
2,806 shares in Euronext N V	331	Share price

The company disposed of 857,142 London Stock Exchange shares which were sold on the open market and generated a profit on sale of $US18,069,000

15 DEBTORS

	Group 2006 US$'000	Group 2005 US$'000	Company 2006 US$'000	Company 2005 US$'000
Trade debtors	3,160,773	987,197	3,157,309	980,467
Amounts owed by subsidiary companies	-	-	7,684	4,768
Amounts owed by other group undertakings	70,454	22,363	78,729	22,333
Deferred taxation (note 10iii)	4,725	4,725	4,725	4,725
Other debtors	46,148	40,624	46,866	39,324
Prepayments and accrued income	15,051	11,488	14,271	10,983
	3,297,151	1,066,397	3,309,584	1,062,600

For those trade debtors not accounted for at fair value, and for the other financial assets included above, the Directors consider the carrying value of these items approximates to fair value

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

16. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 US$'000	2005 as restated US$'000	2006 US$'000	2005 as restated US$'000
Bank loans and overdrafts	10,965	883	13,153	994
Trade creditors	3,049,775	886,415	3,049,929	886,457
Amounts owed to subsidiary company	-	-	670	744
Amounts owed to other group undertakings	44,791	92,182	42,815	92,213
Corporation tax	-	-	-	-
Other taxes and social security	34,062	16,113	31,685	13,079
Other creditors	70,095	11,606	67,249	7,779
Accruals and deferred income	59,366	63,073	57,366	61,076
Subordinated loans	46,000	-	46,000	-
	3,315,054	1,070,072	3,308,867	1,062,342

For those trade creditors not accounted for at fair value, and for the other financial liabilities included above, the Directors consider the carrying value of these items approximates to fair value

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, L P	USD	18,000,000	11/03/2005	2 years	7 50%
Cantor Fitzgerald, L P	USD	11,000,000	15/04/2005	2 years	7 44%
Cantor Fitzgerald, L P	USD	8,000,000	29/04/2005	2 years	7 24%
Cantor Fitzgerald, L P	USD	9,000,000	08/06/2005	2 years	7 39%

Rates are recalculated quarterly

17 CREDITORS. AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Subordinated loans	51,000	46,000	51,000	46,000

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

Cantor Fitzgerald, L P	USD	42,000,000	04/04/2006	2 years	7 16%
Cantor Fitzgerald, L P	USD	9,000,000	28/12/2006	2 years	7 37%

Rates are recalculated quarterly

18. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Provision for onerous lease	6,808	865	6,808	-

The provision for onerous lease commitments has been calculated for properties vacated during 2005 and 2006 by reference to discounted expected future net cashflows relating to the properties

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

19. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised		
2006 total (2005 – 200,000,000) ordinary shares of £1 each	200,000	200,000
2,000,000 (2005 – 2,000,000) preferred shares of £10 each	20,000	20,000
	2006 US$'000	**2005 US$'000**
Called up, allotted and fully paid·		
2006 total 118,783,829 (2005 – 118,469,047) ordinary shares of £1 each	203,308	202,692

During the year, the company issued 314,782 £1 ordinary shares for a cash consideration of $616,012 in order to meet additional FSA regulatory capital requirements In 2005, the authorised share capital was increased by 133,244,128 £1 ordinary shares and the company issued 62,523,630 £1 ordinary shares for a cash consideration of $111,772,155

20. RESERVES

THE GROUP	Foreign currency translation reserve US$'000	Revaluation reserve US$'000	Profit and loss account US$'000	Total US$'000
At 1 January 2005 as restated	-	9,223	(27,961)	(18,738)
Loss for the financial year (as restated)	-	-	(39,475)	(39,475)
Capital contribution from related undertaking	-	-	9,319	9,319
Revaluation of fixed asset investments	-	559	-	559
At 1 January 2006 as restated	-	9,782	(58,117)	(48,335)
Loss for the financial year	-	-	(10,472)	(10,472)
Capital contribution from related undertaking	-	-	14,373	14,373
Revaluation of fixed asset investments	-	1,799	-	1,799
Available for sale investments				
Valuation gains taken to equity	-	8,287	-	8,287
Transfer to profit and loss on sale of LSE shares	-	(18,069)	-	(18,069)
Currency translation of foreign subsidiary	(268)	-	-	(268)
At 31 December 2006	(268)	1,799	(54,216)	(52,685)

As disclosed in note 2, the capital contributions from related undertaking relate to the transfer of the Singapore and Milan branch losses to BGC International LP

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

20 RESERVES (CONTINUED)

THE COMPANY	Revaluation reserve US$'000	Profit and loss account US$'000	Total US$'000
At 1 January 2005 as restated	9,223	(27,602)	(19,249)
Loss for the financial year	-	(35,822)	(35,822)
Capital contribution from related undertaking		9,319	9,319
Revaluation of fixed asset investments	559	-	559
At 1 January 2006 as restated	9,782	(54,105)	(44,323)
Profit for the financial year	-	1,118	1,118
Capital contribution from related undertaking	-	14,372	14,372
Foreign currency translation	-	(23)	(23)
Revaluation of fixed asset investments	1,799	-	1,799
Available for sale investments			
Valuation gains taken to equity	8,287	-	8,287
Transfer to profit and loss on sale of LSE shares	(18,069)	-	(18,069)
At 31 December 2006	1,799	(38,638)	(36,839)

As disclosed in note 2, the capital contributions from related undertaking relate to the transfer of the Singapore and Milan branch losses to BGC International LP

Reserves are distributable

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

21 COMMITMENTS

At 31 December 2006 the company and the group were committed to making the following payments during the next year in respect of operating leases

GROUP AND COMPANY	2006 US$'000	2005 US$'000
Leases over land and buildings which expire:		
Within one year	1,476	-
Within two to five years	-	4,135
After five years	8,500	6,811
	9,976	10,946

In addition, the company has, in the ordinary course of business, issued guarantees in respect of trading activities of certain group companies

22 CLIENT MONEY

The company holds client money in accordance with client money regulations of the Financial Services Authority ('FSA') The amount held as of 31 December 2006 totalled US$3,746,189 (2005 – US$2,139,937) and is included within Cash at Bank and in hand

23. 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

24 PARENT COMPANIES

The immediate parent and controlling party is BGC International Holdings, L P The smallest group into which the 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 2006

25. RELATED PARTY TRANSACTIONS

The company and its subsidiaries enter into service arrangements with various parties that are related by common ownership and control As of 31 December 2006 the intercompany balances held with related parties comprised

	2006		2005	
	Owed to US$'000	Owed by US$'000	Owed to US$'000	Owed by US$'000
Cantor Fitzgerald Leasing	-	37	-	30
Cantor Fitzgerald Nova Scotia	-	179	-	2,692
Cantor Fitzgerald & Co	243	-	-	51
Cantor Fitzgerald Securities	2,363	-	-	118
Cantor Fitzgerald, L P	-	4,976	-	446
Cantor Fitzgerald Brokerage, L P	15	-	14	-
BGC Capital Markets (Hong Kong) Ltd	6,945	-	556	-
Cantor Fitzgerald (Hong Kong) Capital Markets Ltd	1,452	-	-	244
BGC Capital Markets (Japan) LLC	-	49	-	4,385
BGC Shoken Kaisha Ltd	-	893	1,241	-
BGC Securities (Hong Kong) LLC	1,372	-	-	3
BGC Securities	214	-	-	33
BGC Capital Markets, L P	789	-	-	4,209
Cantor Fitzgerald Europe	19,249	-	34,573	-
Cantor Index Ltd	-	40,345	-	1,091
Electronic Screen Brokerage Exchange Ltd	-	231	-	154
Cantor Fitzgerald Energy Europe Ltd	708	-	708	-
MIS Holdings LLC	-	-	-	3,800
MIS Brokers Limited	-	1,486	9,048	-
BGC Capital Markets (Switzerland) LLC	1,558	-	70	-
BGC Partners (Australia) Pty Ltd	-	5,304	-	153
Cantor Fitzgerald (Proprietory) Ltd	-	342	-	333
Eaustbond Pty Ltd	-	287	-	976
CO2e com LLC	-	638	-	43
CO2e com London Ltd	-	168	-	444
CO2e com (Australia) Pty Ltd	-	12	-	-
Sub-total	34,908	54,947	46,210	19,205

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

25. RELATED PARTY TRANSACTIONS (CONTINUED)

	2006		2005	
	Owed to US$'000	Owed by US$'000	Owed to US$'000	Owed by US$'000
Sub-total from previous page	34,908	54,947	46,210	19,205
CO2e com Canada	-	84	-	-
ITSECCO Holdings Ltd	-	543	254	-
Eccoware Ltd	754	-	-	263
eSpeed Hong Kong Ltd	187	-	-	231
eSpeed, Inc	-	5	-	781
eSpeed International Limited	324	-	1,710	-
eSpeed (Australia) Pty Limited	-	56	93	-
eSpeed (Japan) Limited	-	58	37	-
BGC Financial, Inc	-	5,476	-	434
Euro Brokers Holdings Ltd	638	-	351	-
BGC Brokers Ltd	-	338	6,299	-
Euro Brokers Services Ltd	-	458	-	73
Euro Brokers (Switzerland) S A	444	-	2,630	-
BGC Brokers, Inc	3,182	-	3,508	-
BGC International LP	-	5,621	31,001	-
BGC Securities Sarl	181	-	8	-
BGC USA LP	3,965			
Cantor Fitzgerald (South Africa) (Proprietory) Ltd	-	3	-	17
Cantor Casino (Alderney) Ltd	-	249	31	-
Cantor Gaming Limited	50	-	50	-
Cantor G&W, (Nevada) L P	-	1	-	-
Alderney White Label One Ltd	158	-	-	-
Cantor G&W International, L P	-	2,532	-	1,359
Cantor Index Holdings, L P	-	77	-	-
BGC International GP Ltd	-	6	-	-
	44,791	70,454	92,182	22,363

The company and its subsidiaries enter into securities transactions with various parties that are related by common ownership and control As of 31 December 2006 balances held with related parties and contained within trade debtors/creditors were nil

As disclosed in note 2, the losses of the Milan and Singapore branches have been transferred to BGC International LP

The company entered into a reverse repurchase agreement with Cantor Fitzgerald & Co on 8 March 2006 At 31 December 2006, the balance due to BGCI was US$20,208,375 (2005 US$Nil)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

25. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended 31 December 2006, the net value of charges payable to and receivable for the following transactions from those related parties comprised

Service arrangements	2006 US$'000	2005 US$'000
BGC Capital Markets (Hong Kong) Ltd	1,718	1,434
Cantor Fitzgerald Europe	15,736	10,567
BGC Shoken Kaisha Ltd	883	1,173
BGC Capital Markets (Japan) LLC	694	532
BGC Securities (Hong Kong) LLC	641	746
eSpeed International Limited	(4,943)	(15,909)
Cantor Index Ltd	13,334	6,735
eSpeed (Japan) Limited	205	197
eSpeed (Hong Kong) Ltd	142	161
Cantor Fitzgerald (Hong Kong) Capital Markets Ltd	1,298	626
MIS Brokers Limited	3,172	2,635
BGC Capital Markets (Switzerland) LLC	707	387
Clearspeed	12	53
Cantor G&W International LP	1,049	-
BGC International LP	34,403	9,535
BGC Brokers Ltd	5,504	1,462
CO2e com Ltd	1,521	515
BGC Partners (Australia) Pty Ltd	1,814	1,226
	77,890	22,075

Included above are recharged costs for support services recharged by BGC International as the service company to commonly controlled European trading companies contained within the company's revenue Also included are costs recharged by eSpeed International Limited for the provision of its electronic trading platform and IT support services

Inter-company funding	2006 US$'000	2005 US$'000
Cantor Index Ltd	313	228
MIS Brokers Limited	286	328
Cantor Fitzgerald, L P	(3,935)	(1,785)
	(3,336)	(1,229)

The above represents interest paid and received on subordinated loan arrangements (see notes 14 and 17)

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26. MINORITY INTERESTS - EQUITY

	2006 US$'000	2005 US$'000
At 1 January	126	58
Additional investment in Tower Bridge Securities Limited	-	75
Profit and loss account movement	13	(7)
At 31 December	139	126

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 US$'000	2005 as restated US$'000
Operating loss	(30,879)	(50,786)
Capital contribution from related undertaking	14,372	9,319
Depreciation and amortisation	19,961	14,547
Increase in long positions	(11,848)	(8,011)
Increase in debtors	(2,231,022)	(554,093)
Increase in creditors	2,194,643	556,122
Net cash (outflow)/inflow from operating activities	(44,772)	(32,902)

28 PURCHASE OF SUBSIDIARY UNDERTAKINGS

	2006 US$'000	2005 US$'000
Fair value of net assets acquired:		
Fixed assets	-	3,209
Debtors	-	8,045
Cash at bank and in hand	-	1,852
Creditors	-	(10,057)
	-	3,049
Goodwill (see note 11)	-	10,022
Acquisition satisfied by cash	-	13,071

29. ANALYSIS OF NET FUNDS

	At 1 January 2006 As restated US$'000	Cash flows US$'000	At 31 December 2006 US$'000
Cash at bank and in hand	12,402	8,423	20,825
Bank loans and overdrafts	(883)	(10,082)	(10,965)
	11,519	(1,659)	9,860

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

30. DERIVATIVE FINANCIAL INSTRUMENTS

The company utilises the following derivative instruments for trading and economic hedging purposes

	2006		
	Contract or underlying principal amount $'000	Fair Value Asset $'000	Fair Value Liability $'000
FX Forward Contracts	19,269	5,367	(5,337)
FX SWAPS	187,502	425,983	(72)
FX SPOTS	350,142	255,500	(427,361)
Futures	640,563	280	(1,437)
Options	12,234	629	(249,718)
Total Derivatives asset / (liability)	1,209,710	687,759	(683,925)

	2005		
	Contract or underlying principal amount $'000	Fair Value Asset $'000	Fair Value Liability $'000
FX Forward Contracts	107	54	(53)
FX SWAPS	3,218	2,854	(364)
FX SPOTS	2,064	1,620	(443)
Futures	137,948	394	(3,292)
Options	5,786	836	(601)
Total Derivatives asset / (liability)	149,123	5,758	(4,753)

31. RISK MANAGEMENT

The Group 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 Group

The Group 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 Group has established polices 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

The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers The directors consider that the carrying value of the financial assets best represents the maximum credit risk exposure at the balance sheet dates,

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

31. RISK MANAGEMENT CONTINUED

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 Group and movements in foreign exchange and interest rates Any such market risk arising is identified and monitored on a daily basis

The Group 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

Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of the Group's financial assets and liabilities as at the balance sheet date was as follows

	31 December 2006			
	Less than one year $'000	More than one year $'000	Non-interest bearing $'000	Total $'000
Cash at bank and in hand	20,825	-	-	20,825
Subordinated loans - Investment	4,500	2,300	-	6,800
Subordinated loans - Liability	(46,000)	(51,000)	-	(97,000)
Other financial assets and liabilities	-	-	70,136	70,136
	(20,675)	(48,700)	70,136	761

	31 December 2005			
	Less than one year $'000	More than one year $'000	Non-interest bearing $'000	Total $'000
Cash at bank and in hand	12,402	-	-	12,402
Subordinated loans - Investment	6,198	6,800	-	12,998
Subordinated loans - Liability	-	(46,000)	-	(46,000)
Other financial assets and liabilities	-	-	14,452	14,452
	18,600	(39,200)	14,452	(6,148)

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 Group 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 Group's exposure to market risk include contracts for differences on individual shares, exchange traded futures and options The fair value exposures on these derivatives, and underlying notional amounts, are disclosed in note 30 above