

EURO BROKERS SERVICES LIMITED

Report and Financial Statements

For the year ended 31 December 2006

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EURO BROKERS SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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EURO BROKERS SERVICES LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2006.

The directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246(4)(a) of the Companies Act 1985.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of a service company.

The company disburses expenditure on behalf of other group companies, holds the group's fixed assets and is directly reimbursed by those companies.

FUTURE PROSPECTS

The directors expect the activity of the company to continue for the foreseeable future.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5 of the financial statements. The retained profit for the year amounted to US\$155,000 (2005 – loss of US\$2,163,000) and this was transferred to reserves.

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

GOING CONCERN

The company is dependent on continuing finance being made available from Euro Brokers Holdings Limited, to enable it to continue operating to meet its obligations as they fall due. Euro Broker Holdings Limited has agreed to provide sufficient funds to the company for these purposes. The directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis.

DIRECTORS

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

LM Amaitis	
D Barnard	(appointed 22 January 2007)
S Bartlett	
RA Clark	
SP Curran	(resigned 1 February 2006)
SD Lynn	
MI Macleod	(appointed 6 February 2006, resigned 22 January 2007)
SM Merkel	
RD Scott	(resigned 19 May 2006)

EURO BROKERS SERVICES LIMITED

DIRECTORS' REPORT

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 that he ought to have taken as a director in order to make himself 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.

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



Stephen Bartlett
Director

23 October 2007

EURO BROKERS SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 profit or loss of the company 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 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 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.

EURO BROKERS SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF EURO BROKERS SERVICES LIMITED

We have audited the financial statements of Euro Brokers Services Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheets, the reconciliations of movements in shareholders' funds and the related notes 1 to 15. 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 company's affairs as at 31 December 2006 and of its profit 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
Chartered Accountants and Registered Auditors
London

25 October 2007

EURO BROKERS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Notes	2006 US\$'000	2005 US\$'000
TURNOVER	2	9,046	10,318
Administrative expenses		(8,919)	(12,616)
OPERATING PROFIT/(LOSS)	3	127	(2,298)
Interest receivable and similar income	5	273	286
Interest payable	6	(123)	(161)
PROFIT/(LOSS) ON ORDINARY ACTIVITY BEFORE TAXATION		277	(2,173)
Tax (charge)/credit on profit/(loss) on ordinary activities	7	(122)	10
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	155	(2,163)

The above results relate to continuing activities in the current and prior year.

The company has no recognised gains or losses for the current or prior year other than those stated above and therefore no separate statement of recognised gains and losses has been presented.

EURO BROKERS SERVICES LIMITED

BALANCE SHEET

31 December 2006

	Note	2006 US\$'000	2006 US\$'000	2005 US\$'000	2005 US\$'000
FIXED ASSETS					
Tangible assets	8		192		782
CURRENT ASSETS					
Cash at bank and in hand		89		1	
Debtors	9	6,286		5,082	
CREDITORS - amounts falling due within one year	10	<u>(3,871)</u>		<u>(5,650)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>2,504</u>		<u>(567)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,696		215
PROVISION FOR LIABILITIES AND CHARGES	11		<u>(6,715)</u>		<u>(4,389)</u>
NET LIABILITIES			<u>(4,019)</u>		<u>(4,174)</u>
CAPITAL AND RESERVES					
Called up share capital	12		2		2
Profit and loss account	13		<u>(4,021)</u>		<u>(4,176)</u>
EQUITY SHAREHOLDERS' DEFICIT			<u>(4,019)</u>		<u>(4,174)</u>

The financial statements were approved by the Board of Directors and authorised figure for issue on 23 October 2007.

Signed on behalf of the Board of Directors



Stephen Bartlett
Director

EURO BROKERS SERVICES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2006

	2006	2005
	US\$'000	US\$'000
Profit/(Loss) for the financial year	155	(2,163)
Opening equity shareholders' funds	<u>(4,174)</u>	<u>(2,011)</u>
Closing equity shareholders' funds	<u><u>(4,019)</u></u>	<u><u>(4,174)</u></u>

EURO BROKERS SERVICES LIMITED

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 company law and Accounting Standards (UK Generally Accepted Accounting Practice).

The principal accounting policies are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Functional currency

The accounts are prepared in US Dollars which is the currency of the primary economic environment of the ultimate parent, Cantor Fitzgerald L.P.

Foreign exchange

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

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

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

Short leasehold improvements	Over the period of the lease
Motor vehicles	33%
Fixtures and fittings	20% to 33%

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 company'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 net 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.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash Flow statement

The company has not prepared a cash flow statement in accordance with Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements. A consolidated cash flow statement is contained in the consolidated financial statements of Cantor Fitzgerald LP.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Related party disclosures

The company has not provided the disclosures required by Financial Reporting Standard 8 – Related Party Disclosures in respect of transactions with companies in the Euro Brokers group as more than 90% of the voting rights of the company are controlled within the Euro Brokers group. There were no other related party transactions or balances requiring disclosure.

2. TURNOVER

Turnover represents the reimbursement of expenditure incurred on behalf of other group companies, and arises in the UK.

3. OPERATING PROFIT/(LOSS)

	2006 US\$'000	2005 US\$'000
The operating profit/(loss) is stated after charging/(crediting):		
Auditors' remuneration, audit	40	35
Charge in respect of onerous lease provision	6,892	464
Depreciation of tangible fixed assets	490	763
Loss on disposal of tangible fixed assets	35	-
Foreign exchange (gain)/loss	(225)	89

4. DIRECTORS AND EMPLOYEES

The company did not have any employees in the current and prior period.

Directors' emoluments have been borne by other group companies.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 US\$'000	2005 US\$'000
Bank interest	-	1
Other interest	4	-
Interest on loans to parent undertaking	269	285
	<u>273</u>	<u>286</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

2006 US\$'000	2005 US\$'000
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EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Interest on loans from fellow subsidiary	122	161
Other interest	1	-
	<u>123</u>	<u>161</u>

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

	2006 US\$'000	2005 US\$'000
i) Analysis of tax charge/(credit) on ordinary activities		
United Kingdom corporation tax at 30% (2005 – 30%) based on the profit/(loss) for the year	-	1
Current tax charge for year	-	1
Deferred tax – timing differences, origination and (reversal)	122	(11)
	<u>122</u>	<u>(10)</u>

ii) Factors affecting tax charge for the current year

The tax assessed for the year is lower/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 US\$'000
Profit/(Loss) on ordinary activities before tax	277	(2,173)
Tax at 30% thereon	83	(652)
Effects of:		
Expenses not deductible for tax purposes	12	43
Capital allowances less than depreciation	(14)	(23)
Tax losses utilised	(81)	632
Foreign exchange adjustment	-	1
Current tax charge for year	<u>-</u>	<u>1</u>

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

iii) Deferred tax		
Movement on deferred taxation balance in the year	2006 US\$'000	2005 US\$'000
Opening balance	481	491
Foreign exchange adjustment	67	(21)
Release/(charge) to profit and loss account	(122)	11
Closing balance	<u>426</u>	<u>481</u>

This is represented by:

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 US\$'000	2005 US\$'000
Depreciation in excess of capital allowances	426	402
Other short term timing differences	-	79
	<u>426</u>	<u>481</u>

A deferred tax asset has not been recognised in respect of timing differences relating to unused trading losses carried forward, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately US\$695,000 (2005: US\$776,000). The asset would be recovered if there were sufficient suitable trading profits in future years against which the losses could be offset.

8. TANGIBLE FIXED ASSETS

	Short leasehold improvements US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Total US\$'000
Cost				
At 1 January 2006	4,219	279	3,407	7,905
Disposals	-	(218)	-	(218)
	<u>4,219</u>	<u>61</u>	<u>3,407</u>	<u>7,687</u>
At 31 December 2006				
	<u>4,219</u>	<u>61</u>	<u>3,407</u>	<u>7,687</u>
Depreciation				
At 1 January 2006	4,189	101	2,833	7,123
Charge for the year	30	59	401	490
Disposals	-	(118)	-	(118)
	<u>4,219</u>	<u>42</u>	<u>3,234</u>	<u>7,495</u>
At 31 December 2006				
	<u>4,219</u>	<u>42</u>	<u>3,234</u>	<u>7,495</u>
Net book amount				
At 31 December 2006	-	19	173	192
	<u>-</u>	<u>19</u>	<u>173</u>	<u>192</u>
At 31 December 2005	30	178	574	782
	<u>30</u>	<u>178</u>	<u>574</u>	<u>782</u>

9. DEBTORS

	2006 US\$'000	2005 US\$'000
Amounts owed by fellow subsidiary undertakings	663	-
Amounts owed by group undertakings	4,959	4,357
Other debtors	33	4
Prepayments and accrued income	205	240
Deferred taxation (Note 8)	426	481
	<u>6,286</u>	<u>5,082</u>

Amounts owed by group undertakings includes \$4,315,000 (2005 - \$3,787,000) subordinated loan notes which carry interest at 2% over base rate, are unsecured and repayable on demand.

EURO BROKERS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 US\$'000	2005 US\$'000
Bank loans and overdrafts	-	4
Amounts owed to immediate parent undertaking	2,131	3,339
Amounts owed to fellow subsidiary undertakings	170	1,601
Amounts owed to group undertakings	473	74
Other taxes and social security	931	228
Other creditors	166	404
	<u>3,871</u>	<u>5,650</u>

Amounts owed to immediate parent undertaking include \$1,957,000 (2005 - \$1,718,000) subordinated loan notes which carry interest at 2% over base rate, are unsecured and repayable on demand.

11. PROVISION FOR LIABILITIES AND CHARGES

	At 1 January 2006 US\$'000	Charged to Profit and Loss account	Foreign Exchange	Payments made during the year	At 31 December 2006 US\$'000
Onerous lease provision	3,473	3,461	405	(3,783)	3,556
Dilapidations	916	3,431	154	(1,342)	3,159
	<u>4,389</u>	<u>6,892</u>	<u>559</u>	<u>(5,125)</u>	<u>6,715</u>

The provision charge is in respect of the onerous lease contract relating to excess rented office space within the group's premises in Houndsditch, London.

At 31 December 2006 the provision provides for the full amount payable under the Deed of Surrender signed in December 2006, discounted on a pre-tax basis. In the prior years, the provision established provided for the full amount of rent payable until the date at which it was estimated that a new tenant would be found, as well as the estimated shortfall thereafter between sub-lease rental income and rent payable by the Company. It was assumed that the rental receivable would become greater than the rental payable from July 2010 onwards. The cash flows have been discounted on a pre-tax basis. There has been a significant increase in the provision amount in 2006 due to the fact that the sub-lease rental income that had been factored into the calculation of the provision in 2005 is no longer receivable as the sub-lease arrangement was not finalised.

12. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised:		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
	2006 US\$'000	2005 US\$'000
Called up, allotted and fully paid:		
1,000 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

EURO BROKERS SERVICES LIMITED

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

13. PROFIT AND LOSS ACCOUNT

	2006 US\$'000	2005 US\$'000
At 1 January	(4,176)	(2,013)
Profit/(Loss) for the financial year	155	(2,163)
At 31 December	<u>(4,021)</u>	<u>(4,176)</u>

14. COMMITMENTS

At 31 December 2006 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings	
	2006 US\$'000	2005 US\$'000
Operating leases expiring:-		
Within two to five years	3,291	-
More than five years	-	2,233
	<u>3,291</u>	<u>2,233</u>

15. PARENT COMPANIES

The immediate parent, controlling party and the smallest group into which the consolidated results of the company are consolidated is Euro Brokers Holdings Limited, registered in Great Britain.

The ultimate parent, controlling party and the largest group into which the consolidated results of the company are consolidated is Cantor Fitzgerald L.P., registered in the United States of America.

Consolidated financial statements in which Euro Brokers Services Limited is included are publicly available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.