

**CANTOR FITZGERALD EUROPE**

**Report and Financial Statements**

**For the year ended 31 December 2005**



# **CANTOR FITZGERALD EUROPE**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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## **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**

Cantor Fitzgerald Europe ('CFE' or 'the company') is a broker in securities and derivatives operating from London and Milan.

CFE's product range includes equities, on-exchange derivatives and contracts for difference.

CFE is regulated by the Financial Services Authority ('FSA'). It is authorised to conduct investment business from its branch office in Italy under the provisions of the Investment Services Directive. 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, CFE was a member of the following exchanges: The London Stock Exchange, The Frankfurt Stock Exchange, Borsa Italiana, EUREX, Euronext.liffe and Virt-x.

### **RESULTS AND DIVIDENDS**

The company made a loss after taxation of \$8.6m in the year ended 31 December 2005 (2004 – profit of \$7.5m) and was transferred to reserves. The result for the year has been materially impacted by an exercise 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\$24.4m that had arisen due to operational failures in the control processes of the company.

No interim dividend has been paid during the year (2004 – \$5m). The directors do not recommend the payment of a final dividend (2004 – \$nil).

### **FUTURE PROSPECTS**

The company has continued to make progress in its core areas of business. CFE intends to continue in the above activities and it is the intention of the directors to continue to expand the business in the forthcoming year.

### **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. However, 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 Company Credit Committee. 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 stock held by the company and movements in foreign exchange rates. Any such market risk arising is identified and monitored on a daily basis.

The company does, in certain very limited circumstances, take positions, primarily 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.

**DIRECTORS' REPORT**

**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: contracts for differences on individual shares, equity swaps. The typical fair value is \$30 – 40m of contracts for differences and \$200 - 250m of equity swaps.

**DIRECTORS AND THEIR INTERESTS**

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

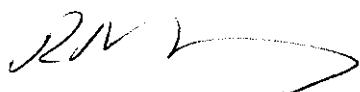
Mr L Amaitis	
Mr S Bartlett	(appointed 3 October 2005)
Mr S Curran	(resigned 1 February 2006)
Mr H W Lutnick	
Mr P Marber	
Mr M Macleod	(appointed 6 February 2006)
Mr S Merkel	
Mr R Scott	(appointed 12 January 2005)
Mr E Spar	(appointed 1 April 2005)

The directors had no disclosable interests in the company or any other UK group company 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



R M 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 as at the end of the financial year and of the profit or loss of the company 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.

## CANTOR FITZGERALD EUROPE

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

#### CANTOR FITZGERALD EUROPE

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2005, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement, reconciliation of operating (loss) / profit to net cash inflow from operating activities and the related notes 1 to 20. 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

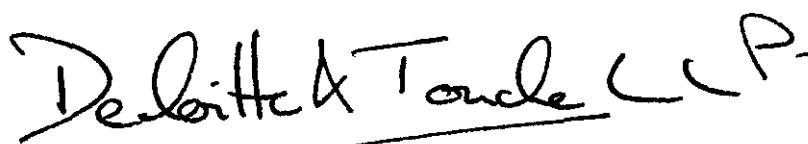
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2005 and of its 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

# CANTOR FITZGERALD EUROPE

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Note	2005 \$'000	2004 (Restated see note 1) \$'000
<b>TURNOVER</b> (including an exceptional loss in 2005 of \$24.4m)	2	91,443	115,322
Cost of sales		(87,107)	(90,213)
<b>GROSS PROFIT</b>		4,336	25,109
Administrative expenses		(14,710)	(14,341)
<b>OPERATING (LOSS) / PROFIT</b>	3	(10,374)	10,768
Interest receivable	5	-	657
Interest payable	6	(234)	-
Dividends receivable		108	1,062
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(10,500)	12,487
Tax credit / (charge) on profit on ordinary activities	7	1,874	(5,001)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(8,626)	7,486

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

**CANTOR FITZGERALD EUROPE****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2005**

	Note	2005 US\$'000	2004 (Restated see note 1) US\$'000
(Loss) / profit for the financial year		(8,626)	7,486
Revaluation of fixed asset investments	9	560	4,083
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>		<u>(8,066)</u>	<u>11,569</u>



# CANTOR FITZGERALD EUROPE

## BALANCE SHEET

31 December 2005

	Note	2005 \$'000	2004 \$'000
<b>FIXED ASSETS</b>			
Investments	9	11,652	11,092
<b>CURRENT ASSETS</b>			
Long positions		2,317,181	1,756,463
Debtors	10	1,428,926	1,867,803
Cash at bank and in hand		13,657	8,673
		3,759,764	3,632,939
<b>CREDITORS: amounts falling due within one year</b>	11	(3,732,711)	(3,601,260)
<b>NET CURRENT ASSETS</b>		27,053	31,679
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		38,705	42,771
<b>CREDITORS: amounts falling due after more than one year</b>	12	(4,000)	-
		34,705	42,771
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	19,426	19,426
Revaluation reserve	15	10,653	10,093
Profit and loss account	15	4,626	13,252
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		34,705	42,771

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

Signed on behalf of the Board of Directors



Mark Macleod  
Director

**CANTOR FITZGERALD EUROPE****RECONCILIATION OF MOVEMENTS  
IN SHAREHOLDERS' FUNDS****Year ended 31 December 2005**

	Note	2005 \$'000	2004 (Restated see note 1) \$'000
(Loss) / profit for the year		(8,626)	7,486
Dividends	8	-	(5,000)
Unrealised surplus on revaluation of fixed asset investments		560	4,083
Net (reduction) / increase in shareholders' funds		(8,066)	6,569
Opening shareholders' funds		42,771	36,202
Closing shareholders' funds		34,705	42,771

# CANTOR FITZGERALD EUROPE

## CASH FLOW STATEMENT Year ended 31 December 2005

	Note	2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000
Net cash inflow from operating activities			6,847		8,416
Returns on investments and servicing of finance					
Interest received		-		1,391	
Interest paid		(234)		-	
Dividends received		108		1,062	
Net cash inflow from returns on investments and servicing of finance			(126)		2,453
Taxation					
UK corporation tax paid			(5,737)		(2,899)
Equity dividends paid			-		(5,000)
Financing					
Subordinated loan received			4,000		-
Increase in cash in the year	17, 18		4,984		2,970

## RECONCILIATION OF OPERATING (LOSS) / PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 \$'000	2004 \$'000
Operating (loss) / profit	(10,374)	10,768
Decrease / (increase) in debtors	444,581	(1,017,525)
Increase in creditors	166,498	2,000,137
Increase in long positions	(560,718)	(855,510)
Decrease in short positions	(33,140)	(129,454)
Net cash inflow from operating activities	6,847	8,416

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies adopted are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention, amended by the valuation of long and short inventory positions at market value.

**Restatement**

The comparatives have been restated in accordance with FRS25 which states that dividends are now required to be charged to equity rather than through the profit and loss account. Accordingly, the comparatives in the profit and loss account, the statement of total recognised gains and losses and the reconciliation of movements in shareholders' funds have been restated for the dividends paid in 2004.

**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.

**Functional currency**

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

**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 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.

**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 value is applied. Any surplus over cost is taken to the revaluation reserve.

**Inventory positions**

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

**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.

**Securities purchased under agreements to resell**

Cash balances and accrued interest arising under repurchase agreements and securities lending arrangements are recorded as liabilities and the related securities, where owned by the company, are included in financial instruments at fair value. Cash balances and accrued interest arising under resale agreements and securities borrowing arrangements are recorded as debtors.

# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

### 2. TURNOVER

The company's income is derived from a single class of business, namely trading and brokerage services in equities, contracts for differences and equity options.

Turnover represents the income received in respect of the purchase and sale of equities and commissions earned from executing broker businesses. It is shown net of any related dealing/broking expense (eg commissions, carry).

The company's turnover is generated predominantly in the UK.

The turnover for the year has been materially impacted by an exercise 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\$24.4m that had arisen due to operational failures in the control processes of the company.

### 3. OPERATING (LOSS) / PROFIT

	2005 \$'000	2004 \$'000
Operating profit is stated after (crediting) / charging:		
Foreign exchange (gain) / loss	(27)	272

The auditors' remuneration has been borne by BGC International for the current and prior year.

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 \$'000	2004 \$'000
Staff costs during the year amounted to:		
Wages and salaries	46,447	54,092
Social security costs	6,804	6,697
Employee benefits	934	885
Other pension costs	122	217
	54,307	61,891

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

	2005 No.	2004 No.
Direct operating	82	84
Other	7	7
	89	91

The remuneration paid to the directors comprised:

	2005 US\$'000	2004 US\$'000
Directors' emoluments	1,238	-

Highest paid director's remuneration:

	2005 US\$'000	2004 US\$'000
Emoluments of the highest paid director	1,238	-

The seven 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.

# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

### 5. INTEREST RECEIVABLE

	2005 \$'000	2004 \$'000
Bank interest	-	657

### 6. INTEREST PAYABLE

	2005 \$'000	2004 \$'000
Subordinated loan interest payable to ultimate parent company	234	-
	234	-

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

	2005 US\$'000	2004 US\$'000
i) Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2004 – 30%) based on the (loss) / profit for the year	1,584	(4,706)
Adjustment in respect of prior years	892	-
Double tax relief	-	272
	2,476	(4,434)
Foreign tax for current year	(673)	(465)
Adjustment in respect of prior years	71	(102)
	1,874	(5,001)

#### ii) Factors affecting tax 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	(10,500)	12,487
Tax at 30% thereon	3,150	(3,746)
Effects of:		
Expenses not deductible for tax purposes	(1,803)	(1,250)
Capital allowances in excess of depreciation	2	(29)
UK dividend income	33	319
Unrelievable foreign tax	(471)	(193)
Prior year adjustments	963	(102)
Current tax credit / (charge) for the year	1,874	(5,001)

#### Deferred taxation

There is no provision for deferred tax in the current and prior year and no unprovided potential deferred tax.

# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

### 8. DIVIDENDS

	2005 \$'000	2004 \$'000
Dividends paid \$0.37 per £1 share	-	5,000

### 9. INVESTMENTS HELD AS FIXED ASSETS

	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	10,093	1,870	11,963
Revaluations	560	-	560
At 31 December 2005	10,653	1,870	12,523
<b>PROVISION FOR IMPAIRMENT</b>			
At 1 January 2005	(871)	-	(871)
Provided in the year	-	-	-
At 31 December 2005	(871)	-	(871)
<b>NET BOOK VALUE</b>			
At 31 December 2005	9,782	1,870	11,652
At 31 December 2004	9,222	1,870	11,092

The company owns 857,142 London Stock Exchange shares with a historical cost of US\$ nil. The shareholding of 1,000,000 shares in 2003 was reduced by a 6 for 7 share consolidation in August 2004. A special dividend in 2004 resulted in a \$870,162 permanent diminution in value. The shares were revalued upwards on 31 December 2005 to their year end quoted market value of US\$9,782,246 (2004:US\$9,222,832).

### 10. DEBTORS

	2005 \$'000	2004 \$'000
Trade debtors	1,359,237	1,827,956
Amounts owed by other group companies	45,708	10,054
Securities under agreements to resell and cash collateral on stocks borrowed:		
Group undertakings	7,483	17,462
Corporation tax	5,703	-
Other debtors	1,132	1,638
Prepayments and accrued income	9,663	10,693
	1,428,926	1,867,803

# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

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

	2005 \$'000	2004 \$'000
Trade creditors	3,180,351	2,917,507
Short positions	34,981	68,121
Amounts owed to other group companies	53,221	85,620
Corporation tax	-	1,908
Other taxes and social security	4,653	6,393
Other creditors	424,575	500,056
Accruals and deferred income	34,930	21,655
	<u>3,732,711</u>	<u>3,601,260</u>

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 US\$'000	2004 US\$'000
Subordinated loans	4,000	-

During the year, the company received the following subordinated loan of \$4,000,000 (2004: \$nil) which is classified as qualifying capital for FSA financial resources requirements. The interest rate charged is 2% above the London Inter Bank Offer Rate.

Received from	Amount received US\$'000	Date repayable
Cantor Fitzgerald LP	4,000	30 November 2007

### 13. RELATED PARTY TRANSACTIONS

The company enters 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	
	Due to \$'000	Due from \$'000	Due to \$'000	Due from \$'000
BGC Securities (Hong Kong) LLC	5	-	-	47
Cantor Fitzgerald South Africa Pty Limited	-	-	-	26
BGC International	-	34,556	46,012	368
Cantor Fitzgerald LP	21	-	-	-
BGC Capital Markets (Japan) LLC	11	-	-	-
BGC Capital Markets (Hong Kong) Limited	-	2,515	-	-
BGC Capital Markets LP	-	244	7,740	5,829
Euro Brokers Limited	51	-	-	-
Cantor Index Limited	52,146	-	27,505	-
Cantor Fitzgerald & Co.	6	-	1,815	-
BGC Partners (Australia) Pty Limited	-	268	-	-
BGC Capital Markets (Switzerland) LLC	-	8,122	-	3,088
BGC International LP	590	-	-	-
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	370	-	-	696
eSpeed International Limited	-	3	1	-
Cantor Fitzgerald Securities	4	7,483	-	17,462
MIS Brokers Limited	17	-	2,547	-
	<u>53,221</u>	<u>53,191</u>	<u>85,620</u>	<u>27,516</u>



# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

### 13. RELATED PARTY TRANSACTIONS (continued)

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

	2005		2004	
	Commission payable	Commission receivable	Commission payable	Commission receivable
	\$'000	\$'000	\$'000	\$'000
Cantor Fitzgerald & Co.	2,003	851	23,215	26,314
BGC International	628	375	113	80
BGC International LP	2,118	2,133	-	-
Cantor Index Limited	-	1,570	344	1,962
	<u>4,749</u>	<u>4,929</u>	<u>23,672</u>	<u>28,356</u>

There are no other related party transactions or balances requiring disclosure under FRS8 – Related Party Disclosures.

### 14. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
<b>Authorised:</b>		
45,784,000 ordinary shares of £1 each	<u>45,784</u>	<u>45,784</u>
	<b>\$'000</b>	<b>\$'000</b>
<b>Allotted, called up and fully paid:</b>		
13,407,079 ordinary shares of £1 each	<u>19,426</u>	<u>19,426</u>

### 15. RESERVES

	Revaluation reserves \$'000	Profit and loss \$'000	Total \$'000
At 1 January 2004	6,010	10,766	16,776
Revaluation of fixed asset investments	4,083	-	4,083
Retained profit for the year	-	7,486	7,486
Dividends	-	(5,000)	(5,000)
At 1 January 2005 (restated, see note 1)	10,093	13,252	23,345
Revaluation of fixed asset investments	560	-	560
Retained loss for the year	-	(8,626)	(8,626)
At 31 December 2005	<u>10,653</u>	<u>4,626</u>	<u>15,279</u>

Both the revaluation reserve and the profit and loss account are distributable reserves.

### 16. CLIENT MONEY

The company holds client money in accordance with client money regulations of the 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 \$519,158,000 (2004 – \$420,228,000).

# CANTOR FITZGERALD EUROPE

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

### 17. ANALYSIS OF CHANGES IN NET FUNDS/ (DEBT)

	At 1 January 2005 \$'000	Cash flows \$'000	At 31 December 2005 \$'000
Cash at bank and in hand	8,673	4,984	13,657
Debt due after one year	-	(4,000)	(4,000)
	<u>8,673</u>	<u>984</u>	<u>9,657</u>

### 18. RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET FUNDS / (DEBT)

	\$'000
Increase in cash	4,984
Cash inflow from subordinated loans received	<u>(4,000)</u>
Movement in net funds in the period	984
Net funds as at 31 December 2004	<u>8,673</u>
Net funds as at 31 December 2005	<u>9,657</u>

### 19. REGISTERED OFFICE

The registered office of Cantor Fitzgerald Europe is One America Square, London, EC3N 2LS. The company is incorporated in Great Britain and registered in England and Wales.

### 20. PARENT COMPANIES

The immediate parent company and the smallest group into which the consolidated results of CFE are consolidated is Cantor Fitzgerald & Co Holdings L.P., registered in the United States of America.

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