

Company Registration No. 04191186

CANTORCO2e LIMITED
(PREVIOUSLY CO2E.COM LIMITED)

Report and Financial Statements

For the year ended 31 December 2006

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CANTORCO2e LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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CANTORCO2e LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the company are to provide brokerage, information and consulting services for products related to environmental markets, including Greenhouse Gases, other air pollutants and renewable energy

RESULTS AND DIVIDENDS

The retained loss for the year amounted to \$3,557,043. The directors do not recommend the payment of a dividend (2005 – \$ml)

DIRECTORS

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

Mr L Amatis
Mr S Bartlett
Mr S Drummond
Mr H W Lutnick
Mr M Macleod (resigned 22 January 2007)
Mr D Barnard (appointed 22 January 2007)
Mr S Merkel

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

CHANGE OF NAME

The company changed its name to CANTORCO2e Limited on 12 March 2007

CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of US\$ 13,220 (2005 US\$ ml)

AUDITORS

Each of the persons who are 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

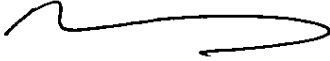
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

CANTORCO2e LIMITED

DIRECTORS' REPORT (CONTINUED)

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

Approved by the Board and signed on its behalf by



R M Snelling
Company Secretary
2nd April 2007

CANTORCO2e LIMITED

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
- 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.

CANTORCO2e LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANTORCO2e LIMITED

We have audited the financial statements of CANTORCO2e LIMITED for the year ended 31 December 2006 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet, the combined statement of movements in shareholders' funds and statement of movements in reserves and the related notes 1 to 16. 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 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 judgments 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 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, England
2nd April 2007

CANTORCO2E LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 US\$	2005 US\$ (restated see note 4)
TURNOVER	2	3,176,050	2,227,663
Cost of sales		(3,007,353)	(1,321,239)
GROSS PROFIT		<u>168,697</u>	<u>906,424</u>
Administrative expenses		(3,595,580)	(721,402)
OPERATING (LOSS) / PROFIT	3	<u>(3,426,883)</u>	<u>185,022</u>
Interest payable and similar charges	6	(130,160)	(19,996)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,557,043)</u>	<u>165,026</u>
Tax charge on (loss)/profit on ordinary activities	7	-	-
(LOSS) / PROFIT ON ORDINARY ACTIVITY AFTER TAXATION AND RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(3,557,043)</u>	<u>165,026</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES Year ended 31 December 2006

	2006 US\$	2005 US\$ (restated see note 4)
(Loss) / Profit for the Financial Year	(3,557,043)	165,026
Total recognised gains & losses for the year	<u>(3,557,043)</u>	<u>165,026</u>
Prior year adjustment (see note 4)	77,678	
Total recognised gains and losses since last annual financial statements	<u>(3,479,365)</u>	

CANTORCO2E LIMITED

BALANCE SHEET 31 December 2006

	Note	2006 US\$	2005 US\$ (restated see note 4)
CURRENT ASSETS			
Investment	8	-	247,320
Debtors	9	1,362,419	2,287,548
Cash at hand or in bank		3,262,464	1,015,776
		<u>4,624,883</u>	<u>3,550,644</u>
CREDITORS: amounts falling due within one year	10	<u>(1,170,355)</u>	<u>(1,347,623)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES		3,454,528	2,203,021
CREDITORS amounts falling due after one year	11	<u>(2,272,500)</u>	-
		<u>1,182,028</u>	<u>2,203,021</u>
CAPITAL AND RESERVES			
Called up share capital	12	5,745,001	3,245,001
Profit and loss account		(4,562,973)	(1,041,980)
EQUITY SHAREHOLDER'S FUNDS		<u>1,182,028</u>	<u>2,203,021</u>

This balance sheet was approved by the Board of Directors on 2nd April 2007

Signed on behalf of the Board of Directors



Douglas Barnard

Director

CANTORCO2E LIMITED**COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS FUNDS &
STATEMENT OF MOVEMENTS IN RESERVES**

	Share Capital 2006 US\$	Profit & Loss Account 2006 US\$ (restated see note 4)	Total 2006 US\$	Total 2005 US\$ (restated see note 4)
As at 1 January	3,245,001	(1,119,658)	2,203,021	137,995
Prior year restatement (see note 4)	-	77,678	-	-
As at 1 January (restated)	3,245,001	(1,041,980)	2,203,021	137,995
Issue of Shares	2,500,000	-	2,500,000	1,900,000
Capital Contribution from Parent	-	36,050	36,050	-
Retained (Loss) / Profit for the year	-	(3,557,043)	(3,557,043)	165,026
As at 31 December	<u>5,745,001</u>	<u>(4,562,973)</u>	<u>1,182,028</u>	<u>2,203,021</u>

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. They have all been applied consistently throughout the year and the preceding year.

The principle accounting policies adopted 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 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 transaction occurred. Translation differences are taken to the profit and loss account.

Cash flow statement

The company has not prepared a cash flow statement in accordance with FRS 1 (Revised) – Cash Flow Statements as it satisfies the requirements of being a small company.

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. Deferred tax assets and liabilities are not discounted.

Share Based Compensation

From time to time certain employees of the company have been compensated with Partnership Units in Cantor Fitzgerald LP ("CFLP"), known as Grant Units.

An expense is recognised through the profit and loss account based on the fair value of all awards outstanding at the accounting reference date. Adjustments are made to account for the likelihood the Grant holder will fulfil the vesting conditions.

A corresponding Capital contribution is made to the Profit & Loss Reserve Account, on the basis the company will not reimburse CFLP for the costs associated with vesting of these awards.

Current asset investment

The current asset investment is stated at the lower of cost or net realisable value.

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2. TURNOVER

The company's income is derived from a single class of business, namely providing brokerage, information and consultancy services for products related to the environmental markets

Turnover represents the commission thus earned on the value of services supplied by the company, exclusive of value added tax, in respect of its operations carried out during the year

Consulting Services

Sales of services are recognised in the accounting period in which the services are rendered

Agent Transactions

Revenue is recognised when the service has been rendered and the level of commission receivable by the company is fixed and determinable

3. OPERATING (LOSS) / PROFIT

The Operating Loss of \$3,426,883 is after a provision for a doubtful debt totalling US\$1,433,232

The auditors' remuneration for the current (\$58k) and prior year (\$51k) has been borne by BGC International

4. PRIOR PERIOD ADJUSTMENT

During 2006, the company invoiced and received payment for revenue that related to 2005 but that had not been recognised in the 2005 financial statements

The comparative figures in the primary financial statements and notes have been restated to reflect an amendment

The effects of the adjustment on the profit and loss account and the balance sheet are summarised below

	2006 US\$	2005 US\$
Profit and loss account		
Turnover	-	77,678
	<hr/>	<hr/>
Increase in profit for the financial year	-	77,678
	<hr/> <hr/>	<hr/> <hr/>
	2006 US\$	2005 US\$
Balance sheet		
Prepayments and accrued income	-	77,678
	<hr/>	<hr/>
Increase in net assets	-	77,678
	<hr/> <hr/>	<hr/> <hr/>

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The remuneration paid to the directors of CANTORCO2e LIMITED comprised

	2006 US\$	2005 US\$
Directors' emoluments and emoluments of the highest paid director	<u>379,054</u>	<u>167,068</u>

	2006 US\$	2005 US\$
Staff costs during the year amounted to:		
Wages and salaries	1,353,759	851,657
Social security costs	<u>169,085</u>	<u>110,355</u>
	<u>1,522,844</u>	<u>593,193</u>

Five of the directors received no remuneration (2005 - \$nil) from the company

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

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

	2006 No.	2005 No.
Direct operating	10	5
Other	<u>5</u>	<u>4</u>
	<u>15</u>	<u>10</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 US\$	2005 US\$
Subordinated loan interest to group companies	122,713	19,996
Other	<u>7,447</u>	<u>-</u>
	<u>130,160</u>	<u>19,996</u>

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

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

	2006 US\$	2005 US\$
i) Analysis of tax on ordinary activities		
United Kingdom corporation tax at 30% (2005 – 30%) based on the (loss) / profit for the year	-	-

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

	2006 US\$	2005 US\$
(Loss) / profit on ordinary activities before tax	(3,557,043)	87,348
Tax at 30% thereon	1,067,113	(26,204)
Effects of		
Expenses not deductible for tax purposes	(328,743)	(21,461)
Movement on short term timing differences	(10,815)	(58,387)
Origination of tax losses	(727,555)	-
Utilisation of tax losses	-	106,052
Current tax charge for period	-	-

Deferred taxation:

There is no provision for deferred tax. A deferred tax asset has not been recognised in respect of timing differences relating to unused trading losses carried forward and capital allowances in excess of depreciation, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately US\$879,051 (2005 – US\$148,593). The asset would be recovered if there were sufficient trading profits in the future years against which the losses could be offset.

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

8. CURRENT ASSET INVESTMENT

Listed investments other than loans

	2006 US\$
COST	
As at 1 January 2006	858,750
Disposal of shares	(171,750)
	<hr/>
As at 31 December 2006	687,000
PROVISION	
As at 1 January 2006	611,430
Utilisation of provision	(122,286)
Additional provision	197,856
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As at 31 December 2006	687,000
NET BOOK VALUE	
As at 31 December 2006	-
	<hr/>
As at 1 January 2006	247,320
	<hr/> <hr/>

The current asset investment relates to shares in KP Renewables Plc ("KPR") received as part payment for brokerage services rendered

The trading of KPR shares on AIM were suspended on the 21 September 2006 pending the clarification of the company's financial position and on that basis the Directors' of CANTORCO2e LIMITED believe that the net realisable value from the investment will be US\$nil

KP International the parent of KPR provided a 'top-up' guarantee on the KPR shares, agreeing to make up the difference between the realised value of the shares and their initial issue price

The shortfall from the write down of the shares in 2005 and 2006 was taken to trade debtors as the agreement requires KPI to cover any shortfall Management have taken a full provision against this debtor as there are doubts to its recoverability based on the above facts

9. DEBTORS

	2006 US \$	2005 US \$ (restated see note 4)
Trade debtors	790,889	1,198,185
Amounts owed by group companies	264,823	630,097
Other debtors	293,806	381,587
Called up share capital not paid	1	1
Prepayments and accrued income	12,900	77,678
	<hr/>	<hr/>
	1,362,419	2,287,548
	<hr/> <hr/>	<hr/> <hr/>

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

10. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 US \$	2005 US \$
Subordinated loan	-	350,000
Amounts owed to group companies	636,132	719,026
Accruals and deferred income	534,223	278,597
	<u>1,170,355</u>	<u>1,347,623</u>

The subordinated loan due within 12 months as at 31 December 2005 was repaid in 2006

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2006 US \$	2005 US \$
Subordinated loans		
From 25 July 2006 until 25 July 2008 (two years)	1,500,000	-
From 21 February 2006 until 21 February 2008 (two tears)	750,000	-
Deferred income	22,500	-
	<u>2,272,500</u>	<u>-</u>

CANTORCO2e LIMITED entered into two Subordinated Loans with Cantor Fitzgerald LP The interest rate charged on both loans is based on 6 month + 2% USD LIBOR

12. CALLED UP SHARE CAPITAL

	2006 US \$	2005 US \$
Authorised:		
100,000,000 (2004 - 100,000,000) ordinary shares of \$1 each	<u>100,000,000</u>	<u>100,000,000</u>
	2006 US \$	2005 US \$
Called up, allotted and fully paid:		
5,745,001 (2005 - 3,245,001) ordinary share of \$1 each	<u>5,745,001</u>	<u>3,245,001</u>

On the 28 September 500,000 ordinary shares and on 30 November 2,000,000 ordinary shares of \$1 each were issued for a cash consideration of US\$2,500,000 (2005 - US\$1,900,000) to provide additional regulatory capital

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

13 SHARE BASED COMPENSATION

From time to time certain employees of the Company have been compensated with Partnership Units in Cantor Fitzgerald LP ("CFLP"), known as Grant Units

Grant Units entitle the holder to participate in quarterly distributions of income by CFLP and receive post-termination payments equal to the notional value of the award in four equal instalments on the first, second, third and fourth anniversary of the employees termination, provided that the employee has not engaged in any competitive activity with CFLP or its affiliates prior to each payment date

The following table discloses movements in Grant awards held by employees during the year

Outstanding 1 January 2006	Granted during the period	Forfeited during the period	Vested during the period	Outstanding 31 December 2006
-	2,105	-	-	2,105

Weighted average unit price US\$47.50

The fair value of the Grant awards is determined using a fair value model and uses the following key assumptions

- Discount Rate = 4.71%
- Forfeiture rate = 40%
- Paid termination rate = 2%
- Retirement age = 55 years

The company recognised a total expense of US\$36,050 as at 31 December 2006 (2005 US\$ Nil) in relation to the Grant Units

The company has recorded a capital contribution of US\$36,050 as at 31 December 2006 (2005 US\$ Nil) on the basis that the company is not required to reimburse CFLP for the costs associated with the vesting of these awards

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

14. RELATED PARTY TRANSACTIONS

The intercompany balances held with related parties comprised

	31 December 2006		31 December 2005	
	Due from US \$	Due to US \$	Due from US \$	Due to US \$
BGC International	-	168,511	-	443,951
CO2e com Canada	51,182	-	-	-
CO2e com LLC	-	353,202	629,507	-
ETC Pollak	107	-	-	-
BGC Capital Markets, LP	-	4,450	-	3,891
CFLP	-	109,969	-	-
Cantor Fitzgerald Europe	8,571	-	590	-
BGC International LP	188,642	-	-	11,511
eSpeed International Limited	16,321	-	-	259,673
	<u>264,823</u>	<u>636,132</u>	<u>630,097</u>	<u>719,026</u>

During the years ended 31 December 2006 and 2005, the net value of charges payable to and receivable for the following transactions from those related parties comprised

	2006	2005
	Paid US \$	Paid US \$
Service arrangements		
BGC International	1,521,062	514,954
eSpeed International Limited	592,270	101,934
	<u>2,113,332</u>	<u>616,888</u>

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

	2006	2005
	Paid US \$	Paid US \$
Inter-company funding		
CFLP	97,344	-
CO2e com LLC	25,368	19,996
	<u>122,712</u>	<u>19,996</u>

The above represents interest paid and accrued on subordinated loan arrangements (see note 6)

CANTORCO2E LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

14. RELATED PARTY TRANSACTIONS (continued)

Mr Steve Drummond, a Director and shareholder in CantorCo2e LLC, was a non-executive Director of KPR as at 31 December 2005 and 2006

The company holds 320,000 shares in KPR which were received as part payment for brokerage services rendered

As described in note 8, KP International, the parent of KPR, provided a 'top-up' guarantee on the KPR shares, agreeing to make up the difference between the realised value of the shares and their initial issue price

The shortfall from the write down of the shares in 2005 and 2006 was taken to trade debtors as the agreement requires KPI to cover any shortfall. Management have taken a full provision against this Debtor as there are doubts to its recoverability and taken an additional provision against the remaining shares held in KPR taking the net realisable value to zero

15 REGISTERED OFFICE

The registered office of CANTORCO2e LIMITED is One Churchill Place, London, E14 5RD. The company is incorporated in Great Britain and registered in England and Wales

16. PARENT COMPANIES

The immediate parent company is CO2e com LLC, a company registered in the United States of America and the smallest group into which the accounts of CANTORCO2e LIMITED are consolidated. The ultimate parent, controlling party and the largest group into which the accounts of CANTORCO2e LIMITED are consolidated is Cantor Fitzgerald L P, a limited partnership registered in the United States of America