

SECURIT



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OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden hours per response... 12.00

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8-46866

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Global Financial Services, L.L.C.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1330 Post Oak Blvd., Suite 2100

(No. and Street)

Houston

Texas

77056-3019

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Stephen Tenison

(713) 968-0400

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CF & Co., L.L.P.

(Name - if individual, state last, first, middle name)

14175 Proton Rd.

Dallas

TX

THOMSON  
FINANCIAL

75244

(Address)

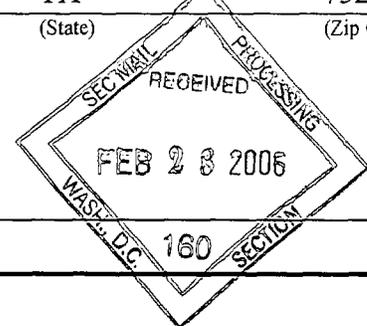
(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.



FOR OFFICIAL USE ONLY
<i>[Handwritten Signature]</i>

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Stephen Tenison, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Global Financial Services, L.L.C., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Stephen Tenison  
Signature

Senior Vice-President/FINOP  
Title

Erica Y. Abarca  
Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

GLOBAL FINANCIAL SERVICES, L.L.C.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED DECEMBER 31, 2005

GLOBAL FINANCIAL SERVICES, L.L.C.

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**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

Independent Auditor's Report

Board of Directors  
Global Financial Services, L.L.C.

We have audited the accompanying statement of financial condition of Global Financial Services, L.L.C. as of December 31, 2005, and the related statements of income, changes in members' equity, changes in liabilities subordinated to the claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Financial Services, L.L.C., as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CF & Co., L.L.P.*  
CF & Co., L.L.P.

Dallas, Texas  
January 18, 2006

GLOBAL FINANCIAL SERVICES, L.L.C.

Statement of Financial Condition

December 31, 2005

ASSETS

Cash and cash equivalents	\$ 45,875
Certificate of deposit-restricted	31,800
Deposit with clearing organization	1,000,000
Receivable from clearing organization	1,211,070
Other receivables	109,375
Office equipment, net	22,714
Other assets	<u>6,056</u>
	<u>\$ 2,426,890</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Commissions payable	\$ 918,007
Due to clearing organization	76,679
Accounts payable and accrued expenses	<u>156,233</u>
Total liabilities	<u>1,150,919</u>
Members' equity	<u>1,275,971</u>
	<u>\$ 2,426,890</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL FINANCIAL SERVICES, L.L.C.  
Statement of Income  
For the Year Ended December 31, 2005

Revenues:	
Commissions	\$ 5,008,529
Firm trading profit	11,967,906
Interest and other	<u>2,928,853</u>
	<u>19,905,288</u>
Expenses:	
Guaranteed payments to members	5,333,092
Employee compensation and benefits	4,229,027
Floor brokerage and clearance	1,416,062
Consulting	1,974,188
Communications	321,575
Occupancy and equipment costs	258,139
Promotional costs	111,833
Interest expense	10,746
Regulatory fees and expenses	28,295
Other	<u>492,639</u>
	<u>14,175,596</u>
Net income	<u>\$ 5,729,692</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL FINANCIAL SERVICES, L.L.C.  
Statement of Changes in Members' Equity  
For the Year Ended December 31, 2005

	<u>Total</u>
Balance, December 31, 2004	\$ 1,254,090
Net income	5,729,692
Distributions to members	<u>(5,707,811)</u>
Balance, December 31, 2005	<u>\$ 1,275,971</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL FINANCIAL SERVICES, L.L.C.  
Statement of Changes in Liabilities Subordinated to the Claims of General Creditors  
For the Year Ended December 31, 2005

Balance, December 31, 2004	\$	--
Additions		--
Retirements		--
		<hr/>
Balance, December 31, 2005	\$	--
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

GLOBAL FINANCIAL SERVICES, L.L.C.

Statement of Cash Flows

For the Year Ended December 31, 2005

<b>Cash flows from operating activities</b>	
Net income	\$ 5,729,692
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	32,738
Changes in operating assets and liabilities:	
Increase in receivable from clearing organization	(43,566)
Increase in other receivables	(58,307)
Decrease in securities owned	74,453
Decrease in commissions payable	(152,031)
Increase in accounts payable and accrued expenses	94,594
Increase in due to clearing organization	48,790
	<hr/>
Net cash provided by operating activities	5,726,363
	<hr/>
<b>Cash flows from investing activities</b>	--
	<hr/>
<b>Cash flows from financing activities</b>	
Distributions to members	(5,707,811)
	<hr/>
Net cash used by financing activities	(5,707,811)
	<hr/>
Net decrease in cash and cash equivalents	18,552
Beginning cash and cash equivalents	27,323
	<hr/>
Ending cash and cash equivalents	<u>\$ 45,875</u>
	<hr/>
<b>Supplemental Disclosures</b>	
Cash paid for:	
Interest	\$ 10,746
	<hr/>
Income taxes	\$ --
	<hr/>

The accompanying notes are an integral part of these financial statements.

GLOBAL FINANCIAL SERVICES, L.L.C.

Notes to Financial Statements

December 31, 2005

Note 1 - Summary of Significant Accounting Policies

Global Financial Services, L.L.C. (the "Company") is organized as a limited liability company. The duration of the Company is through 2093, unless terminated earlier. Each member's liability is limited to his capital account balance. The Company is a broker-dealer in securities registered with the Securities and Exchange Commission under (SEC) Rule 15c3-3(k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. The Company is also registered with the National Futures Association.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all liquid financial instruments with original maturities of ninety days or less and not pledged or otherwise restricted as cash equivalents.

**Securities Owned and Securities Sold, Not Yet Purchased**

Securities owned and securities sold, not yet purchased are carried at fair value as determined by market quotations. There were no securities owned and securities sold, not yet purchased at December 31, 2005.

**Office Equipment**

Office equipment is stated at cost and includes furniture and fixtures, computer and office equipment and leasehold improvements, less accumulated depreciation and amortization. Depreciation of office equipment is provided using the straight-line method based on estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the life of the lease.

GLOBAL FINANCIAL SERVICES, L.L.C.

Notes to Financial Statements

December 31, 2005

Note 1 - Summary of Significant Accounting Policies, continued

**Revenue Recognition**

Securities transactions and all related revenue and expense are recorded on a trade date basis.

**Income Taxes**

The Company is treated and taxed as a partnership for federal income tax purposes. Accordingly, any tax liability is the responsibility of the individual members.

Note 2 - Deposit With and Receivable From Clearing Organization

The deposit with clearing organization consists of cash required to be maintained at the clearing organization. Receivable from clearing organization is comprised of commissions of \$452,349, clearing deposit of \$1,000,000 and demand balances in various accounts aggregating \$758,721. Commissions receivable represent settlements from the month of December 2005. Such amounts are normally collected within ten days after month end.

Note 3 - Office Equipment

Office equipment at December 31, 2005 consists of the following:

	<u>Cost</u>	<u>Depreciable Life</u>
Furniture and fixtures	\$ 177,040	5 years
Computer equipment	271,927	3-5 years
Leasehold improvements	153,028	5 years
Office equipment	<u>30,365</u>	5 years
	632,360	
Less accumulated depreciation	<u>(609,646)</u>	
	<u>\$ 22,714</u>	

Depreciation expense aggregated \$32,738 in 2005.

GLOBAL FINANCIAL SERVICES, L.L.C.  
Notes to Financial Statements  
December 31, 2005

Note 4 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

At December 31, 2005, the Company had net capital of approximately \$1,106,026 and net capital requirements of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 1.04 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

The Company periodically makes distributions of capital to its members at amounts that are determined not to have a detrimental effect on the net capital position at the time of withdrawal.

Note 5 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 6 - Lease and Contractual Obligations

The Company leases office facilities under a noncancelable operating lease expiring January 2009. The office facilities agreement requires the Company to pay its pro rata share of certain operating expenses in excess of a specified amount. Additionally, the Company has a commitment for communications services. Future minimum commitments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2006	\$ 133,480
2007	138,500
2008	138,221
2009	<u>80,629</u>
	<u>\$ 490,830</u>

Rent expense relating to office facilities was approximately \$135,057 for the year ended December 31, 2005.

GLOBAL FINANCIAL SERVICES, L.L.C.  
Notes to Financial Statements  
December 31, 2005

Note 6 - Lease and Contractual Obligations, continued

The Company is required to indemnify its clearing broker/dealer if a customer fails to settle a securities transaction, according to its clearing agreement. Management was neither aware, nor had it been notified, of any potentially material indemnification loss at December 31, 2005.

Note 7 - Employee Benefits

The Company has a 401(k) retirement plan covering all employees. The plan allows employee contributions of zero up to the maximum allowed by law which was generally \$14,000 for 2005. The Company makes discretionary contributions to the Plan which vest immediately. The Company's contributions to the Plan for the year ended December 31, 2005 were \$26,871.

Note 8 - Concentrations and Financial Instruments with Off Balance Sheet Risk

The Company's customer base consists of entities located outside of the United States. Deposits with and receivables from clearing organization are with the Company's clearing broker-dealer which is located in New York, New York.

Note 9 - Membership Interests

The Company has 2,000 membership interests authorized, issued and outstanding.

Note 10 - Contingencies

The Company and its Managing Directors ("Global Defendants") have been sued along with other defendants by an intervenor who claims the defendants prevented him from collecting on a debt allegedly owed by an estate. The intervenor is seeking alleged actual economic damages plus accrued interest, as well as attorney fees and exemplary damages. The Global Defendants are vigorously defending the case, including filing an appeal to compel arbitration of the dispute. Management, after consultation with legal counsel, is unable to estimate the amount or range of potential loss that could result if the outcome were unfavorable.

Supplemental Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
For the Year Ended  
December 31, 2005

## Schedule I

### GLOBAL FINANCIAL SERVICES, L.L.C.

#### Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission As of December 31, 2005

#### Computation of Net Capital

Total ownership equity qualified for net capital		\$ 1,275,971
Deductions and/or charges		
Non-allowable assets:		
Other receivables	\$ 109,375	
Office equipment	22,714	
Other assets	6,056	(138,145)
	<u>          </u>	<u>          </u>
Net capital before haircuts on securities positions		1,137,826
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(f)):		
Certificate of deposit	31,800	(31,800)
	<u>          </u>	<u>          </u>
Net capital		<u>\$ 1,106,026</u>

#### Aggregate Indebtedness

Items included in statement of financial condition		
Commissions payable		\$ 918,007
Due to clearing organization		76,679
Accounts payable and accrued expenses		156,233
		<u>          </u>
Total aggregate indebtedness		<u>\$ 1,150,919</u>

**Schedule I (continued)**

GLOBAL FINANCIAL SERVICES, L.L.C.  
Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission  
As of December 31, 2005

**Computation of Basic Net Capital Requirement**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 76,732</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Minimum net capital requirement (greater of two minimum requirement amounts)	<u>\$ 100,000</u>
Net capital in excess of minimum required	<u>\$ 1,006,026</u>
Excess net capital at 1000%	<u>\$ 990,934</u>
Ratio: Aggregate indebtedness to net capital	<u>1.04 to 1</u>

**Reconciliation with Company's Computation**

There were no material differences in the computation of net capital under rule 15c3-1 from the Company's computation.

## **Schedule II**

GLOBAL FINANCIAL SERVICES, L.L.C.

Computation for Determination of Reserve Requirements Under

Rule 15c3-3 of the Securities and Exchange Commission

As of December 31, 2005

### **Exemptive Provisions**

The Company has claimed an exemption from Rule 15c-3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Bear Stearns Securities Corp.

Independent Auditor's Report

On Internal Control

Required by SEC Rule 17a-5

For the Year Ended

December 31, 2005



*CF & Co., L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

The Members of  
Global Financial Services, L.L.C.

In planning and performing our audit of the financial statements and supplemental information of Global Financial Services, L.L.C. for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.

Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles

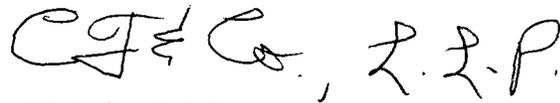
generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
CF & Co., L.L.P.

Dallas, Texas  
January 18, 2006