

CANTOR FITZGERALD EUROPE

Report and Financial Statements

For the year ended 31 December 2004



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COMPANIES HOUSE 21/10/2005

CANTOR FITZGERALD EUROPE

REPORT AND FINANCIAL STATEMENTS 2004

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CANTOR FITZGERALD EUROPE

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2004.

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: LIFFE, The London Stock Exchange, The Frankfurt Stock Exchange, The Italian Stock Exchange, NASDAQ EUROPE, EUREX, Euronext and Virt-x.

CFE intends to continue in these activities.

FUTURE PROSPECTS

The company has continued to make progress in its core areas of business. It is the intention of the directors to continue to expand the business in the forthcoming year.

RESULTS AND DIVIDENDS

The company made a profit after taxation of \$7,486,000 in the year ended 31 December 2004 (2003 – loss of \$639,000).

An interim dividend of \$5,000,000 has been paid during the year (2003 – \$nil). The directors do not recommend the payment of a final dividend (2003 – \$nil).

DIRECTORS AND THEIR INTERESTS

The following directors held office throughout the year (except where otherwise shown):

Mr L Amaitis

Mr S Curran

Mr R Falkner (resigned 30 September 2004)

Mr H W Lutnick

Mr P Marber

Mr C Triance (resigned 9 March 2004)

Mr S Merkel

The directors had no disclosable interests in the shares of the company or any other 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 and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



R M Snelling
Company Secretary
31 March 2005

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.

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 2004, 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 and the related notes 1 to 18. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 transactions with the company 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.

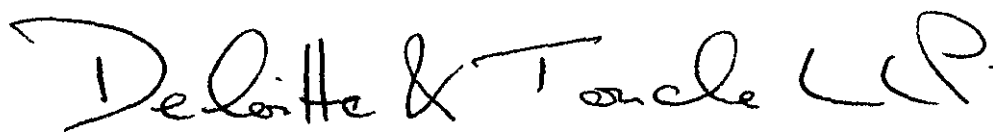
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style with a horizontal line underneath the name.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

31 March 2005

CANTOR FITZGERALD EUROPE**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2004**

	Note	2004 \$'000	2003 \$'000
TURNOVER	2	115,322	96,090
Cost of sales		(90,213)	(81,194)
GROSS PROFIT		25,109	14,896
Administrative expenses		(14,341)	(14,772)
OPERATING PROFIT	3	10,768	124
Interest receivable	5	657	296
Dividends receivable		1,062	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,487	420
Tax charge on profit on ordinary activities	6	(5,001)	(1,059)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		7,486	(639)
Dividends	7	(5,000)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,486	(639)
Profit and loss account brought forward		10,766	11,405
Profit and loss account carried forward		13,252	10,766

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 2004

	Note	2004 US\$'000	2003 US\$'000
Profit / (loss) for the financial year		2,486	(639)
Revaluation of fixed asset investments		4,083	927
TOTAL RECOGNISED GAINS AND LOSSES		<u>6,569</u>	<u>288</u>

CANTOR FITZGERALD EUROPE

BALANCE SHEET 31 December 2004

	Note	2004 \$'000	2003 \$'000
FIXED ASSETS			
Investments	8	11,092	7,880
CURRENT ASSETS			
Long positions		1,756,463	900,953
Debtors	9	1,867,803	850,331
Cash at bank and in hand		8,673	5,707
		3,632,939	1,756,991
CREDITORS: amounts falling due within one year	10	(3,601,260)	(1,728,669)
NET CURRENT ASSETS		31,679	28,322
TOTAL ASSETS LESS CURRENT LIABILITIES		42,771	36,202
CAPITAL AND RESERVES			
Called up share capital	12	19,426	19,426
Revaluation reserve	13	10,093	6,010
Profit and loss account	13	13,252	10,766
TOTAL EQUITY SHAREHOLDERS' FUNDS		42,771	36,202

These financial statements were approved by the Board of Directors on 31 March 2005

Signed on behalf of the Board of Directors



Sean Curran
Director

CANTOR FITZGERALD EUROPE

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2004

	2004 \$'000	2003 \$'000
Profit / (loss) for the year	2,486	(639)
Unrealised surplus on revaluation of fixed asset investments	<u>4,083</u>	<u>927</u>
Net increase in shareholders' funds	6,569	288
Opening shareholders' funds	<u>36,202</u>	<u>35,914</u>
Closing shareholders' funds	<u><u>42,771</u></u>	<u><u>36,202</u></u>

CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
Net cash inflow / (outflow) from operating activities		8,416	(10,947)
Returns on investments and servicing of finance			
Interest received		1,391	896
Dividends received		1,062	-
Net cash inflow from returns on investments and servicing of finance		2,453	896
Taxation			
UK corporation tax paid		(2,899)	(1,560)
Equity dividends paid		(5,000)	-
Increase / (decrease) in cash in the year	17	2,970	(11,611)

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW /
(OUTFLOW) FROM OPERATING ACTIVITIES**

	2004 \$'000	2003 \$'000
Operating profit	10,768	124
Increase in debtors	(1,017,525)	(317,272)
Increase in creditors	2,000,137	898,582
Increase in long positions	(855,510)	(763,891)
(Decrease)/increase in short positions	(129,454)	171,510
Net cash inflow / (outflow) from operating activities	8,416	(10,947)

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom company 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.

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.

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 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.

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 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.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

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 commission expense.

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

3. OPERATING PROFIT

	2004 \$'000	2003 \$'000
Operating profit is stated after charging:		
Foreign exchange loss	272	4,128

The auditors' remuneration has been borne by BGC International (formerly Cantor Fitzgerald International) for the current and prior year.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 \$'000	2003 \$'000
Staff costs during the year amounted to:		
Wages and salaries	54,092	39,909
Social security costs	6,697	4,597
Employee benefits	885	628
Other pension costs	217	156
	<u>61,891</u>	<u>45,290</u>

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

	2004 No.	2003 No.
Direct operating	84	75
Other	7	7
	<u>91</u>	<u>82</u>

The directors received no emoluments for their services to the company in the current or prior year.

5. INTEREST RECEIVABLE

	2004 \$'000	2003 \$'000
Bank interest	657	296

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2004 US\$'000	2003 US\$'000
i) Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2003 – 30%) based on the profit for the year	(4,706)	(824)
Adjustment in respect of prior periods	-	37
Double tax relief	272	240
	<u>(4,434)</u>	<u>(547)</u>
Foreign tax for current period	(465)	(365)
Adjustment in respect of prior periods	(102)	(147)
	<u>(5,001)</u>	<u>(1,059)</u>

ii) Factors affecting tax charge for the current period

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003 – 30%)

The differences are explained below:

	2004 US\$'000	2003 US\$'000
Profit on ordinary activities before tax	12,487	420
Tax at 30% thereon	(3,746)	(126)
Effects of:		
Expenses not deductible for tax purposes	(1,279)	(698)
UK dividend income	319	-
Unrelievable foreign tax	(193)	(125)
Prior period adjustments	(102)	(110)
Current tax charge for period	<u>(5,001)</u>	<u>(1,059)</u>

Deferred taxation

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

7. DIVIDENDS

	2004 \$'000	2003 \$'000
Dividends paid \$0.37 per £1 share	5,000	-

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

8. INVESTMENTS HELD AS FIXED ASSETS

	Listed investments other than loans US\$'000	Non-listed investments other than loans US\$'000	Total US\$'000
COST OR VALUATION			
At 1 January 2004	6,010	1,870	7,880
Revaluations	4,083	-	4,083
At 31 December 2004	10,093	1,870	11,963
PROVISION FOR IMPAIRMENT			
At 1 January 2004	-	-	-
Provided in the year	(871)	-	(871)
At 31 December 2004	(871)	-	(871)
NET BOOK VALUE			
At 31 December 2004	9,222	1,870	11,092
At 31 December 2003	6,010	1,870	7,880

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 during the year resulted in a \$870,162 permanent diminution in value. The shares were revalued on 31 December 2004 to their quoted market value of US\$9,222,832 (2003:US\$6,009,565).

9. DEBTORS

	2004 \$'000	2003 \$'000
Trade debtors	1,827,956	787,771
Amounts owed by other group companies	10,054	34,394
Securities under agreements to resell and cash collateral on stocks borrowed:		
Group undertakings	17,462	16,939
Other debtors	1,638	1,587
Prepayments and accrued income	10,693	9,446
Corporation tax	-	194
	1,867,803	850,331

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 \$'000	2003 \$'000
Trade creditors	2,917,507	1,087,728
Short positions	68,121	197,575
Amounts owed to other group companies	85,620	111,593
Corporation tax	1,908	-
Other taxes and social security	6,393	3,210
Other creditors	500,056	318,806
Accruals and deferred income	21,655	9,757
	<u>3,601,260</u>	<u>1,728,669</u>

11. 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 2004, the intercompany balances held with related parties comprised:

	2004		2003	
	Due to \$'000	Due from \$'000	Due to \$'000	Due from \$'000
BGC Securities (Hong Kong) LLC (formerly Cantor Fitzgerald Asia LLC (Hong Kong)	-	47	-	-
Cantor Fitzgerald South Africa PTY Ltd	-	26	-	-
BGC International (formerly Cantor Fitzgerald International)	46,012	368	24,907	-
Cantor Fitzgerald LP	-	-	-	60
BGC Capital Markets LP (formerly Cantor Fitzgerald Associates)	7,740	5,829	102	-
Cantor Index Limited	27,505	-	86,584	24,666
Cantor Fitzgerald & Co.	1,815	-	-	267
BGC Capital Markets (Switzerland)	-	3,088	-	-
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	-	696	-	-
eSpeed International Limited	1	-	-	-
Cantor Fitzgerald Securities	-	17,462	-	16,939
MIS Brokers Limited	2,547	-	-	9,401
	<u>85,620</u>	<u>27,516</u>	<u>111,593</u>	<u>51,333</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

11. RELATED PARTY TRANSACTIONS (Cont'd)

During the year ended 31 December 2004, the value of commissions payable to and receivable from those related parties comprised:

	2004		2003	
	Commission payable \$'000	Commission receivable \$'000	Commission payable \$'000	Commission receivable \$'000
BGC Capital Markets LP (formerly Cantor Fitzgerald Associates)	-	-	1,704	1,388
Cantor Fitzgerald & Co.	23,215	26,314	24,284	27,572
BGC International (formerly Cantor Fitzgerald International)	113	80	-	-
Cantor Index Limited	344	1,962	68	1,428
	<u>23,672</u>	<u>28,356</u>	<u>26,056</u>	<u>30,388</u>

12. CALLED UP SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised:		
45,784,000 ordinary shares of £1 each	<u>45,784</u>	<u>45,784</u>
	\$'000	\$'000
Allotted and fully paid:		
13,407,079 ordinary shares of £1 each	<u>19,426</u>	<u>19,426</u>

13. RESERVES

	Revaluation reserves \$'000	Profit and loss \$'000	Total \$'000
At 1 January 2003 as restated	5,083	11,405	16,488
Revaluation of fixed asset investments	927	-	927
Retained loss for the year	-	(639)	(639)
At 1 January 2004	6,010	10,766	16,776
Revaluation of fixed asset investments	4,083	-	4,083
Retained profit for the year	-	2,486	2,486
At 31 December 2004	<u>10,093</u>	<u>13,252</u>	<u>23,345</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

14. CLIENT MONEY

The company holds client money in accordance with client money regulations of The Financial Services Authority ('FSA'). Such money and corresponding liabilities are not shown on the balance sheet as the company is not beneficially entitled thereto.

At 31 December 2004, amounts held by the firm on behalf of clients in accordance with FSA regulations amounted to \$420,228,000 (2003 – \$108,233,000).

15. REGISTERED OFFICE

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

16. 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.

17. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2004 \$'000	Cash flows \$'000	At 31 December 2004 \$'000
Cash at bank and in hand	5,703	2,970	8,673

18. RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET FUNDS

	\$'000
Increase in cash	2,970
Net funds as at 31 December 2003	5,703
Net funds as at 31 December 2004	8,673