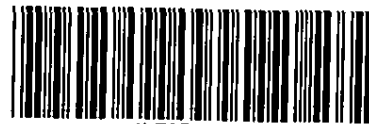


CANTOR FITZGERALD EUROPE

Report and Financial Statements

For the year ended 31 December 2007

FRIDAY



LF9RA4FT

L13

31/10/2008

276

COMPANIES HOUSE

Company Registration No. 02505767

CANTOR FITZGERALD EUROPE
REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS	Page
Directors' Report	3-4
Statement of Directors' Responsibilities	5
Independent Auditors' Report	6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Combined Statement of Movements in Shareholders' funds and Statement of Movement in Reserves	10
Cash Flow Statement	11
Notes to the Financial Statements	12-30

**CANTOR FITZGERALD EUROPE
DIRECTORS' REPORT
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The directors have pleasure in presenting their annual report on the affairs of Cantor Fitzgerald Europe together with the financial statements and auditors' report, for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

Cantor Fitzgerald Europe ('CFE or the company') an unlimited company having a share capital acts as a broker in securities and derivatives and operates from the United Kingdom, France, Italy Switzerland and Denmark.

CFE's product range includes equities, equity derivatives and contracts for difference ("CFDs")

CFE is regulated by the Financial Services Authority ("FSA") It is authorised to conduct investment business from its branch offices in France Italy and Denmark under the provisions of the Markets and Financial Instruments Directive ("MiFID") It is also authorised to conduct cross-border investment business in EEA member states on a service basis under these provisions It is also authorised by the Swiss Federal Banking Commission ("SFBC") to conduct investment business from its branch office in Switzerland

As at the year end date, CFE was a member of the following exchanges The London Stock Exchange Borsa Italiana EUREX XETRA Euronext Cash markets in Amsterdam Brussels and Paris Euronext Derivative markets in London, Amsterdam and Paris SWX Europe BlueNext Carbon, and EDX

BUSINESS REVIEW

The company made an operating profit for the year of US\$50.8m (2006 US\$27.1m profit) The retained profit for the year of US\$30.0m (2006 US\$31.8m) was transferred to reserves

CFE is managed along two principal business lines institutional equity broking and a CFD business

CFD Business

CFE operates a CFD business for institutional clients In addition Cantor Index Limited ('CIL') an entity under common ownership of Cantor Fitzgerald L.P. ("CFLP") introduces CFD business to CFE such that the risk on the trading positions is in CFE CIL compensates CFE for the risk taken on by CFE as well as the use of its balance sheet The profit before tax in CFE includes compensation of US\$25.4m (2006 US\$15.8m) related to the CFD business introduced by CIL

Institutional Equity Broking (Matched Principal and Agency Business)

Institutional Equity Broking had a very successful year with strong growth on 2006 and the profit before tax of CFE includes a profit of US\$14.2m (2006 US\$12.4m) from this business It has a number of profitable business units reflecting a strong performance in broking to UK and European clients

CFE's retained profit includes a further US\$5.3m (2006 US\$18.3m profit) profit from its corporate activities The 2006 corporate profit was driven largely from the sale of LSE shares during that year

In addition to those risks disclosed in note 20 the principal risks facing the company arise from the high degree of competition for clients from other brokerage firms and from not being able to continue to attract and retain the highly skilled brokers who are critical to the client business

Expected Future Developments

Management are looking to expand both business line operations in 2008 The Institutional Brokerage business line continues to expand into continental Europe and also has plans to open a Tel Aviv branch in early 2008 In addition on 21 January 2008, the company acquired a margined FX Liquidity business from BGC Brokers L.P. a fellow group entity

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

This is as described in Note 20 to the financial statements

DIVIDENDS

During the year the directors paid a final dividend of US\$20m in May 2007 which was declared in 2006 (2006 US\$ nil) No further interim dividend was paid during the year ended 31 December 2007

The directors do not recommend the payment of a dividend at this time (2006 US\$20m)

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations of US\$ 660,308 (2006 - US\$268,820)

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows

Mr D Barnard	(appointed 22 January 2007)
Mr S Bartlett	
Mr H Lutnick	
Mr P Marber	
Mr M Macleod	(resigned 22 January 2007)
Mr S Merkel	
Mr M Morris	(appointed 8 February 2007)
Mr N Price	(appointed 22 October 2007)
Mr E Spar	

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

**CANTOR FITZGERALD EUROPE
DIRECTORS' REPORT (CONTINUED)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- 1 so far as the director is aware there is no relevant audit information of which the company's auditors are unaware and
- 2 the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

The company has elected to dispense with the obligation to appoint auditors annually and accordingly Deloitte & Touche LLP shall be deemed to be reappointed as auditors for a further term under the provisions of S386(2) of the Companies Act 1985

Approved by the Board and signed on its behalf by



R M Snelling
Company Secretary
30 April 2008

CANTOR FITZGERALD EUROPE
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Year ended 31 December 2007

The directors are responsible for preparing the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 year

In preparing these 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, subject to any material departures disclosed and explained in the financial accounts and
- prepare the financial statements on a 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

CANTOR FITZGERALD EUROPE
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANTOR FITZGERALD EUROPE
Year ended 31 December 2007

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2007 which comprise the profit and loss account the statement of total recognised gains and losses the balance sheet, the combined statement of movements in shareholders' funds and statement of movements in reserves the cash flow statement the reconciliation of operating profit to net cash outflow / inflow from operating activities and the related notes 1 to 22. 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 auditor's 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 UK Accounting Standards (UK 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 if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

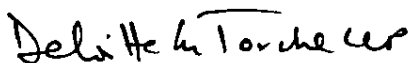
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and,
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
30 April 2008

CANTOR FITZGERALD EUROPE
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
TURNOVER	3	212,653	160,528
Cost of sales		<u>(133,965)</u>	<u>(112,809)</u>
GROSS PROFIT		78,688	47,719
Administrative expenses		<u>(27,900)</u>	<u>(20,629)</u>
OPERATING PROFIT	5	50,788	27,090
Interest received and similar income	7	44,021	1,493
Interest paid and similar charges	8	(49,902)	(581)
Income from other fixed asset investments		-	59
Profit on sale of fixed asset investment		<u>-</u>	<u>18,413</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		44,907	46,474
Tax charge on ordinary activities	9	<u>(14,924)</u>	<u>(14,668)</u>
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		<u>29,983</u>	<u>31,806</u>

All of the above activities are continuing for the current and prior year

CANTOR FITZGERALD EUROPE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2007

	2007	2006
	US\$'000	US\$'000
Profit for the financial year	29,983	31,806
Fair value of available for sale investments	-	8,631
Transfer to profit and loss on sale of available for sale investments	-	(18,413)
	<hr/>	<hr/>
Total recognised Gains and Losses for the year	29,983	22,024
Prior period adjustment	-	(4,337)
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS FOR THE YEAR	29,983	17,687
	<hr/>	<hr/>

CANTOR FITZGERALD EUROPE
BALANCE SHEET
As at 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
FIXED ASSETS			
Investments	10	13,391	5,870
Goodwill	11	<u>2,433</u>	<u>2,571</u>
		15,824	8,441
CURRENT ASSETS			
Long positions		1,525,461	3,695,724
Debtors	12	3,114,697	2,511,335
Cash at bank and in hand		<u>374,443</u>	<u>905,544</u>
		5,014,601	7,112,603
CREDITORS: amounts falling due within one year	13	<u>(4,946,767)</u>	<u>(7,054,730)</u>
NET CURRENT ASSETS		<u>67,834</u>	<u>57,873</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		83,658	66,314
CREDITORS: amounts falling due after more than one year	14	(10,000)	(3,000)
		<u>73,658</u>	<u>63,314</u>
CAPITAL AND RESERVES			
Called up share capital	15	25,426	25,426
Profit and loss account		<u>48,232</u>	<u>37,888</u>
SHAREHOLDERS' FUNDS		<u>73,658</u>	<u>63,314</u>

These financial statements were approved by the Board of Directors on 30 April 2008 and signed on its behalf by



N J Price
Chief Financial Officer

30 April 2008

CANTOR FITZGERALD EUROPE

**COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF
MOVEMENTS IN RESERVES**

Year ended 31 December 2007

	Share Capital US\$'000	2007 Profit and Loss US\$'000	Total US\$'000	2006 Total US\$'000
As at 1 January	25,426	37,888	63,314	34,705
Issue of shares	-	-	-	6,000
Dividends paid during the year	-	(20,000)	(20,000)	-
Capital contribution from parent	-	361	361	585
Available for sale investments				
Valuation gains taken to equity	-	-	-	8,631
Transfer to profit and loss on sale of LSE shares	-	-	-	(18,413)
Profit for the year	-	29,983	29,983	31,806
As at 31 December	<u>25,426</u>	<u>48,232</u>	<u>73,658</u>	<u>63,314</u>

CANTOR FITZGERALD EUROPE
CASH FLOW STATEMENT
Year ended 31 December 2007

	Notes	2007	2006
		US\$'000	US\$'000
Net cash (outflow)/inflow from operating activities		(492,472)	360,107
Returns on investments and servicing of finance			
Interest received		43,911	1,396
Interest paid		(49,725)	(365)
Dividends received		-	59
Net cash (outflow) /inflow from returns on investments and servicing of finance		(5,814)	1,090
Taxation			
UK Corporation tax paid		(8,302)	(9,244)
Subordinated loan to Cantor Fitzgerald (Hong Kong) Capital Markets Limited		(7,500)	(4,000)
Capital injection to subsidiary		(13)	-
Proceeds on Sale of Fixed Assets Investments held for resale		-	18,413
Acquisitions and disposals			
Consideration for business acquisition		-	(2,637)
Equity dividends paid		(20,000)	-
Cash (outflow)/inflow before management of liquid resources and financing		(534,101)	363,729
Financing			
Subordinated loan received from Cantor Fitzgerald & Co		3,000	3,000
Issue of Shares		-	6,000
(Decrease)/increase in cash in the year	17 & 18	(531,101)	372,729

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

	2007	2006
	US\$'000	US\$'000
Operating profit	50,788	27,090
Add back Amortisation of Goodwill	132	66
Add back Grant units	361	585
Increase in debtors	(603,255)	(1,087,735)
(Decrease) / Increase in creditors	(2,109,951)	2,832,814
Decrease / (Increase) in long positions	2,170,263	(1,378,542)
(Decrease) in short positions	(810)	(34,171)
Net cash (outflow)/inflow from operating activities	(492,472)	360,107

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2007

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. The company has complied with new disclosure requirements for the following new accounting standard:

- * FRS29 Financial Instruments: Disclosures, was adopted and applied (see notes 19, 20)

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the valuation of long and short inventory positions and other financial instruments at fair value as described below.

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 transactions occurred. Translation differences are taken to the profit and loss account.

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.

Cash at bank and in hand

Cash comprises cash at bank, in hand, and client monies which are held by the company. The carrying amount of these assets approximates to their fair values.

The company holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority (FSA). This money is included within cash on the balance sheet and the corresponding liability to clients is included in trade creditors. The return received on managing client money is included within finance revenue.

Goodwill

Goodwill capitalised on the face of the balance sheet, is calculated on acquisition of a business undertaking as being the difference between the consideration provided and the fair values of the assets and liabilities acquired. It is amortised over a period of 20 years and charged to the profit and loss account along with any impairment in value.

Financial instruments

The company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

Financial instruments at fair value through profit or loss

Financial instruments classified as held for trading, or designated as such on inception, are included in this category and relate to derivative financial instruments within trade debtors and trade creditors and long and short inventory positions as shown in the balance sheet. Financial instruments are classified as held for trading if they are expected to settle in the short term.

The instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently carried on the balance sheet at fair value with gains or losses recognised in the profit and loss account.

The company uses derivative financial instruments, in order to hedge exposures resulting from derivatives with clients, which are also classified as held for trading.

Determination of fair value

Fair value is determined by reference to third party market values where available. Where the company has assets and liabilities with offsetting market risks, mid-market prices have been used as a basis for establishing fair values for the offsetting risk positions, with bid or ask prices applied to net open position as appropriate.

Where there is no underlying active market, the fair value is determined using proprietary pricing models which apply appropriate valuation techniques and, consider the impact of post period end settlement prices.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

Loan and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include amounts due from customers on closed positions, (disclosed within trade debtors) other debtors and subordinated loans. These amounts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired.

Other financial liabilities

Financial liabilities, other than those classified as held for trading above, are recognised initially at fair value and carried at amortised cost using the effective interest rate method.

Fixed asset investments

Fixed asset investments are recognised and derecognised on trade date, where a purchase or sale of investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost.

Fixed asset investments are classified as available for sale and are measured at subsequent dates at fair value. Gains and losses arising from the changes in fair value are recognised directly in equity via the revaluation reserve until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is recognised and is included in the income statement for the period, the revaluation reserve having first been reversed.

The non-listed investments are classified as available for sale and are held at cost. The investments are not publicly traded and a fair value for these is not readily measurable.

Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the company and the revenue can be reliably measured. Rendering of services includes trading in financial markets, net of commissions expensed. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue together with gains and losses realised on positions that have closed.

Finance revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Interest payable

The interest cost recognised in the income statement is accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. Issue costs are included in the determination of the effective interest rates.

Grants awards

From time to time, Cantor Fitzgerald, L.P. ("CFLP") awards certain employees of the company grant units in CFLP. Grant units entitle the employees to participate in quarterly distributions of CFLP's income and to receive certain post-termination payments.

Adjustments are made to the fair value of all awards outstanding at the accounting reference date to account for the likelihood that the grant unit holder will fulfil the vesting conditions. An expense is recognised through the profit and loss account based on the adjusted fair value with a corresponding capital adjustment made to the profit and loss reserve account on the basis that the company will not reimburse CFLP for the costs associated with the issuance of these awards.

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 and securities lending arrangements

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.

Impairment of doubtful debts

All trade debtor balances outstanding greater than 90 days are provided for in full.

Segmental reporting

The company has not presented segmental information as, in the opinion of the directors, it would be seriously prejudicial to the interests of the company to do so.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

2 GRANT AWARDS

From time to time Cantor Fitzgerald, L.P. ("CFLP") awards certain employees for the company grant units in CFLP

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 employee's 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 units held by employees during the year

	2007	2006
	Units	Units
Outstanding at 1 January	330,519	295,996
Granted during period	48,290	36,049
Forfeited during period	(15,606)	(1,526)
Vested during period	(444)	-
	<u>362,759</u>	<u>330,519</u>
Weighted Average Unit Price	<u>46.39</u>	<u>45.04</u>

The company has recorded a total capital contribution to date of US\$5,282,274 as at 31 December 2007 (2006 US\$4,922,121) on the basis that the company will not reimburse CFLP for the costs associated with the vesting of these awards. This contribution is recorded in the profit and loss reserve account.

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

	2007	2006
Discount Rate	4.03%	4.71%
Forfeiture Rate	40%	40%
Paid termination Rate	2%	2%
Retirement Age	55 years	55 years

Effect on profit and loss account

The company recognised a total expense of US\$360,753 during the period ended 31 December 2007 (2006 US\$584,889)

3 TURNOVER

The company's income is mainly derived from 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, and the CFD balance sheet charge to Cantor Index Limited. It is shown net of any related dealing/broking expense (e.g. commissions, cost of carry)

4 CLIENT MONEY

The company holds client money in accordance with client money regulations of the FSA

The amount held as of 31 December 2007 totalled US\$ 289,116,892 (2006— US\$ 713,261,599) and is included within Cash at bank and in hand

5 OPERATING PROFIT

	2007	2006
	US\$'000	US\$'000
The profit on ordinary activities before taxation is stated after charging / (crediting)		
Goodwill amortisation	131	60
Foreign exchange gain	<u>(3,053)</u>	<u>(358)</u>

Auditors' remuneration

Audit fees of the company of US\$366,117 (2006 US\$297,035) have been borne by a fellow Group entity and recharged to the company

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 US\$'000	2006 US\$'000
Staff costs during the year amounted to		
Wages and salaries	97,735	63,513
Social security costs	11,822	6,993
Employee benefits	567	1,883
Other pension costs	1,537	196
	<u>111,661</u>	<u>72,585</u>

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

	2007 No	2006 No
Direct operating	134	120
Other	8	1
	<u>142</u>	<u>121</u>

The remuneration paid to the directors comprised

	2007 US\$'000	2006 US\$'000
Directors' emoluments	<u>5,731</u>	<u>4,543</u>
Emoluments of the highest paid director	<u>3,268</u>	<u>2,548</u>

The remaining seven directors in post received no remuneration during 2007 (2006 US\$ nil) from the company
No directors had entitlements in relation to the pension scheme of the company in the current or prior year

7 INTEREST RECEIVED AND SIMILAR INCOME

	2007 US\$'000	2006 US\$'000
Bank interest received	43,789	1,493
Subordinated loan interest received from related company	231	-
	<u>44,021</u>	<u>1,493</u>

8 INTEREST PAID AND SIMILAR CHARGES

	2007 US\$'000	2006 US\$'000
Bank interest paid	42,541	268
Other interest paid	7,145	-
Subordinated loan interest paid to ultimate parent company	215	313
	<u>49,902</u>	<u>581</u>

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2007 US\$'000	2006 US\$'000
<i>Analysis of charge in period</i>		
<i>Current tax</i>		
UK corporation tax	(14,895)	(14,426)
Double taxation relief	2,327	486
	<hr/>	<hr/>
Total current corporation tax	(12,568)	(13,940)
Foreign taxation for current period	(2,356)	(728)
	<hr/>	<hr/>
Total current tax	(14,924)	(14,668)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(14,924)	(14,668)
	<hr/>	<hr/>

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK 30% (2006 - 30%) The differences are explained below

	2007 US\$'000	2006 US\$'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	44,907	46,474
	<hr/>	<hr/>
Tax at 30% thereon	(13,472)	(13,942)
Effects of		
Expenses not deductible for tax purposes	(1,251)	(1,065)
Capital allowances in excess of depreciation	(81)	7
UK Dividend Income	-	18
Movement in short term timing differences	(91)	(196)
Capital gain in excess of profit on sale	-	753
Unrelievable foreign tax	(29)	(243)
	<hr/>	<hr/>
Current tax charge for period	(14,924)	(14,668)
	<hr/>	<hr/>

Deferred taxation

There is no deferred tax provision. A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances in excess of depreciation and general provisions as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately US\$1,830,298 (2006 - US\$20,304)

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

10 INVESTMENTS HELD AS FIXED ASSETS

	Subordinated loans	Non-listed investments other than loans	Total
	US\$'000	US\$'000	US\$'000
COST OR VALUATION			
At 1 January 2007	4,000	1,870	5,870
Subordinated loan to Cantor Fitzgerald (Hong Kong) Capital Markets Limited	7,500	-	7,500
Investment in Cantor Fitzgerald (India) Pvt Limited	-	21	21
At 31 December 2007	11,500	1,891	13,391
NET BOOK VALUE			
At 31 December 2007	11,500	1,891	13,391
At 31 December 2006	4,000	1,870	5,870

The non-listed investments are classified as available for sale and are held at cost. The investments are not publicly traded and a fair value for these is not readily measurable.

11 GOODWILL

	2007 US\$'000
COST OR VALUATION	
At 1 January 2007	2,637
Consideration paid	-
At 31 December 2007	2,637
AMORTISATION	
At 1 January 2007	(66)
Amortisation charge	(138)
At the end of year	(204)
NET BOOK VALUE	
At 31 December 2007	2,433
At 31 December 2006	2,571

In 2006 the company acquired the Equities business of ETC Pollak, excluding fixed asset or current assets and liabilities for a consideration of € 2,000,000. This is the main business of the company's Paris branch. The goodwill is being amortised over 20 years in accordance with group accounting policy. The goodwill has been reviewed for impairment, and in the opinion of the directors, no impairment to goodwill has occurred.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

12 DEBTORS

	2007	2006
	US\$'000	US\$'000
Trade debtors	3,078,764	2,402,643
Amounts owed by other group companies	26,669	91,812
Securities under agreements to resell and cash collateral on stocks borrowed Group undertakings	7,373	7,608
Corporation tax	-	440
Other debtors	953	2,439
Prepayments and accrued income	938	6,393
	<u>3,114,697</u>	<u>2,511,335</u>

13 CREDITORS

	2007	2006
	US\$'000	US\$'000
Amounts falling due within one year		
Trade creditors	4,825,563	6,376,861
Short positions	-	810
Amounts owed to other group companies	43,773	146,050
Corporation tax	7,060	-
Other taxes and social security	14,781	10,792
Other creditors	15,337	487,264
Accruals and deferred income	40,253	28,953
Subordinated loans	-	4,000
	<u>4,946,767</u>	<u>7,054,730</u>

14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

At 31 December 2007, the company had the following subordinated loans of \$10,000,000 (2006 - \$7,000,000) which are classified as qualifying capital for Financial Services Authority ("FSA") financial resources requirements. The interest rate charged is at 2% above the London Inter Bank Offer Rate.

	Amount received	Date repayable
	US\$'000	
Received from		
Cantor Fitzgerald, L P	3,000	27 December 2009
Cantor Fitzgerald, L P	3,000	31 October 2014
Cantor Fitzgerald, L P	4,000	31 October 2014

On 31 October 2007, a subordinated loan for \$3,000,000 originally, expiring 30 May 2008 issued by Cantor Fitzgerald, L P was extended to expire on 30 October 2014.

On the same date, another subordinated loan for \$4,000,000 originally, expiring on 30 November 2007 issued by Cantor Fitzgerald, L P was extended to expire on 30 October 2014.

On 28 December 2007, a new subordinated loan for \$3,000,000 expiring on 28 December 2009 was issued by Cantor Fitzgerald, L P.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

15 CALLED UP SHARE CAPITAL

	2007 US\$'000	2006 US\$'000
<i>Authorised</i>		
45,784,000 ordinary shares of £1 each	<u>45,784</u>	<u>45,784</u>
<i>Allocated, called up and fully paid</i>		
16,785,362 ordinary shares of £1 each	<u>25,426</u>	<u>25,426</u>

16 RELATED PARTY TRANSACTIONS

The company enters into service arrangements with various parties that are related by common ownership and control. As of 31 December 2007, the intercompany balances held with related parties comprised

	2007		2006	
	Due to US\$'000	Due from US\$'000	Due to US\$'000	Due from US\$'000
BGC Brokers LP	476	-	-	677
BGC Brokers Limited	12	-	467	-
BGC Capital Markets (Hong Kong) Limited	-	20	-	1,112
BGC Capital Markets (Japan) LLC	70	-	14	-
BGC Capital Markets (Switzerland) LLC	-	126	-	2,459
BGC Capital Markets, L P	-	-	-	91
BGC Financial Inc	14	-	-	-
BGC International	-	24,586	-	19,249
BGC International LP	851	-	988	-
BGC Partners (Australia) Pty Limited	-	369	-	-
BGC Securities (Hong Kong) LLC	-	-	-	5
BGC Shoken Kaisha Limited	29	-	-	-
BGC International Holdings LP, LLC	-	-	-	2
Cantor Fitzgerald & Co	-	1,507	-	68,217
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	8,733	-	1,600	-
Cantor Fitzgerald (South Africa) Pty Limited	-	19	-	-
Cantor Fitzgerald Securities	-	3	14	-
Cantor Fitzgerald, L P	481	-	113,194	-
Cantor G&W International LP	1	-	-	-
Cantor Index Limited	28,366	-	24,705	-
CantorCO2e Limited	174	-	9	-
eSpeed (Australia) Pty Limited	21	-	-	-
eSpeed International Limited	137	-	36	-
Euro Brokers Holdings Limited	23	-	-	-
Euro Brokers Services Limited	-	3	-	-
MIS Brokers Limited	-	10	5,023	-
Tower Bridge International Services LP	4,383	-	-	-
Tower Bridge Securities Limited	-	26	-	-
	<u>43,773</u>	<u>26,669</u>	<u>146,050</u>	<u>91,812</u>

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

During the year ended 31 December 2007, the net value of charges payable and receivable for the following transactions from related parties comprised

	2007 US\$'000	2006 US\$'000
Service arrangements		
BGC International	5,485	15,736
eSpeed International Limited	3,697	3,888
Tower Bridge International Services LP	21,941	-
	<u>31,123</u>	<u>19,624</u>
Intercompany Funding received/(paid)		
Cantor Fitzgerald, L P	(215)	(276)
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	231	-
BGC International	16,964	-
	<u>16,980</u>	<u>(276)</u>

The above funding from Cantor Fitzgerald, L P and Cantor Fitzgerald (Hong Kong) Capital Markets Limited represents interest paid and received on subordinated loan arrangements (see notes 10 and 14)

The company executes and clears the equity hedge transactions that are required to support the client-facing CFD business of Cantor Index Limited (CIL), an entity that is related by common ownership and control. In providing these services, the company finances the hedge positions, bears the settlement risk of the hedging transactions, and the credit risk related to the client. The company is compensated by CIL for the services that it provides, balance sheet usage, as well as the risk it bears. During the year ended 31 December 2007, the company reported turnover and operating profit of US\$25.4m (2006 US\$15.8m) in relation to the CFD business introduced by CIL.

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

17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2007 US\$'000	Cash flows US\$'000	At 31 December 2007 US\$'000
Cash at bank and in hand	905,544	(531,101)	374,443
Debt due within one year	(3,000)	3,000	-
Debt due after one year	(4,000)	(6,000)	(10,000)
	<u>898,544</u>	<u>(534,101)</u>	<u>364,443</u>

18 RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET FUNDS

	At 31 December 2007 US\$'000
Decrease in cash	(531,101)
Net increase in subordinated loans	(3,000)
Movement in net funds in the period	(534,101)
Net funds as at 31 December 2006	898,544
Net Funds as at 31 December 2007	<u>364,443</u>

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

19 DERIVATIVE FINANCIAL INSTRUMENTS

The company utilises the following derivative instruments for trading and economic hedging purposes

2007			
	Contract or underlying notional amount US\$'000	Fair Value Asset US\$'000	Liability US\$'000
Foreign exchange derivatives	-	-	-
Contracts for difference - equities	19,578	-	867
Contracts for difference - futures	1,548,741	379,027	55,647
Total Derivatives asset / liability 2007	1,568,319	379,027	56,513

2006			
	Contract or underlying notional amount US\$'000	Fair Value Asset US\$'000	Liability US\$'000
Foreign exchange derivatives	3,329	2,519	810
Contracts for difference - equities	3,900,724	75,020	166,384
Contracts for difference - futures	23,966	172	1,905
Total Derivatives asset / liability 2006	3,928,019	77,711	169,099

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

20 RISK MANAGEMENT

Risk is inherent in the company's activities but is carefully managed through a process of ongoing identification, measurement and monitoring, subject to prudent risk limits and control. This process of risk management is critical to the company's continuing profitability. The company is exposed to credit risk, market risk, liquidity risk and operational risks in the normal course of its business.

RISK MANAGEMENT STRUCTURE

The Board of Directors is ultimately responsible for identifying and controlling risks, however there are separate independent bodies responsible for managing and monitoring risks.

Executive Committee

The Executive Committee is responsible for the overall risk management approach and for approving the risk strategies and principles. The Executive Committee places reliance on the Management Committee to monitor Risk Management and to ensure that an appropriate control framework is maintained.

Management Committee

The Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions. The Management Committee is supported by a number of risk committees including the European Regulatory Risk Committee and the Operations Risk Management Committee ("ORMC").

The company has various control functions that have line responsibility for managing the company risks. These include Risk Management, Internal Audit, Operations, Treasury and Finance.

BUSINESS ACTIVITY RISKS

The company is a leading broker specialising in the trading of equities and related derivative products. The principal exposures to risk that arise as a result of the company's business activities are summarised in the following table.

Business Activity	Description	Risk Type	Risk Exposure
Matched-Principal	Transactions where the company acts as principal and anonymity is preserved. This business involves purchasing equity securities from one counterparty and selling to another. The company is the buyer in one leg of the transaction and the seller on the other leg of the transaction.	Credit risk	The counterparty may not meet its obligation to settle principal and brokerage outstanding.
		Market risk	Unfavourable price movement on positions held to facilitate customer flows, unmatched positions arising from booking disputes.
		Liquidity risk	Mismatches in the timing of cash flows.
		Operational risk	Trade errors, fraud and reputational risk.
Name Give-Up Basis ("Agency Business")	Transactions where the company acts as an agent and the identity of the two counterparties is disclosed once the trade is completed. This business involves matching buyers and sellers of equity derivatives and some equities. The company does not own, as principal, the instruments at any time.	Credit risk	Settlement delays, non-receipt and disputes arising from the commission charges billed to clients.
		Market risk	Nil.
		Liquidity risk	Brokerage commission not paid when due.
		Operational risk	Trade errors, fraud and reputational risk.
CFDs (Contracts for Differences)	Wholesale provider of CFDs offering CFDs on a comprehensive range of equities, indices, currencies, commodities and fixed income instruments. Cantor Index Limited, a fellow Group entity, introduces some counterparties to the company.	Credit risk	The counterparty may not meet its obligation to settle a margin call which could result in a credit loss to the company.
		Market risk	Unfavourable price movement on positions held to facilitate customer flows, unmatched positions arising from booking disputes.
		Liquidity risk	Mismatches in the timing of cash flows.
		Operational risk	Trade errors, fraud and reputational risk.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. It arises principally from trading and treasury business. The company has standards, policies and procedures dedicated to controlling and monitoring risk from all such activities. Limits are in place for each counterparty.

The main credit risks taken are on CFDs, brokerage receivables and DVP (Delivery versus Payment) transactions. DVP transactions are defined as those in which payment and transfer of the subject security occur simultaneously. Settlement normally occurs within a central depository (e.g. DTC, Euroclear).

Counterparty credit risk represents the risk of default by a trading counterparty. Limits are in place for each counterparty.

Counterparty Credit Risk

Matched Principal Trading

The credit risk exposure from the matched-principal business arises from the risk of a counterparty defaulting and causing the transaction to fail. The exposure is not to the full notional value of the transaction that has failed but is limited to market movement on the value of the security during the period from execution until settlement. At settlement, where a counterparty has defaulted, the company either holds the security to cover a fail-to-receive, or purchases the security in the market to fulfil a fail-to-deliver. Sometimes clients are required to put up margin as collateral with the company which mitigates credit risk exposure.

Name Give-Up Brokerage

The credit risk exposure from the name give-up brokerage business arises from the risk of not collecting commissions that have been billed to a counterparty. There are no limits in place with respect to the maximum amount of commission that can be outstanding with a given counterparty, however, outstanding receivables are aggressively monitored and followed up on a daily basis by the brokerage receivables department.

The types of counterparties that the business transacts with, predominantly investment grade banks and established investment firms, significantly reduces the risk of default. In the name give-up brokerage business a significant mitigating factor with respect to credit exposure is the policy whereby brokers earn brokerage commissions only on amounts that have actually been collected.

CFD Business

The company is a provider of CFDs to both institutions and Elective Professional Clients. In the latter case Cantor Index Limited ("CIL"), a fellow Group entity, introduces most of its new CFD business to the company. While the company is exposed to customer defaults on CFD business, this loss exposure is mitigated by requiring customers to post margin. Management reviews customer margin call lists daily. A summary of margin calls and debt outstanding at month end is presented to the Executive Committee. An impairment provision is established for the entire debt balances aged greater than 90 days. Customers whose equity balance falls below their margin requirement are called for additional funds. Failure to meet a call is a default and, if not remedied, results in the closure of the customer's position.

Credit Risk Concentrations

The material receivable balances of the company are generally to highly rated financial institutions. The majority of this relates to very short term transactions.

Brokerage receivables are exposed to risk concentrations. This is mitigated by the policy that the company does not pay commissions to its brokers for outstanding invoices.

Credit Risk Acceptance, Monitoring and Controlling

Trade Debtors

The credit risk arising from matched principal, name give-up and CFD business is managed separately.

Matched Principal Trading

The Credit department obtains information to assess the credit quality of the prospective counterparty as part of the client approval process. In the majority of cases, the Credit department will obtain a report from a recognised credit agency to verify internal findings. Once the relevant information is collated a report is circulated to Credit officers for approval. The Chief Executive Officer has the authority to approve initial limits for new customers.

The credit risk of existing counterparties is assessed on an annual basis. The following credit risk maintenance procedures are carried out to monitor and control the credit risk of counterparties:

- a) the latest set of audited financial statements are obtained,
- b) the international press is reviewed on an on-going basis for any news related to the Group's existing counterparties. Relevant information is reviewed and actioned as appropriate and reported to management, and,
- c) data feeds are taken from several credit rating agencies. Information is vetted for news on counter-parties and actioned as appropriate.

The Credit department produces a daily credit report, which is sent to senior management. Any counterparty limits that are exceeded are reported to management. Front office personnel may be instructed to suspend all further trading until utilisation of credit lines are within set limits. Fails to deliver/receive securities and pending trades reports are reviewed regularly by senior management.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

Name Give-Up Brokerage

Brokerage receivable balances are monitored and actively chased once past due. The company's brokers are typically involved in pursuing past due amounts over 60 days as broker commission is not paid until amounts due are settled. Aged debtor reports by entity and by broker are reviewed by senior management on a regular basis.

CFD Business

High Net Worth Individual ("HNWI") customer portfolio limits for CFD positions are based on verified disclosure of directly held net wealth. Corporate entity limits for CFD positions are based on audited financial statements. All customers are required to post margin against positions. All exposures are reviewed daily and margin calls are made as required. Where margin requirements are not met, customers' positions are liable to closure or reduction. Margin requirements are subject to revision at the company's discretion.

Cash At Bank

Client Segregated Funds

Risk Management considers and approves a list of credit-worthy banks. No funds are placed with any entity rated Long-term below "A-" Fitch credit rating. An annual review is held to determine whether the policy remains appropriate or whether changes are required. Credit risk is diversified by placing funds with a number of banks.

Maximum Credit Risk Exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The main exposure is shown gross, before the mitigation through the use of master netting and collateral arrangements.

	Gross maximum exposure 2007 US\$'000	Gross maximum exposure 2006 US\$'000
On balance sheet items		
Non-listed investments	1,891	1,870
Subordinated loans receivable	11,500	4,000
Long positions	1,525,461	3,695,724
Debtors	3,114,697	2,511,335
Cash at bank and in hand	374,443	905,544
	<u>5,027,992</u>	<u>7,118,473</u>
Off balance sheet items		
Loan and other commitments	2,500	-
	<u>2,500</u>	<u>-</u>
Total Credit Risk Exposure	<u><u>5,030,492</u></u>	<u><u>7,118,473</u></u>

Collateral And Other Credit Enhancements

At 31 December 2007, cash in segregated client bank accounts amounts to \$289,131,775 (2006: \$107,708,839) and represents collateral held to mitigate credit risk exposure. At 31 December 2007, the long positions of \$1,525,460,581 (2006: \$3,695,724,000) include securities owned pledged as collateral amounting to \$1,479,973,760 (2006: \$3,585,523,000). At 31 December 2007, securities and cash amounting to \$16,025,500 (2006: \$25,977,250) is pledged as collateral with clearing houses. In addition, at 31 December 2007, securities with a market value of \$7,263,600 (2006: \$7,192,500) were held as collateral from Cantor Fitzgerald & Co., a fellow Group entity.

Credit Quality Per Class Of Financial Assets:

Financial Assets Neither Past Due Nor Impaired

Trade Debtors And Long Positions

The material trade debtors and long positions, which mostly relate to principal trading and brokerage receivables, are amounts owing from very highly rated financial institutions with very short-term exposure that further reduces the probability of default. The long positions represent equity positions in mainly listed companies.

Other Financial Assets

The company is owed subordinated loans and other receivables by fellow Group entities. The credit quality of fellow Group entities is considered before entering into business which results in material amounts due.

Financial Assets Past Due But Not Impaired

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is US\$ nil (2006: US\$ nil).

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

Financial Assets Past Due But Not Impaired (continued)

Past due balances are analysed below

Trade Debtors

The tables below show the ageing analysis of past due but not impaired loans and receivables

Matched Principal Trading Ageing Analysis As At 31 December

Gross Exposure

	2007	2006
	US\$'000	US\$'000
Time past due		
Less than 1 month	502,935	217,223
1 month to less than 2 months	3,219	9,263
2 months to less than 3 months	14,781	7,775
3 months and over	5,942	10,009
	<u>526,877</u>	<u>244,270</u>

Failed and pending reports are reviewed daily. Senior management reviews past due matched principal business receivables on a regular basis. Substantially all fail to receive transactions at 31 December 2007 and 31 December 2006 were settled at the contracted amount.

Name Give Up Brokerage Ageing Analysis As At 31 December

	2007	2006
	US\$'000	US\$'000
Time past due		
Less than 1 month	3,701	1,604
1 month to less than 2 months	1,955	920
2 months to less than 3 months	848	399
3 months and over	1,504	945
	<u>8,008</u>	<u>3,868</u>

Name give-up business revenues increased to \$44million during the year (2006: \$29million) and partly explains why past due balances doubled during the current period. Past due balances are reviewed daily and actively chased. There is no current policy for making a systematic provision for old balances as the historic default rate is extremely low.

CFD Business Ageing Analysis As At 31 December

	2007	2006
	US\$'000	US\$'000
Time past due		
Less than 1 month	8	108
1 month to less than 2 months	1	-
2 months to less than 3 months	-	106
3 months and over	-	-
	<u>9</u>	<u>214</u>

Active management of margin balances within the CFD business results in the company being exposed to very little residual credit risk as the above table demonstrates.

Other Financial Assets

No other class of financial assets were past due as at 31 December 2007 or 31 December 2006.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

Impaired Financial Assets

	2007	2006
	US\$'000	US\$'000
Trade debtors	<u>217</u>	<u>459</u>
Impairment provision	<u>217</u>	<u>459</u>

The impaired trade debtors arise largely from the CFD business and represent amounts due from customers which are unlikely to be settled. No collateral is held to mitigate the credit risk exposure arising from these impaired financial assets.

MARKET RISK MANAGEMENT

The company classifies exposures to market risk into either trading or non-trading portfolios. The non-trading book includes all types of financial instruments entered into for funding purposes whereas the remaining financial instruments fall into the trading book category such as instruments held for trading purposes, positions arising from matched principal trading and instruments held for hedging purposes. The market risk of the trading portfolio is managed by monitoring open position limits. Non-trading positions are managed and monitored using other methods. The foreign exchange exposure arising from revenues and expenses denominated in foreign currencies is managed and reported separately from any trading and customer activity in the non-trading book.

Trading

Market Risk arises both from price fluctuations on positions taken for customer facilitation and small proprietary positions subject to pre-approved limits.

Position Monitoring

At the end of each day, Risk Management confirms positions and performs an independent mark to market. Positions are reported to senior management. At 31 December 2007, the gross exposure to market risk arising from such positions amounted to \$21,637,168 (2006: \$14,784,950).

Non-Trading

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The company estimates that a 1% hypothetical decrease in interest rates would have resulted in a reduction in profit and equity of

	2007	2006
	US\$'000	US\$'000
At 31 December		
Profit or loss / Shareholders' funds	<u>6,340</u>	<u>1,435</u>

Foreign Exchange

The company is exposed to risks associated with changes in foreign exchange rates. The company's operations generate its revenues in a number of currencies but with significant amounts in British Pounds and in Euros. Changes in the translation of the company's net assets are recorded as part of its results of operations and fluctuate with changes in exchange rates. A 10% hypothetical adverse change in the British Pound and Euro exchange rates would have resulted in a decrease in profit and equity of

	Currency impact of €/\$		Currency impact of £/\$	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December				
Profit or loss / Shareholders' funds	<u>6,864</u>	<u>3,418</u>	<u>4,958</u>	<u>562</u>

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the company does not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive cost. The risk can arise from mismatches in the timing of cash flows. A lack of liquidity could stop or materially hinder the operations of the business as well as leading to significant reputational costs.

Liquidity is managed on a day-to-day basis by the Treasury department and the focus is on

- Funding of the equity hedge portfolio of the CFD books,
- Funding of failures to deliver a transaction, and,
- Possible contagion between the related entities of The Cantor Fitzgerald, L.P. group of companies. This risk has reduced significantly as cross guarantees between the U.K. regulated entities were cancelled during the current period.

Management Of Trading Liquidity

Matched Principal Trading

The business normally trades flat (i.e. both sides of the trade settle simultaneously) and only takes tightly controlled positions. This mitigates both market and liquidity risks. Inherent within the matched principal business is the potential problem that a trading counterparty does not accept delivery of stocks or bonds for any reason which leads to an "overnight position" that needs to be financed e.g. the purchase settles but the sale fails to settle. Trades may not settle due to

- Stock matching problems,
- Stock delivered too close to the end of the day for onward delivery,
- The counterparty being short of cash.

CFD Business

Nearly all CFD equity hedge positions are funded via stock lending or Delivery By Value ("DBV") transactions and the management of failing positions is therefore not relevant. The CFD positions themselves are funded by calling margin from counterparties and as a result the book generates very high cash balances which can be held in both segregated and non-segregated accounts. Segregated client funds are placed with external bank counterparties by the Treasury department and non-segregated cash is used to help fund the company's business by

- financing haircuts on stock lending transactions used to finance equity hedges to the CFD portfolios,
- protecting the CFD portfolios from liquidity issues and give time to manage the portfolio down in a liquidity squeeze, and,
- financing stocks remaining "in the box" at the end of the each day.

Prior experience shows that the CFD book can be managed down very quickly if required. The client terms and conditions ("T&C") are broadly very similar and include the right to

- cancel the CFD immediately if margin requirements are breached,
- cancel the CFD on a notice period. Under the CFD T&C, the notice period is usually no longer than three days to close without cause i.e. even if margin requirements are not breached. In many instances, the notice period is only one day,
- liquidate all CFD contracts at the company's discretion under a force majeure clause, and/or,
- increase counterparty margin rates at any time.

The ability to increase margin rates can have the following positive liquidity benefits

- a) Cause a reduction in total CFD balances because some counterparties would choose to close or if they did not pay the additional margin, the company would have the right to close, and/or,
- b) Increase cash balances in non-segregated accounts.

The sensitivity of the CFD book from changing margin balances is very high. Increases in margin requirements tend to reduce CFD balances. Client margin increases can be used to offset any liquidity issues resulting from increased haircuts from stock lending counterparties.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

Liquidity Risk Maturity Tables

The following tables detail the company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based upon the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year US\$'000	1 year to less than 5 years US\$'000	More than 5 years US\$'000	Total US\$'000
2007				
Subordinated loans (including interest)	500	4,550	7,700	12,750
Trade creditors	4,825,563			4,825,563
Amounts owed to fellow group entities	43,773			43,773
Corporation tax	7,060			7,060
Other taxes and social security	14,781			14,781
Other creditors	15,337			15,337
Accruals and deferred income	40,253			40,253
	<u>4,947,267</u>	<u>4,550</u>	<u>7,700</u>	<u>4,959,517</u>
2006				
Subordinated loans (including interest)	4,490	3,088		7,578
Short positions	810			810
Trade creditors	6,376,861			6,376,861
Amounts owed to fellow group entities	146,050			146,050
Other taxes and social security	10,792			10,792
Other creditors	487,264			487,264
Accruals and deferred income	28,953			28,953
	<u>7,055,220</u>	<u>3,088</u>	<u>-</u>	<u>7,058,308</u>

Liquidity risk management has a short-term outlook as most of the financial liabilities have contractual maturities of less than one year. The only material financial liability with a remaining contractual maturity longer than one year relates to subordinated debt from a fellow group entity, Cantor Fitzgerald, L.P. Treasury manages this longer term liquidity risk by ensuring that sufficient funds are in place to settle the obligation arising at the contractual maturity. No payments were made during 2007 (2006: \$nil) as a result of entering into guarantees or commitments. Derivative financial instruments are settled within one year of the balance sheet date on a gross basis and are included in trade debtors and trade creditors.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform operational risks can cause damage to reputation, have regulatory and legal implications or lead to financial loss. The company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the company is better able to manage these risks. Controls include effective segregation of duties, access controls, authorisation controls, reconciliation procedures and various assessment processes including the use of internal audit. The ORMC was established to monitor the operational risks inherent within the business.

New Products Or Business Proposals

This process is under the umbrella of the Management Committee. In the event that a new product or business is identified and raised with the Committee, a working group will be formed to process the request. This group comprises members from the various control and executive functions.

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

CAPITAL RISK MANAGEMENT

The company maintains an actively managed capital base to cover risks inherent in the business and is regulated by the United Kingdom FSA

During the current and prior period, the company has complied in full with all the externally imposed capital requirements

Objectives, Policies And Processes For Managing Capital

The primary objectives of the company's capital risk management are to ensure that the company complies with externally imposed capital requirements and to ensure that the company is able to continue as a going concern while maximising the return to stakeholders through the optimisation of its debt and equity balances. The capital structure consists of debt, including the borrowings disclosed in notes 13 and 14, cash at bank and in hand, and capital and reserves of the company, comprising called up share capital, reserves and retained earnings

The company manages its capital structure and makes adjustments to it in the light of economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue share capital

CFLP, the parent company registered in the United States of America, could make capital available to the company in the event of a liquidity crisis or sudden large losses. CFLP does not provide guarantees that capital will be provided in a downside scenario as this would be capital inefficient

Formal capital applications are made to CFLP for all new capital. These applications include:

- Rationale for the proposal
- Business Plan
- P&L and balance sheet projections with associated assumptions

Capital

	Actual 2007 US\$'000	Actual 2006 US\$'000
Share Capital, retained earnings and currency translation reserve	73,658	63,314
Subordinated debt	10,000	7,000
Total capital	<u>83,658</u>	<u>70,314</u>

FAIR VALUE

The fair value of non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes from similar instruments

The carrying amounts and corresponding fair values of financial assets and financial liabilities in the financial statements are designated into the following categories:

	Carrying Value		Fair Value	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Financial Assets				
<i>Loans And Receivables</i>				
Subordinated loans	11,500	4,000	11,500	4,000
Amounts owed by fellow group entities	26,669	91,812	26,669	91,812
Trade debtors	2,699,737	2,324,932	2,699,737	2,324,932
Securities under agreements to resell and cash collateral on stocks borrowed	7,373	7,608	7,373	7,608
Corporation tax	-	440	-	440
Other debtors	953	2,439	953	2,439
Prepayments and accrued income	938	6,393	938	6,393
	<u>2,747,170</u>	<u>2,437,624</u>	<u>2,747,170</u>	<u>2,437,624</u>
<i>Available-For-Sale</i>				
Fixed asset investments				
Non-listed investments other than loans	1,891	1,870	1,891	1,870
	<u>1,891</u>	<u>1,870</u>	<u>1,891</u>	<u>1,870</u>
<i>Fair Value Through Profit or Loss - Held for Trading</i>				
Long positions	1,525,461	3,695,724	1,525,461	3,695,724
Trade debtors - Derivatives	379,027	77,711	379,027	77,711
	<u>1,904,488</u>	<u>3,773,435</u>	<u>1,904,488</u>	<u>3,773,435</u>

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2007

	Carrying Value		Fair Value	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
<i>Measured At Amortised Cost</i>				
Subordinated debt carried at amortised cost	10,000	7,000	10,000	7,000
Short positions	-	810	-	810
Trade creditors	4,769,050	6,207,762	4,769,050	6,207,762
Amounts owed to fellow group entities	43,773	146,050	43,773	146,050
Other taxes and social security	14,781	10,792	14,781	10,792
Other creditors	15,337	487,264	15,337	487,264
Corporation tax	7,060	-	7,060	-
Accruals and deferred income	40,253	28,953	40,253	28,953
	<u>4,900,254</u>	<u>6,888,631</u>	<u>4,900,254</u>	<u>6,888,631</u>
<i>Fair Value Through Profit Or Loss - Held For Trading</i>				
Trade creditors - Derivatives	56,513	169,099	56,513	169,099
	<u>56,513</u>	<u>169,099</u>	<u>56,513</u>	<u>169,099</u>

Assumptions Used In Determining Fair Value Of Financial Assets And Financial Liabilities

Fixed Asset Investments

- Non-listed investments classified as available for sale are measured at cost, which is also considered to be fair value

Trade Debtors and Trade Creditors

Trade debtors measured at amortised cost include amounts owed by fellow group entities (see below for additional information). Trade debtors measured at fair value mostly includes derivative financial instruments. These derivatives are designated as held for trading and are measured at bid-market prices if deemed a financial asset or offer-market prices if a financial liability. Where the assets and liabilities offset market risks, mid-market prices are used to establish fair values for the off-setting risk position.

Trade creditors measured at amortised cost include amounts owed to fellow group entities (see below for additional information) and client money. Trade creditors measured at fair value and designated as held for trading include mainly derivatives.

Amounts Owed By / To Fellow Group Entities

Amounts receivable and payable from/to fellow group entities include balances which are settled upon demand and are measured at amortised cost. The fair value of these balances approximates the carrying value as these amounts may be called upon shortly after the balance sheet date.

Subordinated Loans Payable

Fair value approximates carrying value as the interest rate payable tracks LIBOR.

21 REGISTERED OFFICE

The registered office of Cantor Fitzgerald Europe is 17 Crosswall, London EC3N 2LB. The company is incorporated in Great Britain and registered in England and Wales.

22 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.