Company Registration No. 02505767

CANTOR FITZGERALD EUROPE

Report and Financial Statements

For the year ended 31 December 2008

CANTOR FITZGERALD EUROPE

REPORT AND FINANCIAL STATEMENTS 2008

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CANTOR FITZGERALD EUROPE
DIRECTORS' REPORT

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 2008.

PRINCIPAL ACTIVITIES

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

CFE's principal 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 London head office and its branch offices in France, Italy and Denmark under the provisions of the Markets in 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$11.6m (2007: US$33.8m profit). The retained profit for the year of US$4.3m (2007: US$30.0m) was transferred to reserves.

The profit before tax was US$7.5m (2007:US$44.9m).

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 of CFE includes compensation of US$5.4m (2007:US$25.4m) related to the CFD business introduced by CIL.

Institutional Equity Broking (Matched Principal and Agency Business)

Institutional Equity Broking had a significant fall in 2008 due to market conditions around the UK and Europe. The profit before tax of CFE includes a profit of USD$5.5m (2007:US$14.2m) from this business. It has a number of business units reflecting an average performance in broking to UK and European clients.

CFE's profit before tax includes a further US$(3.4m) (2007:US$5.3m) (loss) / profit from other corporate activities.

In addition to those risks disclosed in note 21, 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.

On 21 January 2008, the company acquired a margined FX Liquidity business from BGC Brokers L.P., a fellow group entity. During the year, the company expanded its institutional brokerage business by opening a branch in Israel.

Expected Future Developments

The Company closed down the Copenhagen branch in March 2009.

Going Concern

We measure the achievement of our objectives through the use of qualitative assessments and through the monitoring of quantitative indicators, termed key performance indicators (KPIs) introduced in 2008. In line with our operating objectives, the profit before tax; regulatory capital and liquidity is monitored on a regular basis. As part of the company's Internal Capital Adequacy Assessment Plan (ICAAP) the regulatory capital is monitored.

	2008	2007
	US$'000	US$'000
Profit on ordinary activities before taxation	7,516	44,907
Regulatory Capital	52,989	73,658

The Directors expect the company to continue for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

This is as described in Note 21 to the financial statements.

DIVIDENDS

In June 2008, the directors paid a final dividend of US$26m (2007: US$20m) in respect of the year ended 31 December 2007. No further dividend was paid during the year.

The directors do not recommend the payment of a dividend at this time (2007 : US$26m).

CHARITABLE DONATIONS

During the year, the company made charitable donations of US$195,986 (2007 – US$660,308).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mr D Barnard	
Mr S Bartlett	*(resigned 31 December 2008)*
Mr M Cooper	*(appointed 14 January 2009)*
Mr C Knott	*(appointed 20 November 2008)*
Mr H Lutnick	
Mr P Marber	
Mr S Merkel	
Mr M Morris	
Mr N Price	*(resigned 23 January 2009)*
Mr E Spar	
Mr A.G. Sadler	*(appointed 14 January 2009)*

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

AUDITORS

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 s243ZA of the Companies Act 1985.
On 4 February 2009, Deloitte and Touche LLP resigned as auditors. Ernst & Young LLP were subsequently appointed and have expressed their willingness to continue in office.

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Ernst and Young 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

A. I. Sadler

A.G. Sadler
Chief Financial Officer
24 April 2009

CANTOR FITZGERALD EUROPE
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Year ended 31 December 2008

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 statements; 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 2008

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2008 which comprise the primary financial statements such as the profit and loss account, the statement of total recognised gains and losses, the balance sheet, combined statement of movement in shareholders' funds and statement of movements in reserves and cashflow statement and the related notes 1 to 23. 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

Ernst & Young LLP

Ernst and Young LLP
Registered Auditors
London
~~24~~ April 2009
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CANTOR FITZGERALD EUROPE
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2008

	Notes	2008 US$'000	2007 US$'000
TURNOVER	3	182,444	212,396
Cost of sales		(121,209)	(140,056)
GROSS PROFIT		61,235	72,340
Other income		231	-
Administrative expenses		(49,847)	(38,515)
OPERATING PROFIT	6	11,619	33,825
Interest received and similar income	8	15,079	52,362
Interest paid and similar charges	9	(19,182)	(41,280)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,516	44,907
Tax charge on ordinary activities	10	(3,178)	(14,924)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		4,338	29,983

All of the above activities are continuing for the current and prior year.
There has been a change in the classification of the comparatives, the effect of which is shown in note 5

CANTOR FITZGERALD EUROPE
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2008

	2008 US$'000	2007 US$'000
Profit for the financial year	4,338	29,983
Total recognised Gains and Losses for the year	4,338	29,983
TOTAL RECOGNISED GAINS FOR THE YEAR	4,338	29,983

CANTOR FITZGERALD EUROPE
BALANCE SHEET
As at 31 December 2008

	Notes	2008 US$'000	2007 US$'000
FIXED ASSETS			
Investments	11	1,891	13,391
Goodwill	12	2,291	2,433
		4,182	15,824
CURRENT ASSETS			
Long positions		92,135	1,525,461
Debtors	13	805,844	3,114,697
Cash at bank and in hand		88,686	374,443
		986,665	5,014,601
CREDITORS: amounts falling due within one year	14	(930,858)	(4,946,767)
NET CURRENT ASSETS		55,807	67,834
TOTAL ASSETS LESS CURRENT LIABILITIES		59,989	83,658
CREDITORS: amounts falling due after more than one year	15	(7,000)	(10,000)
		52,989	73,658
CAPITAL AND RESERVES			
Called up share capital	16	25,426	25,426
Profit and loss account		27,563	48,232
SHAREHOLDERS' FUNDS		52,989	73,658

These financial statements were approved by the Board of Directors on 24 April 2009 and signed on its behalf by:

A. /. S

A.G. Sadler
Chief Financial Officer

24 April 2009

CANTOR FITZGERALD EUROPE

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

Year ended 31 December 2008

	2008 Share Capital US$'000	2008 Profit and Loss US$'000	2008 Total US$'000	2007 Total US$'000
As at 1 January	25,426	48,232	73,658	63,314
Dividends paid during the year	-	(26,000)	(26,000)	(20,000)
Capital contribution from parent	-	993	993	361
Profit for the year	-	4,338	4,338	29,983
As at 31 December	25,426	27,563	52,989	73,658

CANTOR FITZGERALD EUROPE
CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes		2008		2007
		US$'000	US$'000	US$'000	US$'000
Net cash outflow from operating activities			(256,952)		(509,368)
Returns on investments and servicing of finance					
Interest received		15,079		52,362	
Interest paid		(19,182)		(41,280)	
Net cash (outflow) / inflow from returns on investments and servicing of finance			(4,103)		11,082
Taxation					
UK Corporation tax paid			(7,202)		(8,302)
Capital Expenditure and Financial Investment					
Subordinated loan to Cantor Fitzgerald (Hong Kong) Capital Markets Limited			-		(7,500)
Repayment of subordinated loan to Cantor Fitzgerald (Hong Kong) Capital Markets Limited			11,500		
Capital injection to subsidiary			-		(13)
Equity dividends paid			(26,000)		(20,000)
Cash outflow before management of liquid resources and financing			(282,757)		(534,101)
Financing					
Subordinated loan received from Cantor Fitzgerald & Co.			-		3,000
Subordinated loan repaid to Cantor Fitzgerald, L.P.			(3,000)		-
Decrease in cash in the year	18 & 19		(285,757)		(531,101)

RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2008	2007
	US$'000	US$'000
Operating profit	11,619	33,825
Add back Amortisation of Goodwill	142	132
Add back Grant units	993	361
Decrease / (Increase) in debtors	2,308,853	(603,362)
Decrease in creditors	(4,011,885)	(2,109,777)
Decrease in long positions	1,433,326	2,170,263
Decrease in short positions	-	(810)
Net cash outflow from operating activities	(256,952)	(509,368)

CANTOR FITZGERALD EUROPE
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1 ACCOUNTING POLICIES

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

Basis of accounting

The financial statements are prepared under the historical cost convention, 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 approximate to their fair values.

The Company holds money on behalf of clients and this 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.

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 assets net carrying amount.

Interest payable

The interest cost recognised in the income statement is accrued 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.

Grant awards

From time to time, Cantor Fitzgerald, L.P. ("CFLP") awards some employees of the company grant units in CFLP. Grant units entitle the employee 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. Prior to 1 April 2008 an expense was recognised through the profit and loss account a corresponding capital adjustment was made to the profit and loss reserve account on the basis that the company would not re-imburse CFLP for the costs associated with the issuance of these awards. From 1 April 2008, an expense has been recognised through the profit and loss account based on the adjusted fair value with a corresponding increase in the company's intercompany liability to CFLP as the company now reimburses CFLP for the costs associated with the issuance of the awards.

Pensions

The company operates a defined contribution scheme for certain UK employees as determined by their contract 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 CFD trade debtor balances outstanding greater than 90 days are provided for in full. Other trade debtor balances are assessed on a case by case basis and provided for where recoverability is in question.

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.

2 GRANT AWARDS

From time to time Cantor Fitzgerald, L.P. ("CFLP") awards some employees of 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:

	2008 Units	2007 Units
Outstanding at 1 January	362,759	330,519
Granted during period	86,209	48,290
Forfeited during period	(1,418)	(15,606)
Vested during period	(7,945)	(444)
	439,605	362,759
Weighted Average Unit Price	57.38	46.39

The company has recorded a total capital contribution to date of US$6,275,314 as at 31 December 2008 (2007: US$5,282,274). Prior to 1 April 2008 an expense was recognised through the profit and loss account and a corresponding capital adjustment was made to the profit and loss reserve account on the basis that the company would not re-imburse CFLP for the costs associated with the issuance of these awards. From 1 April 2008, an expense has been recognised through the profit and loss account based on the adjusted fair value with a corresponding increase in the company's intercompany liability to CFLP as the company now reimburses CFLP for the costs associated with the issuance of the awards.

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

	2008	2007
Discount Rate	2.96%	4.03%
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$4,918,649 during the period ended 31 December 2008 (2007: US$360,753).

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 held client money at the end of 31 December 2008 totalling US$52,901,597 (2007 – US$ 289,116,892) and is included within Cash at bank and in hand.

5 COMPARATIVE FIGURES

The comparative figures for turnover and administrative expenses have been revised to reflect a reclassification. Cost of sales and administrative expenses have been revised; as well as interest receivable and similar charges and interest payable and similar charges have been revised to reflect a reclassification.

	As previously reported US$'000	Transfer US$'000	2007 (as revised) US$'000
Turnover	212,653	(257)	212,396
Cost of Sales	(133,965)	(6,091)	(140,056)
Gross Profit	78,688	(6,348)	72,340
Administrative	(27,900)	(10,615)	(38,515)
Interest received and similar income	44,021	8,341	52,362
Interest paid and similar charges	(49,902)	8,622	(41,280)

6 OPERATING PROFIT

	2008 US$'000	2007 US$'000
The profit on ordinary activities before taxation is stated after charging / (crediting)		
Goodwill amortisation	142	132
Foreign exchange loss / (gain)	192	(3,053)

Auditors' remuneration:

Audit fees of the company of US$308,180 (2007: US$366,117) are paid by an associated Group entity and recharged to the company.

Fees of US$867,746 were paid to the auditors Ernst and Young LLP for work performed that was not related to the statutory audit of the company. This work was performed prior to them being appointed auditors.

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 US$'000	2007 US$'000
Staff costs during the year amounted to:		
Wages and salaries	87,223	97,735
Social security costs	7,427	11,822
Employee benefits	3,995	567
Other pension costs	463	1,537
	99,108	111,661

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

	2008 No.	2007 No.
Direct operating	205	134
Other	5	8
	210	142

The remuneration paid to the directors comprised:

	2008 US$'000	2007 US$'000
Directors' emoluments	2,663	5,731
Emoluments of the highest paid director	1,837	3,268

The remaining seven directors received no remuneration during 2008 (2007: US$ nil) from the company

No directors had entitlements in relation to the pension scheme of the company in the current or prior year.

8 INTEREST RECEIVED AND SIMILAR INCOME

	2008 US$'000	2007 US$'000
Bank interest received	14,633	52,131
Subordinated loan interest received from related company	446	231
	15,079	52,362

9 INTEREST PAID AND SIMILAR CHARGES

	2008 US$'000	2007 US$'000
Bank interest paid	15,484	33,987
Other interest paid	3,222	6,814
Subordinated loan interest paid to ultimate parent company	476	479
	19,182	41,280

10 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2008 US$'000	2007 US$'000
Analysis of charge in period:		
Current tax		
UK corporation tax:	(4,019)	(14,895)
Adjustment in respect of prior years	931	2,327
Total current corporation tax	(3,088)	(12,568)
Foreign taxation for current period	(239)	(2,356)
Total current tax	(3,327)	(14,924)
Deferred tax	148	-
Tax on profit on ordinary activities	(3,179)	(14,924)

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 28.5% (2007 - 30%). The differences are explained below:

	2008 US$'000	2007 US$'000
Current tax reconciliation		
Profit on ordinary activities before tax	7,516	44,907
Tax at 28.5% thereon	(2,142)	(13,472)
Effects of:		
Expenses not deductible for tax purposes	(701)	(1,251)
Capital allowances in excess of depreciation	(25)	(81)
UK Dividend Income	-	-
Movement in short term timing differences	53	(91)
Exchange difference arising on opening/closing amounts of gross timing differences	(1,204)	-
Unrelievable foreign tax	(239)	(29)
Adjustment in respect of prior years	931	-
Current tax charge for period	(3,327)	(14,924)

	2008 US$'000	2007 US$'000
Deferred taxation		
Movement on deferred taxation balance in the period		
Opening balance	-	-
Credit to profit and loss account	148	
Closing balance	148	-
This is represented by:		
Depreciation in excess of capital allowances		
	148	-
	148	-
Unrecognised losses	-	-
Closing balance	148	-

Deferred taxation
A deferred tax asset has been recognised in respect of timing differences relating to capital allowances in excess of depreciation and general provisions as there is sufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately US$9,363 (2007 - US$1,830,298).

11 INVESTMENTS HELD AS FIXED ASSETS

	Subordinated loans	Investment in Subsidiary	Non-listed investments other than loans	Total
	US$'000	US$'000	US$'000	US$'000
COST OR VALUATION				
At 31 December 2007	11,500	21	1,870	13,391
MOVEMENT				
Subordinated loan paid off during the year	(11,500)	-	-	(11,500)
NET BOOK VALUE				
At 31 December 2008	-	21	1,870	1,891
At 31 December 2007	11,500	21	1,870	13,391

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. Investments in subsidiary includes an undertaking Cantor Fitzgerald (India) Holdings Pvt Limited, a company incorporated in Mauritius. Management have deemed the subsidiary's net assets immaterial for consolidation purpose.

12 GOODWILL

	2008
	US$'000
COST OR VALUATION	
At 1 January 2008	2,637
At 31 December 2008	2,637
AMORTISATION	
At 1 January 2008	(204)
Amortisation charge	(142)
At the end of year	(346)
NET BOOK VALUE	
At 31 December 2008	2,291
At 31 December 2007	2,433

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.

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13 DEBTORS

	2008 US$'000	2007 US$'000
Trade debtors	783,980	3,078,764
Amounts owed by other group companies	6,219	26,669
Securities under agreements to resell and cash collateral on stocks borrowed: Group undertakings	8,138	7,373
Other debtors	5,350	953
Prepayments and accrued income	2,009	938
Deferred tax	148	-
	805,844	3,114,697

14 CREDITORS

Amounts falling due within one year:	2008 US$'000	2007 US$'000
Trade creditors	883,495	4,825,563
Amounts owed to other group companies	20,932	43,773
Corporation tax	2,268	7,060
Other taxes and social security	3,758	14,781
Other creditors	2,203	15,337
Accruals and deferred income	18,202	40,253
	930,858	4,946,767

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

At 31 December 2008, the company had the following subordinated loans of $7,000,000 (2007 - $10,000,000) 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.

Received from	Amount received US$'000	Date repayable
Cantor Fitzgerald, L.P.	3,000	31 October 2014
Cantor Fitzgerald, L.P.	4,000	31 October 2014
	7,000	

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 31 March 2008, a subordinated loan for $3,000,000 was fully paid back to Cantor Fitzgerald, L.P.

16 CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
45,784,000 ordinary shares of £1 each	45,784	45,784

	2008 US$'000	2007 US$'000
Allocated, called up and fully paid		
16,785,362 ordinary shares of £1 each	25,426	25,426

17 RELATED PARTY TRANSACTIONS

The company enters into service arrangements with various parties that are related by common ownership and control. As of 31 December 2008, the intercompany balances held with related parties comprised:

	2008		2007	
	Due to	Due from	Due to	Due from
	US$'000	US$'000	US$'000	US$'000
Aurel BGC	-	42	-	-
BGC Brokers LP	1,136	-	476	-
BGC Brokers Limited	-	74	12	-
BGC Brokers US, LP	4			
BGC Capital Markets and FX Brokerage (Korea) Limited	31	-	-	-
BGC Capital Markets (Hong Kong) Limited	13	-	-	20
BGC Capital Markets (Japan), LLC	82	-	70	-
BGC Capital Markets (Switzerland), LLC	73	-	-	126
BGC European Holdings LP	-	2,790	-	-
BGC Financial L.P	-	-	14	-
BGC International	-	1,719	-	24,586
BGC International LP	421	-	851	-
BGC Partners, Inc	1,654	-	-	
BGC Partners (Australia) Pty Limited	74	-	-	369
BGC Partners Menkul Degerler AS	-	24	-	-
BGC Securities (Hong Kong, LLC	38	-	-	-
BGC Securities Sarl	-	1	-	-
BGC Shoken Kaisha Limited	13	-	29	-
BGC Radix Energy LP (Singapore Branch)	5	-	-	-
Cantor Fitzgerald & Co.	-	681	-	1,507
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	2,805	-	8,733	-
Cantor Fitzgerald Leasing	78	-	-	-
Cantor Fitzgerald (Singapore) Capital Markets Limited	14	-	-	-
Cantor Fitzgerald (South Africa) Pty Limited	-	14	-	19
Cantor Fitzgerald Securities	620	-	-	3
Cantor Fitzgerald, L.P.	2,123	-	481	-
Cantor G&W International LP	1	-	1	-
Cantor Index Limited	8,449	-	28,366	-
Cantor Gaming Malta One Limited	-	2	-	-
CF Global Limited	10	-	-	-
CF Global L.P.	5			
CF Advisors Asset Mgmt	64			
Climate Warehouse UK Limited	468	-	-	-
CantorCO2e Limited	67	-	174	-
CantorCO2e (Canada) Company	-	20		
Eccoware Ltd	-	3	-	
eSpeed (Australia) Pty Limited	79	-	21	-
eSpeed International Limited	-	849	136	-
eSpeed (Japan) Ltd	57	-	-	-
eSpeed (Hong Kong) Ltd	2	-	-	-
Euro Brokers Holdings Limited	11	-	23	-
Euro Brokers Services Limited	5	-	-	3
Euro Brokers Sterling Ltd	1	-	-	-
Euro Brokers Switzerland SA	337	-	-	-
ITSECCO Holdings Ltd	1	-	-	-
MIS Brokers Limited	21	-	-	10
Tower Bridge International Services LP	2,170	-	4,385	-
Tower Bridge Securities Limited	-	-	-	26
	20,932	6,219	43,773	26,669

During the year ended 31 December 2008, the net value of charges payable and receivable for the following transactions from related parties comprised:

	2008	2007
	US$'000	US$'000
Service arrangements:		
BGC International	937	5,485
eSpeed International Limited	4,924	3,697
Tower Bridge International Services LP	25,474	21,941
	31,335	31,123
Intercompany Funding received/(paid):		
Cantor Fitzgerald, L.P.	(528)	(215)
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	-	231
BGC International	7,222	16,964
	6,694	16,980

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 11 and 15).

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 fi

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

18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2008	Cash flows	At 31 December 2008
	US$'000	US$'000	US$'000
Cash at bank and in hand	374,443	(285,757)	88,686
Debt due within one year	-	-	-
Debt due after one year	(10,000)	3,000	(7,000)
Net Funds as at 31 December 2008	364,443	(282,757)	81,686

19 RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET FUNDS

	At 31 December 2008
	US$'000
Decrease in cash	(285,757)
Net decrease in subordinated loans liability	3,000
Movement in net funds in the period	(282,757)
Net funds as at 31 December 2007	364,443
Net Funds as at 31 December 2008	81,686

20 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2008		
	Contract or underlying notional amount US$'000	Fair Value Asset US$'000	Fair Value Liability US$'000
Contracts for difference - equities	107,233	779	2,869
Contracts for difference - futures	-	-	-
Foreign exchange derivatives	1,044,699	4,809	2,995
Foreign exchange futures	17,597	-	1
Total Derivatives asset / liability 2008	1,169,529	5,588	5,865

	2007		
	Contract or underlying notional amount US$'000	Fair Value Asset US$'000	Fair Value Liability US$'000
Contracts for difference - equities	1,568,319	107	29,811
Total Derivatives asset / liability 2007	1,568,319	107	29,811

The comparative derivative numbers have been revised to be consistent with the methodology used for 2008. The contracts for difference have been grossed up by counterparty and then any collateral held against these derivatives has been offset.

21 RISK MANAGEMENT

Risk is inherent in the company's activities but is carefully managed and minimised 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.

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) and is therefore managed which mitigates the risk.

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 significant margin to be posted by customers. Management review customer margin call lists daily. A summary of margin calls and debt outstanding at month end is presented to the Executive Committee. 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. An impairment provision is established for the entire debt balances aged greater than 90 days.

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.

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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 any time 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 2008 US$'000	Gross maximum exposure 2007 US$'000
On balance sheet items:		
Non-listed investments	1,870	1,870
Subordinated loans receivable	-	11,500
Long positions	92,135	1,525,461
Debtors	805,844	3,114,697
Cash at bank and in hand	88,686	374,443
	988,535	5,027,971
Off balance sheet items:		
Loan and other commitments	-	2,500
	-	2,500
Total Credit Risk Exposure	988,535	5,030,471

Collateral And Other Credit Enhancements

At 31 December 2008, cash in segregated client bank accounts amounted to $52,901,597 (2007: $289,116,892) and represented collateral held to mitigate credit risk exposure. At 31 December 2008, the long positions of $92,134,942 (2007: $1,525,460,581) include securities owned pledged as collateral amounting to $52,114,681 (2007: $1,479,973,760). At 31 December 2008, securities and cash amounting to $7,463,970 (2007: $16,025,500) was pledged as collateral with clearing houses. In addition, at 31 December 2008, securities with a market value of $8,137,500 (2007: $7,263,600) 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 (2007: US$ nil).

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

	2008	2007
	US$'000	US$'000
Time past due:		
Less than 1 month	55,151	502,935
1 month to less than 2 months	151	3,219
2 months to less than 3 months	784	14,781
3 months and over	2,920	5,942
	59,006	526,877

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 2008 and 31 December 2007 were settled at the contracted amount.

Name Give Up Brokerage Ageing Analysis As At 31 December

	2008	2007
	US$'000	US$'000
Time past due:		
Less than 1 month	1,445	3,701
1 month to less than 2 months	1,139	1,955
2 months to less than 3 months	494	848
3 months and over	186	1,504
	3,264	8,008

Name give-up business revenues decreased to $42million during the year (2007: $44million) which partly explains why past due balances decreased 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

	2008	2007
	US$'000	US$'000
Time past due:		
Less than 1 month	23	8
1 month to less than 2 months	-	1
2 months to less than 3 months	281	-
3 months and over	-	-
	304	9

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 2008 or 31 December 2007.

Impaired Financial Assets

	2008	2007
	US$'000	US$'000
Trade debtors:		
2 months to less than 3 months	1,469	-
3 months and over	1,996	217
Impairment provision	1,996	217

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 principal 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 2008, the gross exposure to market risk arising from such positions amounted to $1,363,004 (2007: $21,637,168).

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:

	2008	2007
	US$'000	US$'000
At 31 December:		
Profit or loss / Shareholders' funds	886	6,340

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 £:$	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
At 31 December:				
Profit or loss / Shareholders' funds	1,735	6,864	792	4,958

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.

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	1 year to less than 5 years	More than 5 years	Total
	US$'000	US$'000	US$'000	US$'000
2008				
Subordinated loans	-	-	7,000	7,000
Trade creditors	883,495	-	-	883,495
Amounts owed to fellow group entities	20,932	-	-	20,932
Corporation tax	2,268	-	-	2,268
Other taxes and social security	3,758	-	-	3,758
Other creditors	2,203	-	-	2,203
Accruals and deferred income	18,202	-	-	18,202
	930,858	-	7,000	937,858
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
	4,947,267	4,550	7,700	4,959,517

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 2008 (2007: $nil) as a result of entering into guarantees or commitments. Derivative financials 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.

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 is able to continue as a going concern while maximising the return to stakeholders through the optimisation of its debt and equity balances. This ensures that the company complies with externally imposed capital requirements. The capital structure consists of debt, including the borrowings disclosed in notes 14 and 15, 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 2008 US$'000	Actual 2007 US$'000
Share Capital, retained earnings and currency translation reserve	52,989	73,658
Subordinated debt	7,000	10,000
Total capital	59,989	83,658

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	
	2008	2007	2008	2007
Financial Assets	US$'000	US$'000	US$'000	US$'000
Loans And Receivables:				
Subordinated loans	-	11,500	-	11,500
Amounts owed by fellow group entities	6,219	26,669	6,219	26,669
Trade debtors	776,713	3,078,764	776,713	3,078,764
Securities under agreements to resell and cash collateral on stocks borrowed	8,138	7,373	8,138	7,373
Deferred tax	148	-	148	-
Other debtors	5,350	953	5,350	953
Prepayments and accrued income	2,009	938	2,009	938
	798,577	3,126,197	798,577	3,126,197
Available-For-Sale:				
Fixed asset investments:				
Non-listed investments other than loans	1,870	1,870	1,870	1,870
	1,870	1,870	1,870	1,870
Fair Value Through Profit or Loss - Held for Trading:				
Long positions	92,135	1,525,461	92,135	1,525,461
Trade debtors - derivatives	7,267	-	7,267	-
	99,402	1,525,461	99,402	1,525,461

	Carrying Value		Fair Value	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Financial Liabilities				
Measured At Amortised Cost:				
Subordinated debt carried at amortised cost	7,000	10,000	7,000	10,000
Trade creditors	949,548	5,148,077	949,548	5,148,077
Amounts owed to fellow group entities	20,932	43,773	20,932	43,773
Other taxes and social security	3,758	14,781	3,758	14,781
Other creditors	2,203	15,337	2,203	15,337
Corporation tax	2,268	7,060	2,268	7,060
Accruals and deferred income	18,202	40,253	18,202	40,253
	1,003,911	5,279,281	1,003,911	5,279,281
Fair Value Through Profit Or Loss - Held For Trading:				
Trade creditors - derivatives receivable	71,918	352,325	71,918	352,325
Trade creditors - derivatives payable	(5,865)	(29,811)	(5,865)	(29,811)
Net derivatives receivable / (payable)	66,053	322,514	66,053	322,514

The derivatives receivable amounts shown at fair value through profit and loss are shown gross of margin. In the financial statements the derivatives are reported in trade creditors as sufficient collateral is held to cover the derivatives receivable in

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

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 af

Subordinated Loans Payable

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

22 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.

23 PARENT COMPANIES

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

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