Registered number. 02505767

CANTOR FITZGERALD EUROPE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CANTOR FITZGERALD EUROPE

COMPANY INFORMATION

DIRECTORS	Mr D Barnard (resigned 20 January 2012) Mr M A J Cooper Mr C J Knott Mr H Lutnick (resigned 11 November 2011) Mr S Matthews Mr S M Merkel Mr A G Sadler Mr E Spar
COMPANY SECRETARY	Mr R M Snelling
COMPANY NUMBER	02505767
REGISTERED OFFICE	17 Crosswall London EC3N 2LB
AUDITORS	Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF

CANTOR FITZGERALD EUROPE

CONTENTS

CANTOR FITZGERALD EUROPE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

Cantor Fitzgerald Europe (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 and Israel

The Company is also a wholesale and retail provider of contracts for differences ("CFD"), offering CFDs on a comprehensive range of equities, indices, currencies, commodities and fixed income instruments

The Company is regulated by the Financial Services Authority ("FSA") It is authorised to conduct investment business from its London head office and its branch and representative offices in France, Italy, Switzerland and Israel It is authorised to conduct cross-border investment business in EEA member states on a service basis under these provisions

As at the year end date, the Company was a member of the following exchanges The London Stock Exchange, EUREX, XETRA, Euronext Cash markets in Amsterdam, Brussels and Paris, Euronext Derivative markets in London and SWX Europe The following memberships were terminated during 2011 Borsa Italiana, BlueNext Carbon, EDX and Euronext Derivative in Amsterdam and Paris

The Company is managed along four principal business lines CFD business, institutional equity broking, debt capital markets and foreign exchange

CFD business
The Company operates a CFD business for both institutions and elective professional clients In addition, Cantor Index Limited ("CIL"), an entity under common ownership of Cantor Fitzgerald, L P ("CFLP"), introduces CFD business to the Company CIL compensates the Company for the risk borne on these trading positions, as well as for the use of its balance sheet

Institutional equity broking (matched principal and agency business)
Institutional equity broking acts as a broker dealer within the equity markets offering matched principal and agency give-up services

Debt capital markets ("DCM")
The DCM business offers a broking service of fixed income products that allow eligible counterparties and professional customers to access a pool of institutional services in the debt capital market

Foreign exchange
Foreign exchange is a fully hedged leveraged foreign exchange business providing 24 hour trading to a mixture of institutional and retail clients via voice and electronic execution Products traded include spots, forwards, swaps, exchange for physical and options

BUSINESS REVIEW

The retail client facing portion of the foreign exchange business was closed on 30 September 2011 Results for this business line are disclosed as discontinued activities for the current year

All other activities are continuing for the current and prior year

In March 2011, the branch in Switzerland voluntarily withdrew its license from the Swiss Financial Market Supervisory Authority ("FINMA") and is thus no longer authorised to act as a security dealer A decision was taken to liquidate the branch as at 31 August 2011 On 1 September 2011, two new representative offices were formed in Switzerland

CANTOR FITZGERALD EUROPE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US$27,281 thousand (2010 - loss US$19,752 thousand)

The directors do not recommend a dividend for the year (2010 - US$Nil)

DIRECTORS

The directors who served during the year were

Mr D Barnard (resigned 20 January 2012)
Mr M A J Cooper
Mr C J Knott
Mr H Lutnick (resigned 11 November 2011)
Mr S Matthews
Mr S M Merkel
Mr A G Sadler
Mr E Spar

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable donations of US$191,874 (2010 - US$204,194) The Company did not make any political contributions in the current or prior year

PRINCIPAL RISKS AND UNCERTAINTIES

Business risk
The principal risks facing the Company arise from

• high level of competition for clients from other brokerage and financial services firms, and
• not being able to continue to attract and retain highly skilled brokers and appropriately qualified staff

Credit, market, interest rate, foreign exchange, liquidity, operational and capital risk
The Company transacts business on an agency and matched principal basis and in CFDs The Company faces credit, market, interest rate, foreign exchange, liquidity, operational and capital risk in the course of its normal business The directors' place reliance on the risk management functions and receive regular reports on specific risks affecting the Company The Company has established policies and procedures to mitigate further its exposure to these risks

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

These are described in notes 28 - 35 to the financial statements

FUTURE DEVELOPMENTS

Management of CIL are conducting a review of its activities and have commenced a project to introduce all of the clients of CIL to the Company CIL will retain an economic interest in the trading activity of the clients introduced

Management of the Company is considering the mix of businesses in order to ensure resources are deployed to ensure future profitability The Company is looking at expanding the range of products it offers and the geographical locations it operates from

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

KEY PERFORMANCE INDICATORS

The Company's core objectives and long term strategy dictate key performance indicators ("KPIs") that the business monitors, targets and measures These KPIs fulfil two roles

• to give senior management a means to evaluate the Company's overall performance from an operational, growth and sustainable development perspective, and
• to provide managers and their teams with clarity and focus on the areas that are critical for the successful achievement of the Company's goals

Revenue
Aim For the continuous improvement of the business's operational activities
Analysis During 2011, the Company's turnover decreased by 21% compared with 2010 (2011 turnover US$73,236 thousand, 2010 turnover US$92,174 thousand)

Loss before tax
Aim To focus on cost-cutting activities
Analysis The Company's loss before tax increased by 46% compared with 2010 (2011 loss before tax US$27,281 thousand, 2010 loss before tax US$18,696 thousand)

Capital ratio to risk weighted assets
Aim To maintain a capital surplus in excess of the Company's regulatory requirements
Analysis The Company maintained a strong capital surplus of US$40,578 thousand (2010 - US$14,530 thousand)

GOING CONCERN

The Company's business activities, together with factors likely to affect its future development and position, are set out in the business review and future developments in the Directors' report on page 1 In addition, notes 28 - 35 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit, market, interest rate, foreign exchange, liquidity, operational and capital risk

Whilst the Company has been loss making in the current year, the Company has sufficient resources to continue its regular trading activity for the foreseeable future The Company's treasury function manages the liquidity risk of the Company The Company has a service agreement in place with CIL and Tower Bridge International Services L P

The directors of the Company have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the approval and signing of the balance sheet They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements

CANTOR FITZGERALD EUROPE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

AUDITORS

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board and signed on its behalf

A. I. Sadler

Mr A. G. Sadler
Director
Date 24 April 2012

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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 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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

CANTOR FITZGERALD EUROPE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANTOR FITZGERALD EUROPE

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 37 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP 25-4-2012

David Canning-Jones (Senior statutory auditor)
for and on behalf of
ERNST & YOUNG LLP
Statutory Auditor
1 More London Place
London
SE1 2AF

CANTOR FITZGERALD EUROPE

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$000	2010 US$000
TURNOVER	2		
Continuing operations		69,572	92,174
Discontinued operations		3,664	-
		73,236	92,174
Cost of sales	4	(60,513)	(72,895)
GROSS PROFIT		12,723	19,279
Administrative expenses	4	(32,810)	(36,289)
Other operating income		-	50
OPERATING LOSS			
Continuing operations		(17,774)	(16,960)
Discontinued operations		(2,313)	-
	3	(20,087)	(16,960)
Interest receivable and similar income	7	956	1,832
Interest payable and similar charges	8	(8,150)	(3,568)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(27,281)	(18,696)
Tax on loss on ordinary activities	9	-	(1,056)
LOSS FOR THE FINANCIAL YEAR	23	(27,281)	(19,752)

The notes on pages 11 to 46 form part of these financial statements

The client facing portion of the foreign exchange business was closed on 30 September 2011 Results for this business line are disclosed as discontinued activities for the current year All other activities are continuing for the current and prior year

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$000	2010 US$000
LOSS FOR THE FINANCIAL YEAR		(27,281)	(19,752)
Unrealised surplus on revaluation of fixed asset investments	23	107	3,362
Deferred tax liability on revaluation of fixed asset investments	23	908	(908)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(26,266)	(17,298)

The notes on pages 11 to 46 form part of these financial statements

CANTOR FITZGERALD EUROPE
REGISTERED NUMBER 02505767

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	US$000	2011 US$000	US$000	2010 US$000
FIXED ASSETS					
Intangible assets	10		-		694
Investments	11		3,914		3,807
			3,914		4,501
CURRENT ASSETS					
Debtors	12	579,795		653,282	
Investments	13	53,253		69,082	
Cash at bank and in hand	14	188,676		172,759	
		821,724		895,123	
CREDITORS amounts falling due within one year	15	(703,873)		(847,139)	
NET CURRENT ASSETS			117,851		47,984
TOTAL ASSETS LESS CURRENT LIABILITIES			121,765		52,485
CREDITORS: amounts falling due after more than one year	16		(55,000)		(24,000)
PROVISIONS FOR LIABILITIES					
Deferred tax	17	-		(908)	
Other provisions	18	(551)		(97)	
			(551)		(1,005)
NET ASSETS			66,214		27,480
CAPITAL AND RESERVES					
Called up share capital	22		90,426		25,426
Revaluation reserve	23		3,469		2,454
Profit and loss account	23		(27,681)		(400)
SHAREHOLDERS' FUNDS	24		66,214		27,480

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 April 2012

A. /. Sadler

Mr A. G. Sadler
Director

The notes on pages 11 to 46 form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$000	2010 US$000
Net cash flow from operating activities	19	(64,033)	85,283
Returns on investments and servicing of finance	20	(7,194)	(1,735)
Taxation		(1,301)	107
Capital expenditure and financial investment	20	15,597	(40,023)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(56,931)	43,632
Financing	20	65,000	-
INCREASE IN CASH IN THE YEAR		8,069	43,632

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US$000	2010 US$000
Increase in cash in the year	8,069	43,632
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	8,069	43,632
Other non-cash changes	-	(1)
MOVEMENT IN NET DEBT IN THE YEAR	8,069	43,631
Net funds at 1 January 2011	170,669	127,038
NET FUNDS AT 31 DECEMBER 2011	178,738	170,669

The notes on pages 11 to 46 form part of these financial statements

CANTOR FITZGERALD EUROPE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of long and short inventory positions, other financial instruments and other fixed asset investments and in accordance with applicable accounting standards

The Company is the parent undertaking of a small group and as such is not required under section 398 of the Companies Act 2006 to prepare group accounts These financial statements therefore present information about the Company as an individual undertaking and not about its group

1.2 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

1.3 Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the balance sheet date The balance sheet conversion rate used to convert GBP to USD at 31 December 2011 was 1 5541 (2010 - 1 5657)

Transactions in foreign currencies are translated into US Dollars at the rate ruling on the last day of the month during which the transaction occurred

Exchange gains and losses are recognised in the Profit and loss account

1.4 Cash flow statement

The Company has prepared a cash flow statement in accordance with FRS 1

1.5 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

1.6 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Company and the revenue can be reliably measured Revenues are generated from trading in financial markets, fees related to commissions earned on agency business are reported net of commissions expensed For the matched principal and CFD businesses, 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

1 ACCOUNTING POLICIES (continued)

1.7 Impairment of doubtful debts

All CFD trade debtor balances outstanding greater than 90 days are provided for in full Other trade debtor balances, including CFD trade debtors outstanding less than 90 days, are assessed on a case by case basis and provided for where recoverability is in question

1.8 Interest payable

The interest expense recognised in the Profit and loss account is accrued on a time basis by reference to the principal amount charged at the effective rate applicable Issue costs are included in the determination of the effective interest rates

1.9 Cost of sales

Cost of sales includes all broker related expenses such as salaries, commissions, sales and promotion, communications and other trade related charges which are all directly attributable to the brokers' activity of generating revenue

1.10 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

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

Deferred tax is recognised in respect of the retained earnings of an overseas subsidiary, associate or joint venture only to the extent that there is a commitment to remit the earnings

A net deferred tax asset is recognised only if 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 calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.12 Cash at bank and in hand

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

1 13 Client money

The Company holds money on behalf of clients This money is included within cash at bank and in hand 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

1. ACCOUNTING POLICIES (continued)

1.14 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 entered into 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 of those positions Bid prices are used for long positions and offer prices for short positions

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

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

Loans 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) and other debtors 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 the Profit and 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

1.15 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

1. ACCOUNTING POLICIES (continued)

1.16 Cash flow statement, derivative financial instruments, credit and interest rate risk management and fair value disclosure

Prior year comparatives have been restated where required in the cash flow statement, derivative financial instruments note 27, credit risk management note 29, interest rate risk management note 31 and fair value note 36 to the financial statements, to ensure consistency of presentation

1 17 Current asset investment

The current asset investment is stated at fair value, with changes in fair value recorded in the Profit and loss

1.18 Fixed asset investment

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

Fixed asset investment is classified as available for sale and is measured at subsequent dates at fair value The fixed asset investment is unlisted and is valued on the basis of net assets value from the published, audited financial statements Gains and losses arising from the change in fair value is recognised directly in equity via the available for sale investment reserve until the security is disposed of or is determined to be impaired At the time, the cumulative gain or loss is recognised and is included in the Profit and loss account for the year, the available for sale reserve having first been reversed

1.19 Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value They are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be realised

1.20 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities It is amortised to the Profit and loss account over a period of 20 years (which is estimated to be the useful economic life) along with any impairment in value A review for indicators of impairment is performed on an annual basis

1.21 Share based compensation

From time to time, 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 has been recognised in 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 reimburses CFLP for the costs associated with the issuance of the awards

1. ACCOUNTING POLICIES (continued)

1.22 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

1.23 Going concern

The Company's business activities, together with factors likely to affect its future development and position, are set out in the business review and future developments in the Directors' report on page 1 In addition, notes 28 - 35 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit, market, interest rate, foreign exchange, liquidity, operational and capital risk

Whilst the Company has been loss making in the current year, the Company has sufficient resources to continue its regular trading activity for the foreseeable future The Company's treasury function manages the liquidity risk of the Company The Company has a service agreement in place with CIL and Tower Bridge International Services L P

The directors of the Company have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the approval and signing of the balance sheet They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements

2. TURNOVER

The Company's income is derived from trading and brokerage services in equities, CFDs, debt capital markets and foreign exchange

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 CIL (this is described further in note 26 to the financial statements) It is shown net of any related dealing/broking expense (e g commissions, cost of carry)

3. OPERATING LOSS

The operating loss is stated after charging

	2011 US$000	2010 US$000
Goodwill amortisation and impairment	694	362
Foreign exchange loss	567	1,087
	1,261	1,449

Included in the operating loss is the auditors' remuneration, which is further analysed below

	2011 US$000	2010 US$000
Audit of the financial statement	383	453
Other fees to auditors - other services	19	89
	402	542

The auditors' remuneration of US$382,580 (2010 - US$453,096) has been borne by an associated group entity and subsequently recharged to the Company for the current and prior year

Other fees were paid to the auditors Ernst and Young LLP for work performed that was not related to the statutory audit of the Company

4. ANALYSIS OF OPERATING LOSS

	2011 Continuing US$000	2011 Discontinued US$000	2010 Continuing US$000	2010 Discontinued US$000
Turnover	69,572	3,664	92,174	-
Cost of sales	(59,345)	(1,168)	(72,895)	-
Gross profit	10,227	2,496	19,279	-
Administrative expenses	(28,001)	(4,809)	(36,289)	-
Other operating income	-	-	50	-
Operating loss	(17,774)	(2,313)	(16,960)	-

5. STAFF COSTS

Staff costs were as follows

	2011 US$000	2010 US$000
Wages and salaries	39,365	50,300
Social security costs	4,200	5,588
Other pension costs	77	130
	43,642	56,018

The average monthly number of employees, including the directors, during the year was as follows

	2011 No	2010 No
Direct operating	152	187
Other administrative and management (at year end)	8	9
	160	196

There were no outstanding contributions payable to the pension scheme by the Company as at 31 December 2011 (2010 - nil)

2010 direct operating employee numbers have been restated for consistency (as the average monthly amount)

6. DIRECTORS' REMUNERATION

The remuneration paid to the directors of the Company comprised

	2011 US$000	2010 US$000
Directors' emoluments	714	1,255
Emoluments of the highest paid director	387	809

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

Refer to note 26 to the financial statements for further details

7. INTEREST RECEIVABLE

	2011 US$000	2010 US$000
Other interest receivable	956	1,832

8. INTEREST PAYABLE

	2011 US$000	2010 US$000
On bank loans and overdrafts	781	1,491
On loans from group undertakings	6,596	1,854
Other interest payable	773	223
	8,150	3,568

9. TAXATION

	2011 US$000	2010 US$000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	89
Adjustments in respect of prior periods	-	137
Total current tax	-	226
Deferred tax (see note 17)		
Effect of increased tax rate on opening liability	-	830
Tax on loss on ordinary activities	-	1,056

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%) The differences are explained below

	2011 US$000	2010 US$000
Loss on ordinary activities before tax	(27,281)	(18,696)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	(7,229)	(5,235)
Effects of·		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,679	592
Capital allowances for year in excess of depreciation	26	50
Utilisation of tax losses	5,658	4,628
Adjustments to tax charge in respect of prior periods	-	137
Short term timing difference leading to an increase (decrease) in taxation	(134)	(35)
Unrelieved loss on foreign subsidiaries	-	89
Current tax charge for the year (see note above)	-	226

9. TAXATION (continued)

Factors that may affect future tax charges

The rate of corporation tax enacted at the balance sheet date was 25% Accordingly this rate has been used to calculate the deferred tax asset held by the Company On 21 March 2012 the Chancellor announced a change to the UK rate of corporation tax which was enacted during March 2012 A corporation tax rate of 24% will be effective from 1 April 2012 with further reductions of 1% per annum anticipated until the rate reaches 22% in 2014 These additional changes will be enacted separately each year

10. INTANGIBLE FIXED ASSETS

	Goodwill US$000
Cost	
At 1 January 2011 and 31 December 2011	2,637
Amortisation	
At 1 January 2011	1,943
Charge for the year	694
At 31 December 2011	2,637
Net book value	
At 31 December 2011	-
At 31 December 2010	694

In 2006 the Company acquired the equities business of ETC Pollak, excluding fixed asset or current assets and liabilities, for consideration of €2,000,000 This is the main business of the Company's Paris branch During 2011, a review for indicators of impairment were performed Due to the scale down of the revenue generating broker headcount in the Paris branch and taking into account future net cash outflows from operations, it was deemed appropriate to impair the remaining intangible fixed assets balance to nil The charge is included in the Profit and loss account (2010 impairment - US$297,000)

11. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies US$000	Unlisted investments US$000	Total US$000
Cost or valuation			
At 1 January 2011	21	3,786	3,807
Revaluations	-	107	107
At 31 December 2011	21	3,893	3,914
Net book value			
At 31 December 2011	21	3,893	3,914
At 31 December 2010	21	3,786	3,807

The investment in subsidiary is an undertaking in Cantor Fitzgerald (India) Holdings Pvt Limited, a company incorporated in Mauritius Management have deemed the subsidiary's net assets immaterial for consolidation purposes

The unlisted investment is classified as available for sale investment and is valued on the basis of net assets value from the published, audited financial statements The investment is 362,903 shares in London Clearing House ("LCH Clearnet") The historical cost of the shares is US$423,259

12 DEBTORS

	2011 US$000	2010 US$000
Trade debtors	566,440	639,817
Amounts owed by group undertakings	2,706	512
Other taxes and social security	7,133	5,832
Other debtors	3,202	3,890
Prepayments and accrued income	296	1,536
Tax recoverable	18	1,695
	579,795	653,282

Trade debtors includes net derivative balances, further details are provided in notes 27 and 36

13. CURRENT ASSET INVESTMENTS

	2011 US$000	2010 US$000
Long positions	53,253	69,082

Included in long positions is a listed investment in US treasury bills, market value at 31 December 2011 was US$15,997 thousand (2010 - US$9,992 thousand) The US treasury bills are due to expire 7 June 2012

14. CASH AT BANK AND IN HAND

Cash at bank and in hand is comprised of segregated money held on behalf of clients and non-segregated balances

	2011 US$000	2010 US$000
Non-segregated cash	141,148	96,210
Client segregated cash	47,528	76,549
	188,676	172,759

15. CREDITORS.

Amounts falling due within one year

	2011 US$000	2010 US$000
Bank loans and overdrafts	9,938	2,090
Trade creditors	612,528	710,840
Amounts owed to group undertakings	66,085	119,265
Social security and other taxes	2,091	3,358
Short positions	1,436	1,671
Other creditors	1,563	383
Accruals and deferred income	10,232	9,532
	703,873	847,139

Included in amounts owed to group undertakings is a senior loan for US$60,000,000 (2010 - US$70,000,000) that was issued by CFLP on 17 December 2010 The interest rate charged is 250 basis points above the 1 month London Inter Bank Offer Rate ("LIBOR") The initial fixed term of the loan was 180 days Every 30 days the loan resets to the initial fixed term unless CFLP calls the loan, at which time the Company is obliged to repay the senior loan upon maturity

During the first half of 2011, the senior loan with CFLP increased by US$56,000,000 In September 2011, US$51,000,000 of the senior loan was converted to US$41,000,000 of additional long term subordinated debt and US$10,000,000 of additional ordinary share capital In December 2011, a further US$15,000,000 was converted to subordinated debt

Trade creditors includes net derivatives balances and short positions of US$1,436,214 (2010 - US$1,671,476), further details are provided in notes 27 and 36

16. CREDITORS:
Amounts falling due after more than one year

	2011 US$000	2010 US$000
Amounts owed to group undertakings	55,000	24,000

Received from and date issued/repayable	Amount received US$000
Cantor Fitzgerald L P - 31 October 2009/30 October 2016	7,000
Cantor Fitzgerald L P - 31 December 2009/15 October 2018	17,000
Cantor Fitzgerald L P - 29 September 2011/29 September 2018	31,000
	55,000

At 31 December 2011, the Company had subordinated loans with CFLP totaling US$55,000,000 (2010 - $24,000,000) The interest rate charged is 450 basis points above the 3 month LIBOR

In September and December 2011, US$41,000,000 and US$15,000,000 of the senior loan (refer to note 15 to the financial statements) was converted to additional long term subordinated debt Of this additional debt, US$25,000,000 was converted to additional share capital in December 2011 The subordinated loan is classified as qualifying capital for FSA financial resources requirements

17. DEFERRED TAXATION

	2011 US$000	2010 US$000
At beginning of year	908	908
Other movement	(908)	-
At end of year	-	908

The provision for deferred taxation is made up as follows

	2011 US$000	2010 US$000
Available for sale investment	-	(908)

There is no deferred tax provision A deferred tax asset has not been recognised in respect of timing differences relating to trading losses and capital allowances in excess of depreciation, as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is approximately US$10,085,764 (2010 - US$5,280,739) The asset would be recovered if there were sufficient suitable trading profits in future years against which the losses could be offset The aggregate impact of the proposed reductions in corporation tax rates from 25% to 22% would reduce the deferred tax asset by approximately US$302,573

A deferred tax liability has not been recognised in respect of timing differences relating to available for sale investment (2010 - a deferred tax liability has been recognised)

18. PROVISIONS

	Litigation provision US$000
At 1 January 2011	97
Additions	454
At 31 December 2011	551

Litigation provision

During 2010, 2011 and 2012, eight employees filed claims before the Labour Court of Paris, claiming various degrees of damages for unfair dismissal All of the claims are yet to reach a final decision, thus the most reliable estimate of probable potential damages has been provided for in the 2011 financial statements

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	Continuing US$000	Discontinued US$000	2011 Total US$000	2010 US$000
Operating loss	(20,087)	-	(20,087)	(16,960)
Amortisation of intangible fixed assets	694	-	694	362
Decrease in debtors	76,987	-	76,987	162,484
(Increase)/decrease in amounts owed by group undertakings	(2,193)	-	(2,193)	2,928
Decrease in creditors	(97,708)	-	(97,708)	(173,034)
(Decrease)/increase in amounts owed to group undertakings	(22,180)	-	(22,180)	109,406
Increase in provisions	454	-	454	97
Net cash outflow from continuing operating activities	(64,033)			
Net cash (outflow)/inflow from operating activities			(64,033)	85,283

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 US$000	2010 US$000
Returns on investments and servicing of finance		
Interest received	956	1,832
Interest paid	(8,150)	(3,567)
Net cash outflow from returns on investments and servicing of finance	(7,194)	(1,735)

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2011 US$000	2010 US$000
Capital expenditure and financial investment		
Increase/(decrease) of net long/short positions	15,597	(40,023)

	2011 US$000	2010 US$000
Financing		
Issue of ordinary shares	65,000	-

21. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2011 US$000	Cash flow US$000	Other non-cash changes US$000	31 December 2011 US$000
Cash at bank and in hand	172,759	15,917	-	188,676
Bank overdraft	(2,090)	(7,848)	-	(9,938)
Net funds	170,669	8,069	-	178,738

22. SHARE CAPITAL

	2011 US$000	2010 US$000
Authorised		
70,611,268 (2010 - 45,784,000) Ordinary shares of £1 each	109,352	69,352
Allotted, called up and fully paid		
42,247,041 (2010 - 16,785,362) Ordinary shares of £1 each	90,426	25,426

The capital is in British Pounds Sterling and the reporting currency is in US Dollars During 2011, there were three new issuances of share capital The rate used for the called up, allotted and fully paid share capital increase in March was £1 $1 617 for the contribution of US$30,000,000, £1 $1 570 for the September contribution of US$10,000,000 and £1 $1 562 for the December contribution of US$25,000,000 Refer to notes 15 and 16 to the financial statements for more details

23. RESERVES

	Revaluation reserve US$000	Profit and loss account US$000
At 1 January 2011	2,454	(400)
Loss for the year		(27,281)
Surplus on revaluation of other fixed assets	107	
Deferred tax on the revaluation of other fixed assets	908	
At 31 December 2011	3,469	(27,681)

Refer to notes 11 and 17 to the financial statements for more details

24. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 US$000	2010 US$000
Opening shareholders' funds	27,480	44,778
Loss for the year	(27,281)	(19,752)
Shares issued during the year	65,000	-
Other recognised gains and losses during the year	1,015	2,454
Closing shareholders' funds	66,214	27,480

25. SHARE BASED COMPENSATION

From time to time, CFLP awards certain 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 installments on the first, second, third and fourth anniversaries 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 value of the grant awards is determined using a fair value model and uses the following key assumptions –

	2011 %	2010 %
Discount rate	1 89	3 30
Forfeiture rate	40	40
Paid termination rate	2	2
Retirement age (years)	55	55

The Company recognised a total expense of US$2,726,836 in the year ended 31 December 2011 (2010 - US$2,805,055) in relation to the grant units

The Company has a cumulative capital contribution of US$6,276,184 as at 31 December 2011 (2010 - US$6,276,184) Prior to 1 April 2008, an expense was recognised in 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 reimburse CFLP for the costs associated with the issuance of these awards

26. RELATED PARTY TRANSACTIONS

The Company enters into service arrangements with various parties that are related by common ownership and control The intercompany balances held with related parties comprised

	2011 Due to US$000	2011 Due from US$000	2010 Due to US$000	2010 Due from US$000
Aurel BGC SAS	-	-	252	-
BGC Brokers Tokyo Holdings LLC	-	1	-	-
BGC Capital Markets and FX Brokerage (Korea) Limited	-	34	-	34
BGC Financial LP	11	-	-	-
BGC Holdings LP	-	4	-	1
BGC Partners (Singapore) Limited	-	-	-	45
Cantor Fitzgerald & Co	4,093	-	5,211	-
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	448	-	2,524	-
Cantor Fitzgerald (India) Holdings PVT Limited	-	13	-	-
Cantor Fitzgerald, L P	116,365	-	119,686	-
Cantor Fitzgerald Securities	-	2,606	-	-
Cantor Fitzgerald (Singapore) Capital Markets Limited	-	48	-	239
Cantor Index Limited	166	-	15,590	-
Playwizzard Holdings LP	2	-	2	-
Tower Bridge International Services L P	-	-	-	193
	121,085	2,706	143,265	512

On 4 November 2009, C Knott, a director of the Company, was granted a £300,000 promissory note in a related party, CF Notes LLC, repayable on demand, with annual interest payable of 5% The amount outstanding as at 31 December 2011 was £332,500

On 9 May 2010, D Barnard, a director of the Company, was granted a loan from a related party, CF Notes LLC, repayable on demand, with annual interest payable based on the American Federal Rate The amount outstanding as at 31 December 2011 was US$46,608 (31 December 2010 - US$54,721) During the year, US$9,484 was repaid

On 15 April 2011, D Barnard, a director of the Company, was granted a loan from a related party, CF Notes LLC, repayable on demand, with annual interest payable based on the American Federal Rate The amount outstanding as at 31 December 2011 was US$26,387 (31 December 2010 - US$Nil) During the year, US$2,061 was repaid

On 31 October 2010, M A J Cooper, a director of the Company, was granted a loan from a related party, Tower Bridge International Services L P , repayable on demand, with annual interest payable of 4% The amount outstanding as at 31 December 2011 was US$76,006 (31 December 2010 - US$76,178) During the year, US$3,716 was repaid

On 21 March 2011, M A J Cooper, a director of the Company, was granted a loan from a related party, Tower Bridge International Services L P , repayable on demand, with annual interest payable of 4% The amount outstanding as at 31 December 2011 was US$36,201 (31 December 2010 - US$Nil) During the year, US$12,190 was repaid

26 RELATED PARTY TRANSACTIONS (continued)

CIL, an entity related by common ownership and control, acts as an introducing broker in CFDs to the Company Under a services agreement, the Company executes and clears the hedge transactions and enters into CFDs with clients introduced by CIL In providing these services, the Company finances the hedge positions, bears the settlement risk of the hedging transactions and the credit risk associated with the CFD with the client CIL compensates the Company for providing these services, a fee of 80 basis points of the aggregate CFD portfolio entered into by the Company in connection with this arrangement These transactions with CIL occur on an arm's length basis During the year ended 31 December 2011, the Company reported turnover and operating profit of US$296,660 (2010 - US$205,939) in relation to this arrangement

The Company traded in the name of Cantor Fitzgerald & Co for the DCM business and in the name of Cantor Fitzgerald Securities for the loans business, both under a revenue sharing arrangement

Cantor Fitzgerald (Hong Kong) Capital Markets ("CFHK") acts as an introducing broker to the Company for convertible bonds and equities All positions reside in the Company The Company also places orders with CFHK in order to match its positions with its clients

Included in amounts owed to CFLP is a senior loan for US$60,000,000 (2010 - US$70,000,000) that was issued by CFLP on 17 December 2010 The interest rate charged is 250 basis points above the 1 month LIBOR The initial fixed term of the loan was 180 days Every 30 days the loan resets to the initial fixed term unless CFLP calls the loan, at which time the Company is obliged to repay the senior loan upon maturity

Also included in amounts owed to CFLP are subordinated loans totaling US$55,000,000 (2010 - $24,000,000) The interest rate charged is 450 basis points above the 3 month LIBOR The subordinated loan is classified as qualifying capital for FSA financial resources requirements

During the years ended 31 December 2011 and 2010, the net value of charges payable for the following transactions from related parties comprised

	2011 US$000	2010 US$000
Service arrangements (expense)		
BGC International	406	417
eSpeed International Limited	1,112	3,795
eSpeed Support Services Limited	3,290	1,208
Tower Bridge International Services L P	12,897	17,896
	17,705	23,316

Included in the above are recharged costs for support services provided by Tower Bridge International Services L P as the service entity to commonly controlled European trading entities Also included are costs recharged by eSpeed Support Services Limited and eSpeed International Limited for the provision of its electronic trading platform and IT support services (Support Services provided infrastructure and International provided development) BGC International holds the lease of 1 America Square

There are no other related party transactions or balances requiring disclosure under FRS 8 – Related Party Disclosures

27. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Gross contract or underlying notional amount US$000	Fair Value Asset US$000	Fair Value Liability US$000
2011			
CFDs	416,041	18,575	15,114
Foreign exchange derivatives	505,750	670	820
Total derivatives asset/liability	921,791	19,245	15,934
2010			
CFDs	685,767	43,647	59,094
Foreign exchange derivatives	1,177,310	13,309	12,335
Total derivative asset/liability	1,863,077	56,956	71,429

Total derivative asset/liability balances are included in trade debtors and trade creditors respectively

The CFD positions have been grossed up by counterparty Any collateral held against the counterparty has been offset against any derivative receivable position All open positions are fully margined and therefore the Company has sufficient collateral to net against any derivative receivable position

28. RISK MANAGEMENT

Financial Instrument 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 risk limits and control processes This process of risk management is critical to the Company's operations The Company is exposed to credit risk, market risk, interest rate risk, foreign exchange risk, liquidity risk, operational risk and capital risk in the course of its normal business

Risk Management Structure

The responsibility for the overall framework of risk governance and management lies with the Board of Directors of the Company The Board is responsible for determining risk strategy, setting the Company's risk appetite and ensuring that risk is monitored and controlled effectively It is also responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities The Company operates with the standard three lines of defence model The business is responsible for the identification and day-to-day management of risks within the Company

The Executive Committee has the overall responsibility for the implementation of principles, frameworks, policies and limits It is responsible for addressing risk issues and manages and monitors relevant risk decisions The Executive Committee is supported by a number of risk committees including the Finance, Capital, Assets and Liabilities Committee ("FCALCO") and Operational Risk and Compliance Committee ("ORCC")

The risk management department is responsible for assuring the careful selection, monitoring and reporting of counterparty credit and market risk This is accomplished by establishing consistent credit and market risk standards, applying those standards in the assessment of counterparties and positions, adhering to delegated authority limits, and monitoring current and potential exposures after the execution of transactions

The operational risk function within the risk department has the responsibility to assess, analyse and report key and emerging risks and ensure that risks are appropriately controlled and mitigated During the year, the risk management department have undertaken improvements to their processes and procedures particularly in relation to operational risk This has included a more robust risk identification process, the use of operational risk scenarios and more advanced operational risk capital modelling

The internal audit function provides assurance that established policies and procedures are carried out correctly and also identifies where controls can be improved

In addition to individual responsibilities for risk management, there is a structure of committees that, under authority delegated by the Board, have formal responsibility for defined aspects of risk management, including the ORCC and the FCALCO The risk management department prepares a monthly report which forms part of the pack for the ORCC This pack also includes wider risk information relating to compliance, internal audit, legal and business continuity A monthly report is prepared for the FCALCO This report contains management information on market risk exposures, VaR exposure, market risk limit breaches and related matters

Summarised versions of these packs are prepared for the Executive Committee and the Board

The new business committee is responsible for all matters related to new "business"' This includes new products, services, geographical locations, distribution channels, plans for material growth in existing activities (either organically or through acquisition) and any material changes to existing business The committee also considers reputational risk attached to any new business line or product

28. RISK MANAGEMENT (continued)

Business Activity Risks

The principal exposures to risk that arise as a result of the Company's business activities are summarised below

Matched Principal
Transactions where the Company acts as principal and client buyer and seller anonymity is preserved This business involves purchasing 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 outstanding principal and brokerage balances Matched principal transactions typically settle on a delivery versus payment ("DVP") basis

Market risk - Unfavourable price movement on positions held to facilitate customer flows or unmatched positions arising from booking disputes

Liquidity risk - The main liquidity risks this business faces are with respect to intra-day funding and the funding of failed settlements or transactions that happen to settle on different days

Operational risk - The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events

Name Give-Up Basis (Agency Business)
Transactions where the Company acts as an agent and the identity of the client buyer and seller 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 the instruments at any time

Credit risk - Settlement delays, non-receipt of brokerage receivables and disputes arising from the commission charges billed to clients

Operational risk - The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events

CFDs
Wholesale and retail provider of CFDs on a comprehensive range of equities, indices, currencies, commodities and fixed income instruments CIL introduces 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 taken against clients

Liquidity risk - Potential for sudden increases in margin requirements by large hedge providers (particularly for segregated client positions)

Operational risk - The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events

Stock Loans and Borrows

Credit risk - Exposure from stock lending and borrowing is the difference between the market value of the stock borrowed or lent and the cash paid or received Positions are marked-to-market daily, and risk lies in a default from our counterparty following an adverse move in the value of the stock

28. RISK MANAGEMENT (continued)

Liquidity risk - The liquidity risks associated with stock loan activity include widening of haircuts in the stock loan market, sudden decreases in stock loan funding capacity or unexpected increase in positions

Operational risk - The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events

Cash at Bank and Client Segregated Funds

Credit risk - Risk that the bank where money is deposited should fail leading to a loss for the Company

29. RISK MANAGEMENT - CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in potential financial loss to the Company It arises principally from trading and treasury activities 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 cash on deposit and DVP 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) which mitigates the risk

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 cash, or purchases the security in the market to fulfil a fail-to-deliver cash In some cases 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 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

29. RISK MANAGEMENT - CREDIT RISK (continued)

CFDs

The Company is a provider of CFDs to both institutions and elective professional clients In the latter case, CIL introduces almost all of its new CFD business to the Company While the Company is exposed to customer defaults on the CFD business, this exposure is mitigated by requiring margin to be posted by customers Risk management review customer margin call lists daily A summary of debt outstanding at month end is presented to the Company's FCALCO

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, the Company has the right to liquidate the customers' position An impairment provision has been established for all debt balances aged greater than 90 days

Credit Risk Concentrations

The risk department undertakes credit risk stress testing on a regular basis The credit risk stress test incorporates the impact of concentration risk and the results are used to determine the Company's own assessments of its capital adequacy under Pillar 2 of the Capital Requirements Directive

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 Once the relevant information is collated and reviewed, the risk department will approve a credit risk limit

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) News is reviewed on an on-going basis for any items related to the Group's existing counterparties Relevant information is reviewed and actioned as appropriate and reported to management, and
c) The risk department has access to credit rating agencies Information is vetted for news on counterparties and actioned as appropriated

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

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 90 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

29. RISK MANAGEMENT - CREDIT RISK (continued)

CFD Business

The Company is exposed to customer defaults on its CFD business This loss exposure is mitigated by requiring customers to post margin The customer is contractually responsible for ensuring that the equity balance in their account, including mark to market profit and loss, is sufficient to cover the required margin at all times Customers are obliged to be contactable at all times Failure to meet a call will, if not remedied, result in closure of the customer's position A daily summary of margin calls is distributed and debts outstanding at month end is presented to the FCALCO All debt balances aged greater than 90 days are 100% provided for

Amounts Owed by Group Undertakings

Amounts advanced to fellow group entities under common ownership and control are on an arms' length basis and are settled frequently

Stock loans and borrows

Exposure from stock lending and borrowing is the difference between the market value of the stock borrowed or lent and the cash paid or received Positions are marked-to-market daily, and risk lies in a default from our counterparty following an adverse move in the value of the stock All stock loan counterparties are reviewed by the risk management department and exposure is monitored daily

Cash at Bank and Client Segregated Funds

Corporate treasury, in conjunction with risk management, considers and approves the list of credit-worthy banks Each bank is assessed and assigned an internal rating dependant on a number of risk drivers Additional external credit ratings are also monitored and reviewed

Funds are only placed with an entity rated short-term above a minimum defined external and internal rating An annual review is held to determine whether the policy remains appropriate or whether changes are required However monthly assessments are also conducted and changes are made on a more frequent basis if 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 The exposure is shown gross, before mitigation through the use of master netting and collateral arrangements (including margin)

	Gross maximum exposure 2011 US$000	Gross maximum exposure 2010 US$000
On balance sheet items		
Trade debtors	566,440	639,817
Amounts owed by group undertakings	2,706	512
Other taxes and social security	7,133	5,832
Other debtors	3,202	3,890
Prepayments and accrued income	296	1,536
Tax recoverable	18	1,695
Cash at bank and in hand	188,676	172,759
Long positions	53,253	69,082
Unlisted investments	3,893	3,786
	825,617	898,909

29 RISK MANAGEMENT - CREDIT RISK (continued)

Collateral and Other Credit Enhancements

The Company holds money in non-segregated and segregated client bank accounts which represent collateral held to mitigate credit risk exposure

At 31 December 2011, the long positions of $53,252,965 (2010 - $69,082,197) include securities owned pledged as collateral amounting to $19,760,609 (2010 - $24,683,693)

At 31 December 2011, securities and cash amounting to $1,804,101 (2010 - $2,911,596) was pledged as collateral with clearing houses

Credit Quality Per Class of Financial Assets Financial Assets Neither Past Due Or Impaired

Trade Debtors

The material trade debtors, which mostly relate to principal trading, are amounts owing from highly rated financial institutions with very short-term exposure that further reduces the probability of default The business normally trades flat (i e both sides of the trade settle simultaneously, also defined as DVP) and only takes closely monitored positions

Amounts Owed by Group Undertakings

Amounts owed by group undertakings are primarily from trading in the loans business in the name of Cantor Fitzgerald Securities under a revenue sharing arrangement Amounts owed by group undertakings are settled upon demand

Cash At Bank and In Hand

Cash at bank and in hand consists of cash held at credit worthy financial institutions and petty cash

Long Positions

Long positions represent positions held for trading and liquidity purposes, which include corporate bonds, equities, CFD hedges and a US treasury bill The credit risk on these positions is considered low as the majority is held in listed companies Given the nature of the US treasury bill, the risk associated is also considered low

Unlisted Investments

The unlisted investment is shares held in LCH Clearnet It is classified as available for sale and valued on the basis of net assets value from the published, audited financial statements There is minimal credit risk associated with this investment The value of this asset is dependent on the financial performance of the LCH Clearnet

Other

This consists of other debtors, prepayments and accrued income and taxes recoverable Given the short term nature of these balances, the credit risk is considered low Tax balances are due from government bodies which have minimal risk of non-receipt

29. RISK MANAGEMENT - CREDIT RISK (continued)

Ageing Analysis of Past Due but Not Impaired Financial Assets

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is US$Nil (2010 - US$Nil) Past due balances are analysed below

	2011 US$000	2010 US$000
Matched Principal Ageing Analysis		
Less than 1 month	27,942	43,616
1 month to less than 2 months	5	1,262
2 months to less than 3 months	-	99
3 months and over	-	31
	27,947	45,008

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 2011 and 31 December 2010 were settled at the contracted amount

	2011 US$000	2010 US$000
Name Give-Up Brokerage Ageing Analysis		
Less than 1 month	392	558
1 month to less than 2 months	416	476
2 months to less than 3 months	285	285
3 months and over	640	921
	1,733	2,240

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

	2011 US$000	2010 US$000
CFD Business Ageing Analysis		
Less than 1 month	-	-
1 month to less than 2 months	-	-
2 months to less than 3 months	-	-
3 months and over	-	-
	-	-

Aged debtor reports are produced and reviewed daily and the credit department reviews receivables from customers on a regular basis The table above shows the ageing analysis of past due but not impaired client receivables

Active management of net margin balances within the CFD business results in the Company being exposed to very little residual credit risk as the above table demonstrates Past due balances over 90 days old are considered impaired and on impairment a provision is established for the full amount Other trade debtor balances, including CFD trade debtors outstanding less than 90 days, are assessed on a case by case basis and provided for where recoverability is in question

29. RISK MANAGEMENT - CREDIT RISK (continued)

Other Financial Assets

No other class of financial assets were past due as at 31 December 2011 or 31 December 2010

	2011 US$000	2010 US$000
Impaired Financial Assets		
Less than 1 month	-	-
1 month to less than 2 months	-	-
2 months to less than 3 months	-	-
3 months and over	2,788	2,850
Impairment provision	2,788	2,850

The gross impaired trade debtors arise 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 the impaired financial assets

30. RISK MANAGEMENT - MARKET RISK

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

The market risk of the trading portfolio is managed by monitoring open position limits Non-traded interest rate risk is immaterial and generated naturally through the raising of senior debt and subordinated loans, and by the listed investment in a US treasury bill which is held for liquidity purposes 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

The focus in the business is not to take speculative market risk, however, the Company does take some market risks related to fluctuations in interest rates, foreign exchange rates, commodities and equity prices The Board has set limits on the level of risk that may be accepted

Position Monitoring

At the end of each day, risk management reviews positions and performs an independent mark to market Positions are reported to senior management At 31 December 2011, the gross exposure to market risk arising from such positions amounted to US$2,931,089 (2010 - US$5,764,265)

Value at risk ('VaR')

One of the principal tools used by the Company to monitor and limit market risk exposure is VaR VaR is a tool that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence

30. RISK MANAGEMENT - MARKET RISK (continued)

The VaR model used by the Company is predominantly based on a parametric simulation The parametric simulation model derives plausible future scenarios from historical market rate time series, taking into account inter-relationships between different market prices, interest rates and foreign exchange rates

The parametric simulation model used by the Company incorporates the following features

- potential market movements are calculated with reference to data from the higher of the (a) last 260 business days or (b) last 5 business days,
- historical market rates and prices are calculated with reference to foreign exchange rates and associated volatilities,
- VaR is calculated to a 99% confidence level, and
- VaR is calculated for a one day holding period

Although a valuable guide, VaR should always be viewed in the context of its limitations For example

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those that are extreme in nature,
- the use of a 1 day holding period assumes that all positions can be liquidated or hedged in one day This may not fully reflect the market risk arising at times of severe illiquidity, when a 1 day holding period may be insufficient to liquidate or hedge all positions fully,
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence, and
- VaR is calculated on the basis of exposures outstanding at the close of business and does not necessarily reflect intra-day exposures

The VaR for the trading portfolio was as follows

	2011 US$000	2010 US$000
Value at Risk		
For the year ended 31 December		
Average	285	132
Minimum	84	12
Maximum	798	365
Standard deviation	164	60
At 31 December	84	123

31. RISK MANAGEMENT - 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 Interest rate risk arises from cash at bank, listed investments in US treasury bills, subordinated loans payable, and from other financial assets and liabilities as per below The interest rate risk profile of the Company's financial assets and liabilities as at the balance sheet date was as follows

	Less than 1 year US$000	More than 1 year US$000	Non-interest bearing US$000	Total US$000
2011				
Cash at bank and in hand	188,676	-	-	188,676
US treasury bills	15,997	-	-	15,997
Bank overdrafts	(9,938)	-	-	(9,938)
Senior debt loan	(60,000)	-	-	(60,000)
Subordinated loan	-	(55,000)	-	(55,000)
Other financial assets and liabilities	-	-	(49,266)	(49,266)
	134,735	(55,000)	(49,266)	30,469
2010				
Cash at bank and in hand	172,759	-	-	172,759
US treasury bills	9,992	-	-	9,992
Bank overdrafts	(2,090)	-	-	(2,090)
Senior debt loan	(70,000)	-	-	(70,000)
Subordinated loan	-	(24,000)	-	(24,000)
Other financial assets and liabilities	-	-	(117,940)	(117,940)
	110,661	(24,000)	(117,940)	(31,279)

Other financial assets and liabilities include trade debtors and creditors, other debtors and creditors, accruals and deferred income, and amounts owed to/from group undertakings, details of which can be found in note 12 and 15

The Company estimates that a 1% hypothetical adverse movement in interest rates would have resulted in an increase (2010 - decrease) in loss before tax for the year and decrease (2010 - increase) in equity of US$315,948 (2010 - US$232,065)

32. RISK MANAGEMENT - FOREIGN EXCHANGE RISK

The Company is exposed to risks associated with changes in foreign exchange rates The Company's operations generate a portion of its revenues and expenses in British Pounds Sterling and 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

Taking the Sterling denominated balance sheet as at 31 December 2011, if Sterling was to weaken 10% against the US Dollar with all other variables held constant, loss before tax for the year and equity would be adversely affected by US$1,515,217 (2010 - US$1,054,086)

Taking the Euro denominated balance sheet as at 31 December 2011, if the Euro was to weaken 10% against the US Dollar with all other variables held constant, loss before tax for the year and equity would be favourably affected by US$3,600,300 (2010 - adversely affected by US$4,163,839)

33. RISK MANAGEMENT - LIQUIDITY RISK

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due A lack of liquidity could stop or materially hinder the operations of the business or create an adverse reputational impact

The Company's liquidity risk is managed through two complimentary models, the Maximum Cumulative Outflows versus Liquidity Reserves ("MCO-LR") and the Net Cash Capital ("NCC") The MCO seeks to ensure that the Company has adequate access to liquidity at all times It quantifies cumulative worst case potential liquidity outflows ("MCO") that could occur during prolonged periods of stress As such the model calculates the liquidity reserves ("LR") that would be needed to meet these potential outflows The Company seeks to maintain available liquidity that is greater than the total potential cash outflows that could occur during a period of stress (that is the LR > MCO) The Company holds liquidity reserves invested in a diverse range of liquid assets which includes US treasury bills, money market mutual funds, and ring-fenced bank deposits

The NCC model seeks to ensure that the Company has sufficient long-dated funding to fund illiquid assets, the haircut portion of financeable assets and all potential stressed liquidity outflows The Company's sources of long dated liabilities includes term evergreen funding, subordinated debt with a maturity greater than 1 year and shareholders' funds Additionally non segregated cash qualifying as good cash capital used to finance margin requirements against the clients own position is included in the NCC model as a cash capital source

The two models work in complimentary fashion to allow the Company to survive a prolonged stress period The MCO-LR ensures adequate access to available liquidity, while the NCC ensures adequate long dated sources of funding in the context of its asset base and potential stress outflows

33. RISK MANAGEMENT - LIQUIDITY RISK (continued)

Liquidity Risk Maturity Table

The following table details the Company's contractual maturity for its financial liabilities The table has been prepared on the basis of undiscounted cash flows of financial liabilities based on 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	Between 1 and 5 years US$000	5 years or more US$000	Total US$000
2011				
Bank loans and overdrafts	9,938	-	-	9,938
Trade creditors	612,528	-	-	612,528
Amounts owed to group undertakings	66,085	-	-	66,085
Social security and other taxes	2,091	-	-	2,091
Short positions	1,436	-	-	1,436
Other creditors	1,563	-	-	1,563
Accruals and deferred income	10,232	-	-	10,232
Subordinated loan	-	7,000	48,000	55,000
Deferred taxation	-	-	-	-
Litigation provision	551	-	-	551
	714,362	7,000	48,000	769,362

	Less than 1 year US$000	Between 1 and 5 years US$000	5 years or more US$000	Total US$000
2010				
Bank loans and overdrafts	2,090	-	-	2,090
Trade creditors	710,840	-	-	710,840
Amounts owed to group undertakings	119,265	-	-	119,265
Social security and other taxes	3,358	-	-	3,358
Short positions	1,671	-	-	1,671
Other creditors	383	-	-	383
Accruals and deferred income	9,532	-	-	9,532
Subordinated loan	-	7,000	17,000	24,000
Deferred taxation	908	-	-	908
Litigation provision	97	-	-	97
	848,144	7,000	17,000	872,144

The only material financial liability with a remaining contractual maturity longer than one year relates to subordinated debts to a fellow group entity, CFLP Treasury manages this longer term liquidity risk by ensuring that sufficient funds are in place to settle the obligation arising at the contractual maturity 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

34. RISK MANAGEMENT - 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 able to mitigate the risks Controls include segregation of duties, access controls, authorisation controls, reconciliation procedures and various assessment processes, including the use of internal audit The ORCC monitors the operational risks inherent within the business

New Products/Business Approval Process

This process is under the responsibility of the New Business Committee The committee is responsible for all matters related to new "business"' This includes new products, services, geographical locations, distribution channels, plans for material growth in existing activities (either organically or through acquisition) and any material changes to existing business The committee shall also consider reputational risk attached to any new business line or product

In the event that a new product or business is identified and raised with the committee, a working group will be formed to manage the request This group comprises members from the various control and executive functions

35. RISK MANAGEMENT - CAPITAL

The Company maintains an actively managed capital base to cover risks inherent in the business and is required to maintain a minimum capital base to comply with FSA requirements

Objectives, Policies and Processes for Managing Capital

The primary objectives of the Company's capital risk management policy are to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its debt and equity balances, and also to ensure that the Company complies with externally imposed capital requirements The capital structure consists of called up share capital, available for sale reserve and retained earnings of the Company, and debt, including the borrowings disclosed in note 16

The Company manages its capital structure and makes adjustments to it in 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 dividends paid to shareholders or issue share capital and/or subordinated debt

CFLP, the ultimate parent entity 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, although it does not provide guarantees that capital will be provided in such a scenario

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

- Rationale for the proposal, and
- Business plan

35. RISK MANAGEMENT - CAPITAL (continued)

	2011 US$000	2010 US$000
Capital		
Share capital, available for sale investment reserve and profit and loss account	66,214	27,480
Subordinated debt	55,000	24,000
	121,214	51,480

36. FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows

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 categories below The carrying amount and fair values are not considered to be materiality different

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

36. FAIR VALUE (continued)

	Carrying amount 2011 US$000	Carrying amount 2010 US$000	Fair value 2011 US$000	Fair value 2010 US$000
Financial assets				
Loans and receivables				
Trade debtors	566,440	639,817	566,440	639,817
Amounts owed by group undertakings	2,706	512	2,706	512
Other taxes and social security	7,133	5,832	7,133	5,832
Other debtors	3,202	3,890	3,202	3,890
Prepayments and accrued income	296	1,536	296	1,536
Tax recoverable	18	1,695	18	1,695
	579,795	653,282	579,795	653,282
Available for sale				
Non-listed investment other than loans	3,893	3,786	3,893	3,786
	3,893	3,786	3,893	3,786
Financial assets designated at fair value through profit or loss				
Long positions	53,253	69,082	53,253	69,082
Trade debtors - derivatives receivable	19,245	49,395	19,245	49,395
Trade debtors - derivatives payable	(6,545)	(30,886)	(6,545)	(30,886)
	65,953	87,591	65,953	87,591
Financial liabilities				
Measured at amortised cost				
Bank loans and overdrafts	9,938	2,090	9,938	2,090
Trade creditors	612,528	710,840	612,528	710,840
Amounts owed to group undertakings	66,085	119,265	66,085	119,265
Social security and other taxes	2,091	3,358	2,091	3,358
Other creditors	1,563	383	1,563	383
Accruals and deferred income	10,232	9,532	10,232	9,532
Deferred tax	-	908	-	908
Litigation provision	551	97	551	97
Subordinated debt	55,000	24,000	55,000	24,000
	757,988	870,473	757,988	870,473
Financial liabilities designated at fair value through profit or loss				
Short positions	1,436	1,671	1,436	1,671
Trade creditors - derivatives receivable	18,830	18,693	18,830	18,693
Trade creditors - derivatives payable	(9,389)	(40,543)	(9,389)	(40,543)
	10,877	(20,179)	10,877	(20,179)

36. FAIR VALUE (continued)

Assumptions Used in Determining Fair Value of Financial Assets and Financial Liabilities

Trade Debtors and Trade Creditors

Trade debtors measured at fair value includes derivative financial instruments

Trade creditors measured at fair value and designated as held for trading include derivatives

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

Amounts Owed By/To Group Undertakings

Amounts receivable and payable from/to group undertakings 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

Available for Sale Investment

Non-listed investments classified as available for sale are valued on the basis of net assets value, which is also considered to be fair value

Long positions

Long positions represent positions held for trading and liquidity purposes, which include corporate bonds, equities, CFD hedges and a US treasury bill Long positions are measured at fair value through the Profit and loss account For the treasury bill, fair value approximates the carrying value as it is a zero coupon bond traded at a discount of 0 04067%

Subordinated Loans Payable

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

Other

Other includes taxes and social security, other debtors/creditors, prepayments and accrued income, tax recoverable, bank loans and overdrafts, accruals and deferred income, deferred tax and provision for litigation Given the short term nature of these balances, the carrying value is not considered to be materially different from the fair value

Fair Value of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 quoted (unadjusted) prices in active markets for identical assets and liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3· techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable marketable data

36 FAIR VALUE (continued)

The following table shows an analysis of the financial instruments recorded at fair value shown in accordance with the hierarchy above

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
31 December 2011				
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	670	-	670
CFD	-	37,405	-	37,405
Other financial asset held-for-trading				
Long positions	20,629	32,623	-	53,253
Available for sale				
Unlisted investments	-	3,893	-	3,893
	20,629	74,591	-	95,221
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	820	-	820
CFD	-	15,114	-	15,114
Other financial asset held-for-trading				
Short positions	1,436	-	-	1,436
	1,436	15,934	-	17,370
31 December 2010				
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	13,309	-	13,309
CFD	-	54,780	-	54,780
Other financial asset held-for-trading				
Long positions	22,991	46,091	-	69,082
Available for sale				
Unlisted investments	-	3,786	-	3,786
	22,991	117,966	-	140,957
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	12,335	-	12,335
CFD	-	59,094	-	59,094
Other financial asset held-for-trading				
Short positions	1,671	-	-	1,671
	1,671	71,429	-	73,100

There are no level 3 financial instrument positions outstanding on the balance sheet as at 31 December 2011 and 2010, and no gains or losses on level 3 financial instruments included within turnover in the Profit and loss for the current and prior year No impact on the fair value of level 3 financial instruments due to changes in key assumptions has been disclosed

36. FAIR VALUE (continued)

Financial Instruments Recorded at Fair Value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments

Derivatives

Derivative products valued using a valuation technique with market observable inputs, are mainly forward foreign exchange contracts, currency swaps and CFDs The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves

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 the net open position as appropriate

Financial Investments - Available for Sale

Available for sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equity investments

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data The non-observable inputs used to value these models include the use of the net asset value of the underlying investment

37. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The registered office of the Company is 17 Crosswall, London EC3N 2LB The Company is incorporated in Great Britain and registered in England and Wales The immediate parent is Cantor Fitzgerald & Co Holdings L P , and the smallest group into which the results are consolidated into is Cantor Fitzgerald Securities, both registered in the United States of America The ultimate parent, controlling entity and largest group that the results of Cantor Fitzgerald Europe are consolidated into is Cantor Fitzgerald, L P , a limited partnership also registered in the United States of America Financial statements are not publicly available for either Cantor Fitzgerald & Co Holdings L P or Cantor Fitzgerald, L P