

CANTOR FITZGERALD EUROPE

Report and Financial Statements

For the year ended 31 December 2001



CANTOR FITZGERALD EUROPE

REPORT AND FINANCIAL STATEMENTS 2001

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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2001. Comparatives are for the nine months ended 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Cantor Fitzgerald Europe ('CFE') is a broker in securities and derivatives operating from London, Paris, Milan and Frankfurt.

CFE's product range included equities, on-exchange derivatives and contracts for difference. On 1 November 2000 the equity and on-exchange derivatives divisions of Cantor Fitzgerald International ('CFI') were transferred to CFE. On 1 March 2001 the interest rate and currency on-exchange derivatives division was transferred back to CFI.

CFE is regulated by The Financial Services Authority ('FSA'). It is authorised to conduct investment business from its branch offices in Germany, France and Italy under the provisions of the Investment Services Directive. It is also authorised to conduct cross-border investment business in EEA member states on a service basis under these provisions.

As at the year end date, CFE was a member of the following exchanges: LIFFE, The London Stock Exchange, The Frankfurt Stock Exchange, The Berlin Stock Exchange, The Italian stock Exchange, EASDAQ, EUREX, MATIF, MONEP and Tradepoint.

CFE intends to continue in these activities.

During the year the company reduced share capital by £4,216,162 as a result of changes in capital requirements.

RESULTS AND DIVIDENDS

The company made a profit of £3,214,000 in the year ended 31 December 2001 (December 2000 - £528,000 profit).

The directors do not recommend the payment of a dividend (December 2000 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office during the year and to the date of this report were:

Mr L Amaitis	
Mr P O'Gorman	(appointed 20 February 2002)
Mr R W Birchall	(appointed 31 January 2001, resigned 31 January 2002)
Mr R Falkner	
Mr D B Gardner	(resigned 11 September 2001)
Mr M Hanney	(resigned 26 July 2001)
Mr H W Lutnick	
Mr S Merkel	
Mr C Triance	

The directors had no disclosable interests in the shares of the company or any other UK group companies at the beginning or at the end of the year.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'R. Falkner', with a long horizontal stroke extending to the right.

Robert Falkner
Company Secretary

28 March 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANTOR FITZGERALD EUROPE

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

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

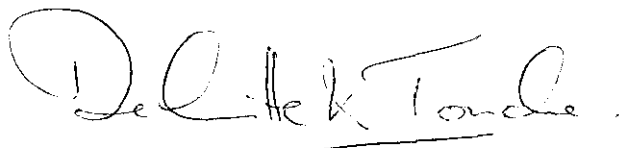
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors

28 March 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
TURNOVER	2	44,208	6,583
Cost of sales		(31,713)	(4,832)
GROSS PROFIT		12,495	1,751
Administrative expenses		(7,645)	(932)
TOTAL OPERATING PROFIT	3	4,850	819
Interest receivable	5	243	151
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,093	970
Tax charge on profit on ordinary activities	6	(1,742)	(442)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR / PERIOD		3,351	528
Profit and loss account brought forward		414	(114)
Profit and loss account carried forward		3,765	414

The company has no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

The above results relate to continuing activities.

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BALANCE SHEET 31 December 2001

	Note	31 December 2001 £'000	31 December 2000 £'000
FIXED ASSETS			
Investments	7	1,297	1,049
CURRENT ASSETS			
Long positions		29,856	4,606
Debtors	8	182,141	405,009
Cash at bank and in hand		8,547	230
		220,544	409,845
CREDITORS: amounts falling due within one year	9	(204,669)	(392,857)
NET CURRENT ASSETS		15,875	16,988
TOTAL ASSETS LESS CURRENT LIABILITIES		17,172	18,037
CAPITAL AND RESERVES			
Called up share capital	11	13,407	17,623
Profit and loss account		3,765	414
TOTAL EQUITY SHAREHOLDERS' FUNDS		17,172	18,037

These financial statements were approved by the Board of Directors on 28 March 2002.

Signed on behalf of the Board of Directors



Paul O'Gorman
Director

**RECONCILIATION OF MOVEMENT
IN SHAREHOLDERS' FUNDS**

Year ended 31 December 2001

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Profit for the year/period	3,351	528
Issue of shares	-	17,358
Redemption of shares	(4,216)	-
Net (reduction)/increase in shareholders' funds	(865)	17,886
Opening shareholders' funds	18,037	151
Closing shareholders' funds	17,172	18,037

CASH FLOW STATEMENT
Year ended 31 December 2001

	Note	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Net cash inflow/(outflow) from operating activities		13,605	(16,421)
Returns on investments and servicing of finance			
Interest received		228	151
Net cash inflow from returns on investments and servicing of finance		228	151
Taxation			
UK corporation tax paid		(1,907)	-
Capital expenditure			
Purchase of fixed asset investments		(248)	(1,049)
Net cash outflow from capital expenditure		(248)	(1,049)
Cash inflow/(outflow) before financing		11,678	(17,319)
Financing			
Issue of shares		-	17,358
Redemption of shares		(4,216)	-
Increase in cash in the year/period	15	7,462	39

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

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Operating profit	4,850	819
Decrease/(increase) in debtors	197,631	(409,614)
(Decrease)/increase in creditors	(188,876)	392,374
Net cash inflow/(outflow) from operating activities	13,605	(16,421)

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

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.

Basis of accounting

The financial statements are prepared under the historical cost convention, amended by the valuation of long and short investment positions at market value.

Foreign exchange

Profit and loss account items and fixed assets involving currencies other than sterling are translated at the average rates of exchange ruling in the month that the transactions occurred.

Monetary items in the balance sheet are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Fixed asset investments

Fixed asset investments are stated at cost less any provisions for impairment in value.

Inventory positions

Long and short inventory positions are recorded on a trade date basis and are valued at market prices at the close of business at the balance sheet date.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions

The company operates a defined contribution scheme for certain UK directors and employees as determined by their contracts of employment. Contributions are charged to the profit and loss account as they are incurred. The company provides no other post retirement benefits to its employees.

2. TURNOVER

The company's income is derived from acting as a broker in equities, on-exchange derivatives and contracts for difference. The company's income is derived from business in the United Kingdom.

Turnover represents the commission thus earned. It is presented net of any related commission expense.

3. OPERATING PROFIT

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Operating profit is stated after charging:		
Foreign exchange loss	2,728	-

The auditors' remuneration has been borne by Cantor Fitzgerald International for the current year and preceding period.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Staff costs during the year amounted to:		
Wages and salaries	17,257	2,773
Social security costs	1,928	365
Employee benefits	376	-
Other pension costs	92	21
	<u>19,653</u>	<u>3,159</u>

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

	31 December 2001 No.	31 December 2000 No.
Direct operating	63	18
Other	9	-
	<u>72</u>	<u>18</u>

The directors received no emoluments for the current year or preceding period.

5. INTEREST RECEIVABLE

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Bank interest	243	143
Interest on settlements	-	8
	<u>243</u>	<u>151</u>

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Year Ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
United Kingdom corporation tax charge at 30%	1,763	446
Overprovision in respect of prior periods	(65)	(40)
Overseas taxation	44	36
	<u>1,742</u>	<u>442</u>

Deferred taxation

There is no deferred tax provision. There is no unprovided potential deferred tax.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

7. INVESTMENTS HELD AS FIXED ASSETS

	Other investments other than loans £'000
At 31 December 2000	1,049
Additions	900
Disposals	(652)
At 31 December 2001	<u>1,297</u>

8. DEBTORS

	31 December 2001 £'000	31 December 2000 £'000
Trade debtors	166,150	384,515
Amounts owed by other group companies	11,881	14,608
Other debtors	417	430
Prepayments and accrued income	3,693	5,456
	<u>182,141</u>	<u>405,009</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2001 £'000	31 December 2000 £'000
Trade creditors	154,039	380,321
Short positions	11,945	9,398
Amounts owed to other group company	31,249	402
Corporation tax	317	482
Other taxes and social security	1,162	196
Other creditors	778	65
Accruals and deferred income	5,179	1,993
	<u>204,669</u>	<u>392,857</u>

CANTOR FITZGERALD EUROPE

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

10. RELATED PARTY TRANSACTIONS

The company enters into securities transactions and service fee arrangements with various parties that are related by common ownership and control. As of 31 December 2001 the intercompany balances held with related parties comprised:

	31 December 2001		31 December 2000	
	Due to £'000	Due from £'000	Due to £'000	Due from £'000
Cantor Fitzgerald Securities	-	2,025	-	8,250
Cantor Fitzgerald International	15,487	7	-	1,264
Cantor Fitzgerald LP	292	-	-	-
Cantor Fitzgerald Associates	38	-	402	-
Cantor Fitzgerald (Italy) Limited	-	7,230	-	4,137
Cantor Index Limited	-	2,619	-	50
Cantor Fitzgerald & Co.	14,605	-	-	907
Cantor Fitzgerald Energy Europe Limited	827	-	-	-
	<u>31,249</u>	<u>11,881</u>	<u>402</u>	<u>14,608</u>

During the year ended 31 December 2001, the value of commissions payable to and receivable from those related parties comprised:

	31 December 2001		31 December 2000	
	Commission Payable £'000	Commission Receivable £'000	Commission Payable £'000	Commission Receivable £'000
Cantor Fitzgerald Associates	18	-	-	-
Cantor Fitzgerald & Co.	36	607	-	256
	<u>54</u>	<u>607</u>	<u>-</u>	<u>256</u>

11. CALLED UP SHARE CAPITAL

	31 December 2001 £'000	31 December 2000 £'000
Authorised:		
Ordinary shares of £1 each	<u>45,784</u>	<u>50,000</u>
Allotted and fully paid:		
Balance brought forward	17,623	265
Shares issued during the period	-	17,358
Shares redeemed during the year	<u>(4,216)</u>	<u>-</u>
	<u>13,407</u>	<u>17,623</u>
13,407,079 ordinary shares of £1 each		

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

12. CLIENT MONEY

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

At 31 December 2001, amounts held by the firm on behalf of clients in accordance with FSA regulations amounted to £4,489,000 (2000 – nil). These amounts are not incorporated in the firm's balance sheet.

13. REGISTERED OFFICE

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

14. PARENT COMPANIES

The immediate parent company is Cantor Fitzgerald International Holdings LP.

The ultimate parent and controlling company is Cantor Fitzgerald L.P. a limited partnership registered in the United States of America.

The company has not provided the disclosures required by FRS 8 - Related Party Transactions in respect of transactions with companies in the Cantor Fitzgerald International group as more than 90% of the voting rights of the company are controlled within the Cantor Fitzgerald International group.

15. ANALYSIS OF NET FUNDS

	At 31 December 2000 £'000	Cash Flows £'000	At 31 December 2001 £'000
Cash at bank and in hand	230	8,317	8,547
Bank loans & overdrafts	(6)	(855)	(861)
	<u>224</u>	<u>7,462</u>	<u>7,686</u>