

Registered number: 01976691

## BGC INTERNATIONAL

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



**BGC INTERNATIONAL**

**COMPANY INFORMATION**

**DIRECTORS**

Mr J. R. Lightbourne  
Mr S. R. McMurray (resigned 14 December 2018)  
Mr S. A. Windeatt

**COMPANY SECRETARY**

Mr R. M. Snelling

**REGISTERED NUMBER**

01976691

**REGISTERED OFFICE**

One Churchill Place  
Canary Wharf  
London  
E14 5RD

**INDEPENDENT AUDITOR**

Ernst & Young LLP  
25 Churchil Place  
Canary Wharf  
London  
E14 5EY

## **BGC INTERNATIONAL**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to US\$2,250k (2017: US\$2,146k).

### **DIRECTORS**

The directors who served during the year were:

Mr J. R. Lightbourne  
Mr S. R. McMurray (resigned 14 December 2018)  
Mr S. A. Windeatt

### **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. In addition, note 17 to the financial statements includes the Company's objectives, policies and processes around risk management, including credit, market, interest rate, liquidity, foreign exchange, operational and capital risks.

The Company participates in the BGC Group's centralised treasury arrangement, which manages liquidity on a daily basis, through which the Company has access to sufficient liquid assets to meet its liabilities as they fall due.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of these financial statements. The Company will continue to earn interest on its deposits and dividend income on its investments. As such, the financial statements continue to be prepared on the going concern basis.

### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who was a director at the time when this Directors' Report is approved has confirmed that:

- so far as they is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- they has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **AUDITORS**

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**BGC INTERNATIONAL**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

This report was approved by the Board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J. R. Lightbourne', with a long horizontal flourish extending to the right.

**Mr J. R. Lightbourne**  
Director

Date: 24/09/2019

## **BGC INTERNATIONAL**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **INTRODUCTION**

The BGC Group is a full service inter dealer broker, which specialises in broking over the counter financial products and related derivative products.

The Company's principal activity is an investment holding company and the Company earns income from its fixed asset investments.

#### **BUSINESS REVIEW**

BGC International is solely an investment holding company. The directors regard profit before tax US\$2,282k (2017: US\$2,450k) and the underlying value of its investments US\$66,506k (2017: US\$35,928k) as the key performance indicators of the business.

##### **Investments**

The Company has strategic investments in Euroclear, LCH Group Holdings Limited, London Metal Exchange and Intercontinental Exchange Inc. During the year the Company purchased 21,836 ordinary shares in LCH Group Holdings Limited on the 9th March 2018 at €24 a share, for total consideration of €524k (US\$629k). On the 13th December 2018 the Company purchased an additional 162,503 shares in LCH Group Holdings Limited for total consideration of €6,500k (US\$ 7,360k), at €40 a share.

##### **Employee Benefit Trusts**

During the year, the Company started proceedings to wind up two employee benefit trusts that in prior years it had contributed funds into. As part of that process, an amount of the funds was returned to the Company which intends to settle on behalf of the trust the remaining amounts payable to the beneficiaries of the trust.

##### **Financial Performance**

The profit for year amounted to US\$2,250k (2017: US\$2,146k). Income for the year arose from dividends from investments which amounted to US\$2,203k (2017: US\$558k).

The total comprehensive income for the year is a profit of US\$20,916k (2017: US\$17,045k) which includes a gain before tax of US\$22,589k (2017: US\$17,557k) relating to the revaluation of available for sale investments. A significant proportion of the increase in revaluation for the unlisted investment was formed by the increase in the share price of LCH Group Holdings Ltd. This was originally valued at €24 per share, however the recent acquisition of further shares was at €40 per share, resulting in a gain of US\$17.8m. The Company's investment in Euroclear was marked to market using the latest available information on the share price of Euroclear's shares resulting in a gain of US\$5m.

##### **Future Developments**

The Company intends to continue as an investment holding company for the foreseeable future and will continue to earn income from its investments.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company faces credit, foreign exchange, liquidity, interest rate, operational and capital risks in the course of its normal business. The directors place reliance on the BGC Group's Risk Management function to manage and monitor risks as well as other related matters, and receive reports on specific risks that affect the Company. The Company relies on the policies and procedures established by the BGC Group to mitigate its exposure to the aforementioned risks. See note 17 to the financial statement for further details.

**BGC INTERNATIONAL**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

This report was approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J. R. Lightbourne', written over a horizontal line.

**Mr J. R. Lightbourne**  
Director

Date: 24/09/2019

## **BGC INTERNATIONAL**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting 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 to 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.

## **BGC INTERNATIONAL**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BGC INTERNATIONAL**

#### **Opinion**

We have audited the financial statements of BGC International for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the Annual Report as set out on pages from 1 to 27, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BGC INTERNATIONAL (CONTINUED)**

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **BGC INTERNATIONAL**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BGC INTERNATIONAL (CONTINUED)**

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

#### **Use of our report**

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

James Hitchings (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory auditor  
London

Date: 25/09/2019

**BGC INTERNATIONAL**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 US\$000	2017 US\$000
Income from fixed asset investments	3	2,203	558
Other income		110	1,883
<b>Gross profit</b>		<u>2,313</u>	<u>2,441</u>
Administrative expenses	6	(28)	(26)
<b>Operating profit</b>	6	<u>2,285</u>	<u>2,415</u>
Interest (payable)/receivable	7	(3)	35
<b>Profit before tax</b>		<u>2,282</u>	<u>2,450</u>
Tax on profit	8	(32)	(304)
<b>Profit for the financial year</b>		<u>2,250</u>	<u>2,146</u>
<b>Other comprehensive income for the year</b>			
Revaluation of available for sale investments	9	22,589	17,557
Deferred tax charge on revaluation of available for sale investments	8	(3,923)	(2,658)
<b>Other comprehensive income for the year</b>		<u>18,666</u>	<u>14,899</u>
<b>Total comprehensive income for the year</b>		<u>20,916</u>	<u>17,045</u>

The notes on pages 12 to 27 form part of these financial statements.

All amounts relate to continuing operations.

**BGC INTERNATIONAL**  
**REGISTERED NUMBER: 01976691**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 US\$000	2017 US\$000
<b>Fixed assets</b>			
Investments	9	66,506	35,928
		<u>66,506</u>	<u>35,928</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	4	114
Cash at bank and in hand		16	7,658
		<u>20</u>	<u>7,772</u>
Creditors: amounts falling due within one year	11	(549)	(2,562)
<b>Net current (liabilities)/assets</b>		<u>(529)</u>	<u>5,210</u>
<b>Total assets less current liabilities</b>		<u>65,977</u>	<u>41,138</u>
<b>Provisions for liabilities</b>			
Deferred taxation	12	(7,686)	(3,763)
		<u>(7,686)</u>	<u>(3,763)</u>
<b>Net assets</b>		<u><u>58,291</u></u>	<u><u>37,375</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	19,308	19,308
Revaluation reserve		38,945	20,279
Retained earnings		38	(2,212)
		<u>58,291</u>	<u>37,375</u>

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



**Mr J. R. Lightbourne**

Director

Date: 24/09/2019

The notes on pages 12 to 27 form part of these financial statements.

**BGC INTERNATIONAL****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Revaluation reserve	Retained earnings	Total shareholder's funds
	US\$000	US\$000	US\$000	US\$000
At 1 January 2018	19,308	20,279	(2,212)	37,375
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,250	2,250
Other comprehensive income	-	18,666	-	18,666
<b>At 31 December 2018</b>	<u>19,308</u>	<u>38,945</u>	<u>38</u>	<u>58,291</u>

The notes on pages 12 to 27 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Revaluation reserve	Retained earnings	Total shareholder's funds
	US\$000	US\$000	US\$000	US\$000
At 1 January 2017	19,308	5,380	(4,358)	20,330
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,146	2,146
Other comprehensive gain	-	14,899	-	14,899
<b>At 31 December 2017</b>	<u>19,308</u>	<u>20,279</u>	<u>(2,212)</u>	<u>37,375</u>

The notes on pages 12 to 27 form part of these financial statements.

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. STATEMENT OF COMPLIANCE

BGC International (the "Company" or "BGCI") is an unlimited company, registered in England and Wales. Its registered office is 1 Churchill Place, London, E14 5RD. The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and preceeding year.

#### 2. ACCOUNTING POLICIES

##### 2.1 Basis of preparation and change in accounting policy

The financial statements have been prepared under the historical cost convention on the basis that the Company is a going concern unless otherwise specified within these accounting policies and in accordance with UK GAAP, including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006, and, where applicable, with International Accounting Standard 39 (IAS 39).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

##### 2.2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and amounts reported for revenues and expenses during the year. However, the nature of estimation means the actual outcome could differ from those estimates.

The Company has identified the following judgement:

###### *Investments*

Management estimate the fair value of the unlisted available for sale investments that the Company holds. The fair value is based on the latest available information of the investment.

##### 2.3 Consolidation exemption

BGCI has not prepared consolidated financial statements. Paragraph 9.3 of FRS 102 permits the Company to apply the exemption, as outlined in section 401 of the Companies Act 2006, in not preparing consolidated financial statements. BGCI and its subsidiaries are included in the publicly available consolidated financial statements of BGC Partners, Inc.

##### 2.4 Exemptions Applied

As a qualifying entity under FRS 102, the Company has taken advantage of the exemption in section 1.11-1.12 from preparing a cash flow statement and the requirement of section 33.7 to disclose key management personnel compensation and as per the section 33.1A disclosure of related party transactions with and between wholly-owned subsidiaries. The BGC Group prepares publicly available consolidated financial statements including a cash flow statement which are intended to give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows and the Company is included in the BGC Group's consolidated financial statements.

##### 2.5 Functional and presentation currency

The financial statements are prepared in US Dollars, which is the currency of the primary economic environment in which the Company operates, and are rounded to the nearest US\$'000.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**2.6 Foreign currencies**

Transactions in currencies other than US Dollars are recorded at the average rate for the month in which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date. Translation differences are recognised in the Statement of Comprehensive Income.

	31 December 2018	31 December 2017
GBP	1.274	1.353
EUR	1.143	1.127

**2.7 Income from fixed asset investments**

Investment income is recognised when the right to receive payment is established to the extent that economic benefits will flow to the Company and the investment income can be reliably measured.

**2.8 Investment in associated undertakings**

Investments in associated undertakings are stated at cost less any impairment. They are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable.

**2.9 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.

**2.10 Deferred taxation**

Deferred tax is recognised in respect of all timing differences, which occur between the Company's taxable profits and total comprehensive income, arising from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

**2.11 Financial instruments**

*Recognition*

The Company determines the classification of its financial instruments at initial recognition depending on the purpose for which the financial instruments were acquired and their characteristics, in accordance with the categories outlined below. When financial instruments are recognised initially, they are measured at fair value.

*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 the 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 Limited Partnership 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 or 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 market data.

**(i) Financial instruments at amortised cost**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These amounts are initially recognised 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 Statement of Comprehensive Income when there is evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying value and the estimated future cash flows deriving from the continued use of that asset and discounted if the effect is material.

**(ii) Financial instruments at fair value through comprehensive income**

Financial instruments classified as held for trading or designated as such on inception, are included in this category and relate to currency swap derivative financial instruments within trade debtors and trade creditors as shown in the Statement of Financial Position. Financial instruments are classified as held for trading if they are acquired for the purpose of reselling.

The financial instruments are initially recognised at fair value on the date on which a contract is entered into. They are subsequently carried in the Statement of Financial Position at fair value with gains or losses recognised in the Statement of Comprehensive Income.

**(iii) Available for sale investments**

Available for sale investments are those non-derivative financial assets that are designated as available for sale or cannot be classified in any of the two preceding categories and are initially recognised at fair value. Gains and losses arising from the changes in fair value are recognised in



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (continued)**

other comprehensive income via the available for sale reserve until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss is recognised and is included in the profit and loss account for the period, the available for sale reserve having first been reversed. Available for sale investments in equity instruments that do not have a quoted market price in an active market or whose fair value cannot be reliably measured, are measured at cost. When the investment is disposed of, the cumulative gain or loss previously recognised in the Statement of Comprehensive Income under other operating income or other operating expenses.

Dividends earned whilst holding available for sale investments are also recognised in the Statement of Comprehensive Income.

*Derecognition*

A financial asset is considered for derecognition when the contractual rights from the financial asset expire, or when the contractual right to benefit from the future cash flow of that asset has been transferred. The Company derecognises a financial asset when it substantially transfers all the risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. In circumstances where a financial liability is replaced by the same lender yet the contractual terms are substantially different or modified, the original financial liability will be derecognised at the point of contractual exchange and the new financial liability recognised.

*Impairment of financial assets not held at fair value through profit and loss*

The Company assesses at each Statement of Financial Position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date. In addition, evidence of impairment requires that loss event to have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks to the specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income.

**2.12 Interest income and expenses**

Interest income and expense is recognised in the Statement of Comprehensive Income, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

**2.13 Provisions**

Provisions are recognised when the Company has a present obligation, legal or constructive, arising from a past event that is measurable and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the balance sheet date taking into account relevant risks and uncertainties and they are discounted to present value. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

**BGC INTERNATIONAL****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****3. INCOME FROM FIXED ASSET INVESTMENTS**

	2018 US\$000	2017 US\$000
Dividend income on equity investments	2,203	554
Income from investments	-	4
	<u>2,203</u>	<u>558</u>

**4. OTHER INCOME**

	2018 US\$000	2017 US\$000
Release of other creditors and other taxation and social security	-	1,218
Release of trade creditors	110	665
	<u>110</u>	<u>1,883</u>

**5. DIRECTORS' AND EMPLOYEES**

The Company had no employees during 2018 or 2017.

	2018 US\$000	2017 US\$000
Directors' remuneration	2	2
	<u>2</u>	<u>2</u>
Remuneration of the highest paid director	1	1
	<u>1</u>	<u>1</u>

Directors' remuneration for 2018 and 2017 was borne by a fellow BGC Group entity and not recharged to the Company.

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 6. ADMINISTRATIVE EXPENSES

The administrative expenses are stated after crediting

	2018 US\$000	2017 US\$000
Foreign exchange gain	(111)	(19)
<b>Fees payable to the Company's auditors:</b>		
Fees payable to the Company's auditor for the audit of Company's annual financial statements	42	41

The auditor's remuneration for 2018 and 2017 was borne by a fellow BGC Group entity and not recharged to the Company. No other fees were paid to the auditor in relation to the Company (2017: US\$nil).

#### 7. INTEREST (PAYABLE)/RECEIVABLE

	2018 US\$000	2017 US\$000
Other interest (payable)/receivable	(3)	35
	(3)	35

#### 8. TAXATION

	2018 US\$000	2017 US\$000
<b>(i) Tax on profit on ordinary activities:</b>		
Analysis of tax charge in the year:		
<b>Current tax:</b>		
UK corporation tax on profits for the year	32	301
Adjustment in respect of prior years	-	3
<b>Current tax charge for year</b>	<b>32</b>	<b>304</b>
 Tax on profit on ordinary activities	 32	 304
<b>(ii) Tax on other comprehensive income:</b>		
<b>Deferred tax:</b>		
Deferred tax current year charge	3,923	2,658
<b>Tax charge on other comprehensive income</b>	<b>3,923</b>	<b>2,658</b>

**BGC INTERNATIONAL****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****8. Taxation (continued)****Factors affecting tax charge for the year**

The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2018 US\$000	2017 US\$000
Profit on ordinary activities before tax	2,282	2,450
Tax on profit at standard UK tax rate of 19.00% (2017: 19.25%)	434	472
Effects of: Income not taxable	(421)	(107)
Losses carried forward	-	(64)
Expenses not deductible	19	-
Adjustment from previous years	-	3
<b>Total tax charge for the year</b>	<b>32</b>	<b>304</b>

**Factors that may affect future tax charges**

The effective statutory corporation tax rate for the year ended 31 December 2018 is 19.00%. Finance Act 2016 which was substantively enacted on 6 September 2016 confirmed that the rate of corporation tax will reduce to 17.00% from 1 April 2020. A 17.00% rate has been applied to calculate the deferred tax liability as at 31 December 2018.

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 9. INVESTMENTS

	Investments in associated undertakings US\$000	Available for sale investments - Listed US\$000	Available for sale investments - Unlisted US\$000	Total US\$000
<b>Cost or valuation</b>				
At 1 January 2018	369	213	35,346	35,928
Additions	-	-	7,989	7,989
Revaluations	-	14	22,575	22,589
At 31 December 2018	369	227	65,910	66,506
<b>Net book value</b>				
At 31 December 2018	369	227	65,910	66,506
At 31 December 2017	369	213	35,346	35,928

#### Available for sale investments

The carrying value of unlisted available for sale investments held at cost less impairment is US\$30k (2017: US\$30k), all other available for sale investments, listed and unlisted, are carried at fair value.

The revaluation of the Company's unlisted available for sale investments, was primarily driven by increases in the share prices of LCH Group Holdings Limited and Euroclear. LCH Group Holdings Limited shares were originally valued at €24 per share, however the Company's recent acquisition of further shares in that company was at €40 per share. This represents the latest observable price for shares in LCH Group Holdings Limited, hence this is the price that was used for the fair value valuation (resulting in revaluation gain of US\$17.8M being recognised in 2018). Euroclear shares were originally valued at €718 per share, however the most recent information available on the arm's length transaction of Euroclear's shares was at €1,862. The Company's shareholding was revalued at the year end resulting in a revaluation gain of US\$5m.

Investments in associated undertakings includes capital contributions to the following limited partnership:

Name	Holding	Nature of business	Country	Registration
BGC International LP	77.0%	Servicing entity	U.K.	England and Wales

As per the partnership agreement, BGCI has a non-controlling interest in BGC International LP and therefore it is not consolidated into the Company's financial statements. Under the partnership agreement, BGCI is entitled to 0.01% of the retained surplus of BGC International LP. Any losses are fully allocated to other partners' capital in the first instance. Once the other partners' capital has been fully utilised to absorb losses, any remaining losses incurred by BGC International LP are charged against BGC International's capital account.

**BGC INTERNATIONAL****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 US\$000	2017 US\$000
Trade debtors	4	11
Other debtors	-	103
	<u>4</u>	<u>114</u>

Trade debtors are shown net of provisions for bad and doubtful debt. On 2 May 2018, the Company received a dividend from Euroclear Plc amounting to US\$177K, however tax amounting to US\$62K was withheld at source from the dividend and a net amount of US\$115K was remitted to the Company. A provision has been recorded against the full amount, as there are doubts as to whether the Company would be able to recover the tax from the tax authorities in Switzerland.

The directors consider the carrying value of debtors approximates to their fair value.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 US\$000	2017 US\$000
Trade creditors	-	15
Amounts owed to group undertakings	413	1,382
Corporation tax	136	209
Other creditors	-	941
Accruals and deferred income	-	15
	<u>549</u>	<u>2,562</u>

The directors consider the carrying value of creditors falling due within one year approximates to fair value.

Amounts owed to group undertakings are unsecured, non-interest bearing and payable on demand.

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 12. DEFERRED TAXATION

	2018 US\$000	2017 US\$000
At 1 January	3,763	1,105
Provided during the year	3,923	2,658
<b>As at 31 December</b>	<b>7,686</b>	<b>3,763</b>

#### Deferred tax provision

The provision for deferred tax has been calculated in relation to the revaluation of the available for sale investment using the tax rate applicable in the year. The net timing differences between taxable profits and accounting profits, that have arisen as a result of the inclusion of the revaluation of available for sale investment, are recognised within the other comprehensive income.

#### 13. SHARE CAPITAL

	2018 US\$000	2017 US\$000
<b>Allotted, called up and fully paid</b>		
11,280,806 (2017 - 11,280,806) Ordinary shares of £ 1.00 each	19,308	19,308

#### 14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 102 not to disclose transactions with other BGC Group entities that are directly or indirectly wholly owned by BGC Partners, Inc., whose financial statements are publicly available. BGC Partners, Inc. is partially owned by Cantor Fitzgerald, LP, the ultimate controlling party of the BGC Group.

The Company enters into derivative transactions with Cantor Fitzgerald Europe, details of which are provided in note 15. Related party transactions requiring disclosure are as follows:

	2018 US\$000	2017 US\$000
<b>Amount due to related party</b>		
Entities with control over the Company	413	1,382





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following fair value measurement hierarchy is used for financial statements that are measured in the Consolidated Statement of Financial Position at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or 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 market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2018 US\$000	2017 US\$000
<b>Level 1</b>		
Listed available for sale investments	227	213
<b>Total Level 1</b>	<u>227</u>	<u>213</u>
<b>Level 2</b>		
Derivative financial instruments - assets	4	2
Derivative financial instruments - liabilities	-	(24)
Unlisted available for sale investments	65,910	31,995
<b>Total Level 2</b>	<u>65,914</u>	<u>31,973</u>
<b>Level 3</b>		
Unlisted available for sale investments	-	3,351
<b>Total Level 3</b>	<u>-</u>	<u>3,351</u>
<b>Total</b>	<u><u>66,141</u></u>	<u><u>35,537</u></u>

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

##### Derivative financial instruments

The currency swaps are derivative financial instruments valued using a valuation technique with market observable inputs. The valuation technique uses forward pricing and swap models applying present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative financial assets and liabilities are held at the net fair value at counterparty level. The net fair value of the derivative financial assets and liabilities, if a total asset, is included in other debtors (see note 10) and is designated as fair value through P&L financial assets. The net fair value of the derivative financial assets and liabilities, if a total liability, is included in other creditors (see note 11) and is designated as fair value through P&L.

##### Available for sale investments

Listed available for sale investments are held at fair value and valued using quoted market prices. Unlisted available for sale investments held at fair value are valued using the last traded price of the investment.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2017 US\$000	Gain recorded in reserves US\$000	Transfer out to Level 2 US\$000	At 31 December 2018 US\$000
<b>Financial investments available-for-sale</b>				
Unlisted equity investments	3,351	4,926	(8,277)	-
	<u>3,351</u>	<u>4,926</u>	<u>(8,277)</u>	<u>-</u>

In the table above US\$8,277k was reclassified to fair value level 2 (2017: reported as level 3 in terms of fair value hierarchy) as there is recent transactional information.

The revaluation of level 3 financial instruments is recognised in Total Comprehensive Income and recorded in the available for sale reserve. The sensitivity of the level 3 investments' carrying value has been determined by varying key inputs to the valuation model. For unquoted equity investments, the Company considered the effect of a movement in the fair value by 10%, which is considered by the Company to be a reasonably possible alternative assumption. The carrying value of the level 3 investments would change by US\$nil (2017: US\$335k) for a 10% movement in the net assets of the underlying companies.

## **BGC INTERNATIONAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **17. RISK MANAGEMENT**

Risk is inherent in the Company's activities but is carefully managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and controls. This process of risk management is critical to the Company's continuing business. The Company is exposed to credit, market, foreign exchange, interest rate, liquidity, operational and capital risks in the course of its normal business.

BGC Group entities are exempt from preparing certain of the FRS 102 (Financial Instruments Disclosures) disclosures because of equivalent disclosures in the consolidated financial statements of BGC Partners, Inc., which are publicly available.

The directors place reliance on the BGC Group's Risk Management function and receive reports on specific risks affecting the Company.

##### **Credit Risk**

Credit risk is the risk of loss from a customer default. As the Company acts as an investment holding company, its credit risk is mitigated because it does not trade. The directors do not consider the receivables to be past due or impaired and that the carrying value of the financial assets best represents the maximum credit risk exposure at the balance sheet date.

##### **Market Risk**

The Company faces market price risk arising from uncertainties about future values in respect of its available for sale investments. The effect of a 10% movement in the underlying valuation of its listed and unlisted available for sale investments, assuming all other factors remain constant, would be a US\$6,614k (2017: US\$3,556k) change in shareholders' funds. There would be no material impact on comprehensive income unless a decline in valuation was prolonged and an investment's carrying value exceeded its recoverable amount.

##### **Foreign Exchange Risk**

The Company is exposed to risk associated with changes in foreign exchange rates. Changes in the translation of the Company's monetary net assets are recorded as part of its operating results and fluctuate with changes in exchange rates.

Based on the Statement of Financial Position, a 1% foreign exchange movement for all non-US currencies against the US Dollar, with all other variables held constant, would result in an increase or decrease in the profit and loss account and a corresponding increase or decrease in shareholders' funds as at the balance sheet date by US\$642k (2017: US\$288k).

##### **Liquidity Risk**

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. Liquidity risk can arise from mismatching in the timing of cash flows.

Aside from net current assets, the remainder of the assets tend to be investments and loans to associated undertakings, which are illiquid and are funded by share capital.

As at 31 December 2018, the Company had non-derivative financial liabilities with maturities of less than 1 year totalling US\$413k (2017: US\$1,412k). Derivative financial instruments are settled within one year of the balance sheet date on a net basis and are included in trade debtors and trade creditors, dependant on the total net fair value.

The Company has sufficient liquid assets to meet its liabilities as they fall due. Liquidity is managed on a day-to-day basis by the BGC Group treasury department, and the Company participates in the BGC Group's centralised treasury arrangement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**17. RISK MANAGEMENT (continued)**

**Interest rate risk profile of financial assets and liabilities**

Certain financial assets and liabilities of the Company are exposed to interest rate changes as a result of contractual re-pricing. The carrying value of interest bearing monetary assets and liabilities have been classified according to the earliest date at which the interest rate may change:

	Less than 1 year US\$000	Non-interest bearing US\$000	Total US\$000
<b>31 December 2018</b>			
Cash at bank and in hand	16	-	16
Amounts owed by other group undertakings	-	(413)	(413)
Other financial assets	-	4	4
Other financial liabilities	-	-	-
<b>Total</b>	<b>16</b>	<b>(409)</b>	<b>(393)</b>
<b>31 December 2017</b>			
Cash at bank and in hand	7,658	-	7,658
Amounts owed by other group undertakings	-	(1,382)	(1,382)
Other financial assets	-	114	114
Other financial liabilities	-	(971)	(971)
<b>Total</b>	<b>7,658</b>	<b>(2,239)</b>	<b>5,419</b>

Other financial assets and liabilities include other debtors and accruals and deferred income, details of which can be found in notes 10 and 11.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The intercompany loans are carried at amortised cost and are issued and redeemed at par with maturity in less than five years and are therefore not affected by any significant interest rate risk. Given that the Company's only other interest bearing asset is cash and that it has no interest bearing liabilities at the year end, the impact of an adverse movement in interest rates on the future cash flow of the entity is expected to be immaterial given the current low interest rates (2017: immaterial).

**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 implementing a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation controls, reconciliation procedures, various assessment processes and the use of Internal Audit.

The Company has placed reliance on the Risk Management Function of the BGC Group to establish comprehensive control and governance structures to ensure that the risks faced by the BGC Group are managed carefully.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**17. RISK MANAGEMENT (continued)**

**Capital Risk Management**

The Company maintains an adequate capital base to cover risks inherent in the business. The primary objective of the Company's capital risk management is to ensure that the Company will be able to continue as a going concern. The capital structure consists of called up share capital, as disclosed in note 13, the revaluation reserve and retained earnings, as disclosed in the Statement of Changes in Equity.

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 distributions paid or request additional capital contributions from its parent entity.

Called up share capital, available for sale reserve and retained earnings

**18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent and controlling party is BGC European GP Limited, which is registered in the United Kingdom. The ultimate controlling party is Cantor Fitzgerald, LP, which is registered at 499 Park Avenue, New York, NY 10022, United States of America.

The smallest group to make its financial statements publicly available into which the results of the Company are consolidated is BGC European Holdings LP, a limited partnership registered in England and Wales. The largest group into which the results of the Company are consolidated is Cantor Fitzgerald, L.P.