

**Registered number: 01976691**

**BGC INTERNATIONAL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



**COMPANY INFORMATION**

**BGC INTERNATIONAL**

**DIRECTOR** Mr. S. A. Windeatt

**COMPANY SECRETARY** Mr. R. M. Snelling

**REGISTERED NUMBER** 01976691

**REGISTERED OFFICE** 5 Churchill Place  
Canary Wharf  
London  
E14 5RD

**AUDITORS** Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

## **BGC INTERNATIONAL**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **INTRODUCTION**

BGC International's ("the Company") principal activity is an investment holding company and the Company earns income from its fixed asset investments.

The Company is part of the global BGC Partners, Inc. group ('BGC Group'), which comprises of BGC Partners, Inc. and its subsidiaries. BGC Partners, Inc. is part of the Cantor Fitzgerald, LP group ('Cantor Group'), which comprises of Cantor Fitzgerald, LP, and its subsidiaries.

#### **BUSINESS REVIEW**

BGC International is solely an investment holding company. The director regards profit before tax US\$3,930k (2018: US\$2,282k) and the underlying value of its investments US\$77,023k (2018: US\$66,506k) 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.

##### **Financial performance**

The profit for the year amounted to US\$3,930k (2018: US\$2,250k). Income for the year arose from dividends from investments which amounted to US\$3,988k (2018: US\$2,203k).

The total comprehensive income for the year is US\$12,659k (2018: US\$20,916k), which includes a gain before tax of US\$10,517k (2018: US\$22,589k) 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 valuation the Company's investment in LCH Group Holdings Ltd. This investment was valued at US\$65,575k as at 31 December 2019 (US\$55,349k), resulting in a gain of US\$10,226k.

##### **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.

##### **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.

## **BGC INTERNATIONAL**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **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.

#### **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. 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.

#### **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Given that the Company's only 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.

#### **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 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.

#### **Capital risk**

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 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.

#### **European Union Referendum**

The UK formally left the European Union on 31 January 2020 but the final trading agreement with the European Union is yet to be determined formally, as political negotiations between the UK and the EU continue. The BGC Group has established several work streams to analyse and plan for the potential effects of a number of scenarios and will continue to monitor legislative developments in order to finalise the BGC Group's operating model going forward. To date, there have been no matters that warrant adjustments to either the financial results as at 31 December 2019 and for the year then ended, or the Directors' expectation of the going concern status of the Company.

**BGC INTERNATIONAL**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**POST BALANCE SHEET EVENTS**

**Covid-19**

Management is considering the potential economic impact to the Company of the recent global COVID-19 pandemic. The company is an investment holding company in strategic investments outside the Group. As part of its going concern review, the Company has stress tested the potential impact of a significant downturn in the valuation of these strategic investments and its potential impact on its profitability. We do not expect there to be a material impact on the valuation of its investments at this time and expect that the Company will continue to earn dividend income and will have adequate resources to continue in operational existence for a foreseeable future. While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the Board has concluded that COVID-19 is a non-adjusting post balance sheet event.

There are no other significant events after the balance sheet date.

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



**Mr. S. A. Windeatt**

Director

Date: 13/08/2020

## **BGC INTERNATIONAL**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The director presents the report and the financial statements for the year ended 31 December 2019.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to US\$3,930k (2018: US\$2,250k).

#### **DIRECTORS**

The directors who served during the year were:

Mr. S. A. Windeatt

Mr. J. R. Lightbourne (resigned 19th November 2019)

#### **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 section of the Strategic Report.

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 director has 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 the approval and signing of these financial statements. The Company will continue to earn dividend income on its investments. As such, the financial statements continue to be prepared on the going concern basis.

Please see the Post Balance Sheet Events section in the Strategic Report for a statement regarding the impact of COVID-19 on the Company.

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

The Company has granted an indemnity to its director 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 Director's Report.

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

Each of the persons who was a director at the time when this Director's Report is approved has confirmed

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- they have 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.

**BGC INTERNATIONAL**

**DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**AUDITORS**

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 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.



**Mr. S. A. Windeatt**  
Director

Date: 13/08/2020

## **BGC INTERNATIONAL**

### **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

The Director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company Law requires the director to prepare financial statements for each financial year. Under that law the director has 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 to the UK and Republic of Ireland'. Under company law the director 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 director is 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 director is 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 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16, 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 state of the Company's affairs as at 31 December 2019 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, 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.

#### **Emphasis of Matter**

We draw attention to Note 2.1 and Note 16 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting financial markets, personnel availability for work or being able to access offices. Our opinion is not modified in respect of this matter.

#### **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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

## **BGC INTERNATIONAL**

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

#### **Other information**

The other information comprises the information included in the annual report as set out on pages from 1 to 6, 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 this 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 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **BGC INTERNATIONAL**

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

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement as set out on page 6, the director is 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 director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

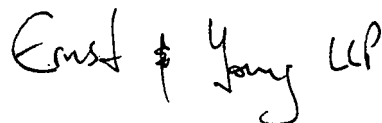
In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company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

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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Andrew Stevenson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 13 August 2020

**BGC INTERNATIONAL**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 US\$000	2018 US\$000
Income from fixed asset investments	3	3,988	2,203
<b>Gross profit</b>		<u>3,988</u>	<u>2,203</u>
Administrative expenses	5	(57)	(28)
<b>Operating profit</b>		<u>3,931</u>	<u>2,175</u>
Other Income		3	110
Interest expense and other similar charges	6	(4)	(3)
<b>Profit before tax</b>		<u>3,930</u>	<u>2,282</u>
Tax on profit	7	-	(32)
<b>Profit for the financial year</b>		<u><u>3,930</u></u>	<u><u>2,250</u></u>
<b>Other comprehensive income for the year</b>			
Revaluation of available for sale investments	8	10,517	22,589
Deferred tax charge on available for sale investments	7	(1,788)	(3,923)
<b>Other comprehensive income for the year</b>		<u>8,729</u>	<u>18,666</u>
<b>Total comprehensive income for the year</b>		<u><u>12,659</u></u>	<u><u>20,916</u></u>

The notes on pages 13 to 23 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 2019**

	Note	2019 US\$000	2018 US\$000
<b>Fixed assets</b>			
Investments	8	77,023	66,506
		<u>77,023</u>	<u>66,506</u>
<b>Current assets</b>			
Debtors: amounts due within one year	9	3,390	4
Cash at bank and in hand		13	16
		<u>3,403</u>	<u>20</u>
Creditors: amounts falling due within one year	10	(2)	(549)
<b>Net current assets/(liabilities)</b>		<u>3,401</u>	<u>(529)</u>
<b>Total assets less current liabilities</b>		<u>80,424</u>	<u>65,977</u>
<b>Provisions for liabilities</b>			
Deferred taxation	11	(9,474)	(7,686)
		<u>(9,474)</u>	<u>(7,686)</u>
<b>Net assets</b>		<u>70,950</u>	<u>58,291</u>
<b>Capital and Reserves</b>			
Called up share capital	12	19,308	19,308
Revaluation reserve		47,674	38,945
Retained earnings		3,968	38
		<u>70,950</u>	<u>58,291</u>

The notes on pages 13 to 23 form part of these financial statements.

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



**Mr. S. A. Windeatt**

Director

Date: 13/08/2020

**BGC INTERNATIONAL**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital US\$000	Revaluation reserve US\$000	Retained earnings US\$000	Total shareholder's funds US\$000
At 1 January 2019	19,308	38,945	38	58,291
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,930	3,930
Other comprehensive income	-	8,729	-	8,729
<b>At 31 December 2019</b>	<b>19,308</b>	<b>47,674</b>	<b>3,968</b>	<b>70,950</b>

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

	Called up share capital US\$000	Revaluation reserve US\$000	Retained earnings US\$000	Total shareholder's funds 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>	<b>19,308</b>	<b>38,945</b>	<b>38</b>	<b>58,291</b>

The notes on pages 13 to 23 form part of these financial statements.

## **BGC INTERNATIONAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. STATEMENT OF COMPLIANCE**

BGC International is an unlimited company, registered in England and Wales. Its registered office is 5 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 preceding 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 for a period of 12 months from the date the financial statement were approved, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006, and, where applicable, with International Accounting Standard 39 ('IAS 39').

Management is considering the potential economic impact to the Company of the recent global COVID-19 pandemic. The company is an investment holding company in strategic investments outside the Group. As part of its going concern review, the Company has stress tested the potential impact of a significant downturn in the valuation of these strategic investments and its potential impact on its profitability. We do not expect there to be a material impact on the valuation of its investments at this time and expect that the Company will continue to earn dividend income and will have adequate resources to continue in operational existence for a foreseeable future. While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the Board has concluded that COVID-19 is a non-adjusting post balance sheet event.

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.

The Company has applied FRS 102 as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. The Triennial Review amendments had no material impact on the financial statements of the Company.

##### **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 areas of 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.

## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 2.2 Judgements and key sources of estimation uncertainty (continued)

##### *Impairment of financial and non-financial assets*

Where there are indicators of impairment of individual assets, the Company performs impairment tests by comparing the recoverable amount of the asset to the carrying value. Recoverable amount is the higher of fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions at arm's length on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation requires an estimation of future cash flows expected to arise for the cash-generating unit, the selection of suitable discount rates and the estimation of future growth rates.

#### 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 exemptions 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 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 currency and presentational 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.

#### 2.6 Foreign currencies

	31 December 2019	31 December 2018
GBP	1.325	1.274
EUR	1.123	1.143

#### 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.



## **BGC INTERNATIONAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **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 period 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.

#### **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 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 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.

**BGC INTERNATIONAL**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2.11 Financial instruments (continued)**

**(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. 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, dependent on the total net fair value.

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 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.

**BGC INTERNATIONAL**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2.11 Financial instruments (continued)**

*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 expense**

Interest income and interest expense are recognised in the Statement of Comprehensive Income using the effective interest rate method.

The effective interest rate 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.

**2.14 Revaluation Reserve**

Gains and losses on the Company's fixed asset investments are recognised in the revaluation reserve of the Statement of Financial Position and in the Statement of Other Comprehensive Income.

**BGC INTERNATIONAL****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****3. INCOME FROM FIXED ASSET INVESTMENTS**

	2019 US\$000	2018 US\$000
Dividend income on equity investments	3,988	2,203
	<u>3,988</u>	<u>2,203</u>

**4. DIRECTORS AND EMPLOYEES**

The company had no employees during 2019 and 2018.

	2019 US\$000	2018 US\$000
Directors' remuneration	<u>1</u>	<u>2</u>
Remuneration of the highest paid director	<u>1</u>	<u>1</u>

Directors' remuneration for 2018 and 2019 was borne by a fellow BGC group entity and recharged to the Company.

**5. ADMINISTRATIVE EXPENSES**

The administrative expenses are stated after charging/(crediting):

	2019 US\$000	2018 US\$000
Foreign exchange loss/(gain)	<u>13</u>	<u>(110)</u>
<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	<u>42</u>	<u>42</u>

The auditor's remuneration for 2019 and 2018 was borne by a fellow BGC Group entity and recharged to the Company. No other fees were paid to the auditor in relation to the Company (2018: US\$nil).

**BGC INTERNATIONAL**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**6. INTEREST EXPENSE AND OTHER SIMILAR CHARGES**

	2019 US\$000	2018 US\$000
Other interest payable	4	3
	<u>4</u>	<u>3</u>

**7. TAXATION**

	2019 US\$000	2018 US\$000
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**(i) Tax on profit on ordinary activities**

Analysis of tax charge in the year:

**Current tax:**

UK corporation tax on profits for the year	-	32
<b>Current tax charge for the year</b>	<u>-</u>	<u>32</u>

**(ii) Tax on other comprehensive income**

**Deferred tax:**

Deferred tax current year charge	1,788	3,923
<b>Tax charge on other comprehensive income</b>	<u>1,788</u>	<u>3,923</u>

**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:

	2019 US\$000	2018 US\$000
Profit on ordinary activities before tax	3,930	2,282
Tax on profit at standard UK rate of 19.00% (2018: 19.00%)	747	434
Effects of: income not taxable	(758)	(421)
Expenses not deductible	1	19
Deferred tax not provided	10	-
<b>Total tax charge for the year</b>	<u>-</u>	<u>32</u>

**Factors that may affect future tax charges**

The effective statutory corporation tax rate for the year ended 31 December 2019 is 19%. Finance Act 2016 which was substantively enacted on 6 September 2016 confirmed that the rate of corporation tax would reduce to 17% from 1 April 2020. However, the budget on 11 March 2020 confirmed that the rate reduction to 17% will now not go ahead and the corporation tax rate will remain at 19%. A 17% rate has been applied to calculate the deferred tax asset as at 31 December 2019, as this was the substantively enacted rate at this date. However, if the 19% rate was applied, the deferred tax liability would be US\$1.1m higher. It is not possible to disclose the expected deferred tax unwind due to uncertainty around the available for sale movements.

# BGC INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. 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 2019	369	227	65,910	66,506
Revaluations	=	52	10,465	10,517
At 31 December 2019	369	279	76,375	77,023
<b>Net book value</b>				
At 31 December 2019	369	279	76,375	77,023
At 31 December 2018	369	227	65,910	66,506

#### Available for sale investments

The revaluation of the Company's unlisted available for sale investments was primarily driven by an increase of the value of its investment in LCH Group Holdings Limited. This investment was valued at US\$65.6m as at 31 December 2019 (2018: US\$55.4m), resulting in a gain of US\$10.2m. The valuation technique was based on a price-earnings ratio derived from inputs observed during 2018, including the London Stock Exchange's December 2018 purchase of a 14.64% investment in the LCH, which was then applied to the LSE's 2019 segmental financial reporting of the LCH.

Investments in associated undertakings includes capital contributions to the following Company:

Name	Holding	Nature of Business	Country	Registration
BGC International LP	77%	Servicing entity	UK	England and Wales
Cantor Fitzgerald (Proprietary) Limited	100%	Non-trading	South Africa	South Africa

Under the BGC International LP 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 2019**

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 US\$000	2018 US\$000
Trade debtors	-	4
Amounts owed by parent undertakings	3,316	-
Corporation tax	74	-
	<u>3,390</u>	<u>4</u>

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

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

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

	2019 US\$000	2018 US\$000
Amounts owed to parent undertakings	-	413
Other creditors	2	-
Corporation tax	-	136
	<u>2</u>	<u>549</u>

The Directors consider the carrying value of creditors approximates to their fair value.

**11. DEFERRED TAXATION**

	2019 US\$000	2018 US\$000
At 1 January 2019	7,686	3,763
Provided during the year	1,788	3,923
<b>As at 31 December 2019</b>	<u>9,474</u>	<u>7,686</u>

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.

**12. SHARE CAPITAL**

	2019 US\$000	2018 US\$000
<b>Allocated, called up and fully paid</b>		
11,280,806 (2018: 11,280,806) Ordinary shares of £1.00 each	<u>19,308</u>	<u>19,308</u>

# **BGC INTERNATIONAL**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **13. 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.

The Company enters into derivative transactions with Cantor Fitzgerald Europe, details of which are provided in note 14. Related party transactions requiring disclosure are as follows:

	2019 US\$000	2018 US\$000
<b>Amount due from related party</b>		
Entities with control over the Company	3,316	-
	<hr/>	<hr/>
	2019 US\$000	2018 US\$000
<b>Amount due to related party</b>		
Entities with control over the Company	-	413
	<hr/>	<hr/>

### **14. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company utilises the following derivative instruments for funding purposes:

	Contract or underlying principal amount US\$000	Fair Value Asset US\$000	Fair Value Liability US\$000
<b>2019</b>			
Currency swaps	-	-	-
At 31 December 2019	<hr/>	<hr/>	<hr/>
	Contract or underlying principal amount US\$000	Fair Value Asset US\$000	Fair Value Liability US\$000
<b>2018</b>			
Currency swaps	478	4	-
At 31 December 2019	<hr/>	<hr/>	<hr/>

Changes in the fair value of the financial assets and liabilities are recorded within administrative expenses in the Statement of Comprehensive Income.



## **BGC INTERNATIONAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent and controlling party is BGC International Holdings LP, which is registered in the United States of America. The ultimate controlling party is Cantor Fitzgerald, LP, which is registered at 499 Park Avenue, New York, NY 1022, 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.

#### **16. POST BALANCE SHEET EVENT**

##### **COVID-19**

Management is considering the potential economic impact to the Company of the recent global COVID-19 pandemic. The company is an investment holding company in strategic investments outside the Group. As part of its going concern review, the Company has stress tested the potential impact of a significant downturn in the valuation of these strategic investments and its potential impact on its profitability. We do not expect there to be a material impact on the valuation of its investments at this time and expect that the Company will continue to earn dividend income and will have adequate resources to continue in operational existence for a foreseeable future (please refer to note 2.1). While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the Board has concluded that COVID-19 is a non-adjusting post balance sheet event.

There are no other significant events after the balance sheet date.