

Registered number: 01976691

BGC INTERNATIONAL

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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COMPANY INFORMATION

BGC-INTERNATIONAL

DIRECTORS Mr. D. A. Denysen

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 2022

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 Group, Inc. Group ('BGC Group'), formerly BGC Partners, Inc., which comprises BGC Group, Inc. and its subsidiaries. BGC Group, Inc. is a member of the Cantor Fitzgerald, LP group ('Cantor Group'), which is comprised of Cantor Fitzgerald, LP, and its subsidiaries.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

BGC International is solely an investment holding company. The director regards profit before tax US\$5,365k (2021: US\$8,985k) and the underlying value of its investments US\$94,170k (2021: US\$99,115k) as the key performance indicators of the business.

Financial performance

The profit for the year amounted to US\$5,365k (2021: US\$8,985k), mainly consisting of dividends from investments in Euroclear Holding SA/NV ('Euroclear') and LCH Group Holdings Limited ('LCH') which amounted to US\$5,426k (2021: US\$9,089). This was offset by a loss of US\$3,656k (2021: loss of US\$648k) relating to the revaluation of available for sale investments. This resulted in Total Comprehensive Income for the year of US\$1,709k (2021: US\$8,337k). The revaluation loss of investments mainly arose from the Company's investments in Euroclear, LME Holdings Limited ('LME') and LCH. LCH was valued at US\$83,722k as at 31 December 2022 (2021: US\$85,600k), resulting in a loss of US\$1,878k. There was also a revaluation loss of US\$2,180k on the Company's investment in Euroclear which was valued at US\$7,932k as at 31 December 2022 (2021: US\$10,112k) and a US\$796k revaluation loss on London Metal Exchange which was valued at US\$1,804k as at 31 December 2022 (2021: US\$2,600k).

Investments

The Company has strategic investments in Euroclear, LCH, LME Holdings Limited ('LME') and Intercontinental Exchange, Inc. ('ICE').

Future Developments

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company faces credit, foreign exchange, liquidity, interest rate, market and operational risk in the course of its normal business. The director places reliance on the BGC Group's Risk Management function to manage and monitor risks as well as other related matters, and receives 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. Most debtors are related entities and therefore the director considers the Company's credit risk to be reduced.

BGC INTERNATIONAL

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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. The risk is considered to be low as the foreign exchange exposure is managed through a daily monitoring process in order to reduce the potential losses caused by foreign exchange rate variations.

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. 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.

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.

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.

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\$9,380k (2021: US\$9,874k) change in shareholders' funds. There would be no material impact on the Company unless a decline in valuation was prolonged and an investment's carrying value exceeded its recoverable amount.

UK withdrawal from the European Union

The UK and European Union trade agreement was signed on 30 December 2020, which was applied provisionally from 1 January 2021, and entered into force on 1 May 2021. The BGC Group continues to assess and adapt to the opportunities and challenges created by the UK's withdrawal from the European Union and monitor developments. To date, there have been no matters that warrant adjustments to either the financial results as at 31 December 2022 and for the year then ended, or the director's expectation of the going concern status of the Company.

BGC INTERNATIONAL

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Post balance sheet events

Change of parent company

On 1 July 2023, BGC Partners, Inc. completed a corporate conversion to a Full C-Corporation, BGC Group, Inc.

There are no other significant events occurring after the balance sheet date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2022 and for the year then ended.

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



Mr. D. A. Denysen

Director

Date: 14/08/23

BGC INTERNATIONAL

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents the report and the financial statements for the year ended 31 December 2022.

RESULTS AND FUTURE DEVELOPMENTS

Details of the Company's results and future developments have been provided in the Strategic Report.

DIRECTORS

The directors who served during the year were:

Mr. R. B. Stevens (resigned 31 March 2022)

Mr. D. A. Denyssen (appointed 31 March 2022)

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 as a going concern for a period of 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.

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 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 that:

- 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 2022**

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. D. A. Denyssen

Director

Date: 14/08/23

BGC INTERNATIONAL

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 in accordance with Section 10 of FRS 102 Accounting Policies, Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards including FRS 102 in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

Under applicable law and regulations, the director is also responsible for preparing a strategic report, and a Director's report, that comply with that law and those regulations. The director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGC INTERNATIONAL

Opinion

We have audited the financial statements of BGC International for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes from 1 to 13, 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 and Republic of Ireland" (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 2022 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 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 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 director's responsibilities statement 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, Financial Reporting Standard 102 and tax legislation (as governed by HM Revenue and Customs).
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies, reviewed minutes of the Board of Directors and other committees, made enquiries of the management for their awareness of any non-compliance with laws and regulations and gained an understanding of the Company's approach to governance through the review of the Board's approval of the risk management framework and the internal controls processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of controls to be a fraud risk. We considered the controls that the Company has established to address the risk identified, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of executive management and those responsible for legal and compliance matters and journal entry testing. We corroborated our enquiries through review of Board minutes, policies and correspondence with relevant regulatory authorities.



A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

DocuSigned by:
Ernst & Young LLP
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Andrew Stevenson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 August 2023

BGC INTERNATIONAL**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 US\$000	2021 US\$000
Income from fixed asset investments	3	5,426	9,089
Administrative expenses		(61)	(104)
Operating profit	5	<u>5,365</u>	<u>8,985</u>
Profit/(loss) before tax		5,365	8,985
Tax on profit/(loss)	6	-	-
Profit for the financial year		<u>5,365</u>	<u>8,985</u>
Other comprehensive income for the year			
Revaluation (losses)/gain of available for sale investments	7	(4,945)	5,029
Deferred tax credit/(charge) on available for sale investments	6	1,289	(5,677)
Other comprehensive (loss)/income for the year		<u>(3,656)</u>	<u>(648)</u>
Total comprehensive income for the year		<u>1,709</u>	<u>8,337</u>

The notes on pages 14 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 2022

	Note	2022 US\$000	2021 US\$000
Fixed assets			
Investments	7	94,170	99,115
Current assets			
Debtors: amounts due within one year	8	17,688	12,322
Cash at bank and in hand		12	13
		<u>17,700</u>	<u>12,335</u>
Net current assets		17,700	12,335
Total assets less current liabilities		<u>111,870</u>	<u>111,450</u>
Provisions for liabilities			
Deferred taxation	9	(18,219)	(19,508)
		<u>(18,219)</u>	<u>(19,508)</u>
Net assets		<u>93,651</u>	<u>91,942</u>
Capital and Reserves			
Called up share capital	10	19,308	19,308
Revaluation reserve		56,076	59,732
Retained earnings		18,267	12,902
		<u>93,651</u>	<u>91,942</u>

The notes on pages 14 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. D. A. Denysen
 Director
 Date: 14/08/23

BGC INTERNATIONAL**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital US\$000	Revaluation reserve US\$000	Retained earnings US\$000	Total shareholder's funds US\$000
At 1 January 2022	19,308	59,732	12,902	91,942
Comprehensive income for the year				
Profit for the year	-	-	5,365	5,365
Other comprehensive loss	-	(3,656)	-	(3,656)
At 31 December 2022	<u>19,308</u>	<u>56,076</u>	<u>18,267</u>	<u>93,651</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital US\$000	Revaluation reserve US\$000	Retained earnings US\$000	Total shareholder's funds US\$000
At 1 January 2021	19,308	60,380	3,917	83,605
Comprehensive income for the year				
Profit for the year	-	-	8,985	8,985
Other comprehensive income	-	(648)	-	(648)
At 31 December 2021	<u>19,308</u>	<u>59,732</u>	<u>12,902</u>	<u>91,942</u>

The notes on pages 14 to 23 form part of these financial statements.

BGC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. STATEMENT OF COMPLIANCE

BGC International is an unlimited private company, registered in England and Wales. Its registered office is 5 Churchill Place, Canary Wharf, 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 statements are approved, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006, and, where applicable, with International Accounting Standard 39 ('IAS 39').

After reviewing forecasts and making enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue. The Director specifically considered the potential impact of a significant downturn in the valuation of the Company's strategic investments in their analysis. The Director expects the Company to generate positive cash flows over the next twelve months and the Company is able to meet all its obligations as and when they fall due. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 director 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. Where there are no recent transactions in an investment's shares, a model based on the price to earnings ratio of the investment or other similar valuation metrics are used to determine fair value.

BGC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 Exemptions applied

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. 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, 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.

2.4 Functional currency 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.

2.5 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 at the balance sheet dates are recognised in the Statement of Comprehensive Income.

	31 December 2022	31 December 2021
GBP	1.203	1.354
EUR	1.067	1.137

2.6 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 2022

2.7 Investment in associated and subsidiary undertakings

Investments in associated and subsidiary 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.

2.8 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.

2.9 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.

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2.10 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2.10 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.

2.11 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.

2.12 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.

2.13 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 2022****3. INCOME FROM FIXED ASSET INVESTMENTS**

	2022 US\$000	2021 US\$000
Dividend income from equity investments	<u>5,426</u>	<u>9,089</u>

Dividend income relates to the Company's investments in LCH and Euroclear.

4. DIRECTORS AND EMPLOYEES

The Company had no employees during 2022 and 2021.

	2022 US\$000	2021 US\$000
Director's remuneration	<u>1</u>	<u>1</u>
Remuneration of the highest paid director	<u>1</u>	<u>1</u>

Director's remuneration for 2021 and 2022 was borne by a fellow BGC group entity and recharged to the Company.

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2022 US\$000	2021 US\$000
Foreign exchange loss	<u>31</u>	<u>76</u>
Fees payable to the Company's auditors:		
Fees payable to the Company's auditor for the audit of Company's annual financial statements	<u>35</u>	<u>35</u>

The auditor's remuneration for 2022 and 2021 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 (2021: US\$nil).

BGC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. TAXATION

	2022 US\$000	2021 US\$000
(i) Tax on profit on ordinary activities		
Analysis of tax charge in the year:		
Current tax:		
UK corporation tax on profits for the year	-	-
Current tax charge for the year	-	-
(ii) Tax on other comprehensive income		
Deferred tax:		
Deferred tax current year (credit)/charge	(1,289)	5,677
Tax (credit)/charge on other comprehensive income	(1,289)	5,677

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:

	2022 US\$000	2021 US\$000
Profit on ordinary activities before tax	5,365	8,985
Tax (credit)/charge on profit at standard UK rate of 19.00% (2021: 19.00%)	1,019	1,706
Effects of: income not taxable	(1,030)	(1,727)
Expenses not deductible	-	2
Deferred tax not provided	11	19
Total tax charge for the year	-	-

Factors that may affect future tax charges

The effective statutory corporation tax rate for the year ended 31 December 2022 is 19% (2021: 19%). Budget 2021 provided that the rate of corporation tax will increase to 25% from April 2023. This rate was enacted within Finance Act 2021.

BGC INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. INVESTMENTS

	Investments in associated and subsidiary undertakings US\$000	Available for sale investments - Listed US\$000	Available for sale investments - Unlisted US\$000	Total US\$000
Cost or valuation				
At 1 January 2022	369	404	98,342	99,115
Revaluations	-	(91)	(4,854)	(4,945)
At 31 December 2022	369	313	93,488	94,170
Net book value				
At 31 December 2022	369	313	93,488	94,170
At 31 December 2021	369	404	98,342	99,115

Available for sale investments

The revaluation of the Company's unlisted available for sale investments was primarily driven by a decrease in the value of its investment in LCH Group Holdings Limited. This investment was valued at US\$83,722k as at 31 December 2022 (2021: US\$85,600k), resulting in a loss of US\$1,878k. The valuation technique was based on a price-earnings ratio derived from inputs observed during 2022, 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 2022 segmental financial reporting of LCH. There was also a revaluation loss of US\$2,180k on the Company's investment in Euroclear which was valued at US\$7,932k as at 31 December 2022 (2021: US\$10,112k) and a US\$796k revaluation loss on London Metal Exchange which was valued at US\$1,804k as at 31 December 2022 (2021: US\$2,600k). The share price used to value the investment in LME in 2022 is £50 (2021: £64). The share price used to value the investment in Euroclear in 2022 is US\$2,040.05 (2021: US\$2,600.78). This is the price the shares were last transferred at in October 2022.

Investments in associate and subsidiary undertakings includes capital contributions to the following companies:

Name	Holding	Nature of Business	Country	Registration
BGC International LP	77%	Servicing entity	UK	England and Wales
Cantor Fitzgerald (Proprietary) Limited	100%	Dormant	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 2022****8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	US\$000	US\$000
Other debtors	-	2
Amounts owed by parent undertakings	17,622	12,253
Corporation tax	66	67
	<u>17,688</u>	<u>12,322</u>

The Director considers the carrying value of debtors approximates to their fair value.

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

9. DEFERRED TAXATION

	2022	2021
	US\$000	US\$000
At 1 January 2021	19,508	13,831
(Credited)/provided during the year	(1,289)	5,677
As at 31 December 2022	<u>18,219</u>	<u>19,508</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 investments, are recognised within the other comprehensive income.

The effective statutory corporation tax rate for the year ended 31 December 2022 is 19% (2021:19%). Budget 2021 provided that the rate of corporation tax will increase to 25% from April 2023. This rate was enacted within Finance Act 2021.

10. SHARE CAPITAL

	2022	2021
	US\$000	US\$000
Allocated, called up and fully paid		
11,280,806 (2021: 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 2022

11. 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 Group, Inc. (formerly BGC Partners, Inc.), whose financial statements are publicly available. BGC Group, Inc. is partially owned by Cantor Fitzgerald, L.P., the ultimate controlling entity.

Related party transactions requiring disclosure are as follows:

	2022 US\$000	2021 US\$000
Amount due from related party		
Entities with control over the Company	17,622	12,253

12. 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 and largest group to make its financial statements publicly available into which the results of the Company are consolidated is BGC Group, Inc. (formerly BGC Partners, Inc.), incorporated in the United States of America. The consolidated financial statements of this group are available from 499 Park Avenue, New York, USA 10022. The largest group into which the results of the Company are consolidated is Cantor Fitzgerald L.P. which does not produce publicly available financial statements.

13. POST BALANCE SHEET EVENTS

Change of parent company

On 1 July 2023, BGC Partners, Inc. completed a corporate conversion to a Full C-Corporation, BGC Group, Inc.

There are no other significant events occurring after the balance sheet date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2022 and for the year then ended.