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Registered number: 02505767

CANTOR FITZGERALD EUROPE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CANTOR FITZGERALD EUROPE

COMPANY INFORMATION

DIRECTORS	Mr R. Haley Mr S. Sofocleous (resigned 16 March 2020) Ms D. E. Moore (non-executive) Mr A. J. Simpson (non-executive) Mr J. R. Lightbourne (resigned 19 November 2019) Mr M. E. Kaplan Mr I. Salters (appointed 6 April 2020) Mr S. Capstick (appointed 6 April 2020) Mr B. Bair (appointed 6 April 2020)
COMPANY SECRETARY	Mr R. M. Snelling (resigned 27 November 2019)
REGISTERED NUMBER	02505767
REGISTERED OFFICE	5 Churchill Place Canary Wharf London E14 5HU
INDEPENDENT AUDITOR	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

CANTOR FITZGERALD EUROPE

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CANTOR FITZGERALD EUROPE

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

Cantor Fitzgerald Europe ("the Company") is an unlimited company with share capital, which acts as an investment bank in securities and derivatives operating from the United Kingdom, Israel and Dubai.

The Company is part of the Cantor Fitzgerald, L.P. group which is comprised of Cantor Fitzgerald, L.P. ("CFLP") and its subsidiaries (the "Cantor Group"). The immediate parent of the Company is Cantor Fitzgerald Services LLP ("CFS LLP" or the "Parent LLP").

The Company is regulated by the Financial Conduct Authority ("FCA") and is authorised to conduct investment business in the UK under the Financial Services and Markets Act 2000 ("FSMA"). Furthermore, under the provisions of the Markets in Financial Instruments Directive II ("MiFID II"), it is authorised to conduct cross border investment business into European Economic Area ("EEA") member states. The Company's Dubai branch is regulated by the Dubai Financial Services Authority ("DFSA"). The Company also has a branch office in Israel.

As at 31 December 2019, the Company was an equity exchange member of the London Stock Exchange, NYSE, Euronext in Amsterdam, Brussels and Paris and Deutsche Borse Xetra. The Company was a derivatives exchange member of the London Stock Exchange, NYSE Euronext in Amsterdam, Brussels and Paris, Eurex Exchange, ICE Futures Europe and Nasdaq OMX.

The Company is a Nominated Adviser ('NOMAD") for the Alternative Investment Market ("AIM"), as approved by the London Stock Exchange ("LSE"), and serves as a broker to firms listed on both AIM and the LSE.

The Company operates four main business lines: equities, fixed income, prime services and investment banking.

Equities
The focus of the equities division is to provide sales and execution capabilities in all the major global cash equity markets to the Company's customer base. The business also provides UK market making services to clients on a principal basis. The Company makes markets in over 535 FTSE 250 and AIM listed stocks and provides liquidity in more than 218 investment trusts.

Fixed Income
The Company provides clients with sales, trading and execution solutions across a broad range of fixed income products on an agency basis.

Prime Services
The prime services business line provides execution and clearing services in Institutional Contract for Differences ("CFDs") and Total Return Equity Swaps.

Investment Banking
The Company's investment banking business is split into two activities: UK Listed Equities & Investment Trusts Corporate Finance and Advisory Banking in Power, Infrastructure and Healthcare.

Advisory Banking team provide banking services covering mainly M&A and private equity and debt activities to clients.

The UK listed Equities & Investment Trusts corporate finance team provide advisory and research services to clients covering primary and secondary issuance, M&A, capital reorganisations, debt issuance, research and strategy. The Company is a corporate broker and / or NOMAD to over 43 clients and also provides sector, and pan European, equity research on over 184 stocks as at 31 December 2019.

BUSINESS REVIEW

Following a challenging 2018, capital markets recovered in 2019 with many global indices posting their best returns since the financial crisis. However, this was not matched by an increase in market volumes, as a number of factors such as US-China trade discussions and uncertainty around Brexit meant investors stood back from the markets.

This meant the franchise's revenue was broadly flat year on year, US$70,868k (2018: US$71,051k). The equities and prime division's revenue was lower primarily due to one off transaction revenue in 2018. Additionally, in 2019 the Company exited its Exchange Traded Fund ("ETF") markets business.

The UK listed investment corporate finance team saw a further significant reduction in transactions caused by Brexit. In 2020, (see post balance sheet events on page 7) the Company has taken the decision to exit this business activity. The power and infrastructure banking business delivered strong revenue growth year on year following the build out of the team in 2018.

In fixed income the Company ceased its activity in emerging market debt in Q2 2019 to increase the underlying profitability of the division, this adversely impacted revenue.

During the 2019 financial year, the Company and the Parent LLP adopted a partnership structure for its key front office professionals to further align their interests with the stakeholders of the Cantor Group. The principal activity of the Parent LLP is to act as a service entity, providing the services of its staff, members and board to the Company. At 31 December 2019, 87 employees had resigned from the Company and joined the Parent LLP of which 12 had become LLP members. As a result staff costs reduced to US$22,525k in 2019 from US$38,057k in 2018, however, administrative expenses increased from US$24,284k in 2018 to US$36,837k for 2019 principally due to the Parent LLP service fee.

The Company posted an overall loss before tax of US$2,571k for 2019 versus a loss of US$6,148k for 2018.

FUTURE DEVELOPMENTS

The Company intends to grow its more focussed business whilst managing its cost base tightly.

The UK formally left the European Union on 31 January 2020 but the final impact of the European Union Referendum outcome is yet to be determined formally, as political negotiations between the UK and the EU continue. The Cantor 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 Cantor 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Business activity risk

The principal risks facing the Company arise from:
- high level of competition for clients from other brokerage and financial services firms;
- the challenge of attracting and retaining highly skilled revenue producers and appropriately qualified staff in all other areas; and
- the impact on the industry created by MiFID II and Brexit.

Credit, market, interest rate, liquidity, foreign exchange, operational, regulatory and capital risk

The Company faces credit, market, interest rate, liquidity, foreign exchange, operational, regulatory and capital risk in the course of its normal business. The directors place reliance on the risk management functions and receive regular reports on specific risks affecting the Company. The Company has established policies and procedures to mitigate further its exposure to these risks, as detailed in the risk management notes (see notes 23 to 31).

s172(1) Statement: Directors Duty to promote the success of the Company

The directors of the Company act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its member and its other stakeholders and the wider Cantor Group, as a whole, and in doing so have regard to the matters set out in s172(1) (a-f), and the directors recognise the need to review regularly the identity of its stakeholders as it makes decisions on behalf of the Company, and in particular:

the interests of the Company's staff; The Cantor Group is an organization built upon strong values and employee engagement and ownership. At its core, the Cantor Group is committed to its staff by providing an opportunity to participate in its success. Unlike many companies, most of its staff have the opportunity to be granted a partnership stake in the Cantor Group. Because of this diverse staff ownership, the Cantor Group has an entrepreneurial culture that allows it to attract and retain key staff in all of its markets. The staff are at the core of all that the Company does and set the tone for its businesses. This relationship with its people aligns its staff and management with shareholders and encourages a collaborative and entrepreneurial culture that informs every decision.

the need to foster the Company's business relationships with suppliers, customers and others; in all of the Company's relationships, including those with the customers, suppliers, regulators, business partners, associates, directors, employees, brokers, and consultants, the directors require its staff demonstrate a steadfast commitment to:

- integrity and fair dealing;
- creating meaningful relationships and understanding how these will need to evolve to meet changing needs
- avoidance of fraud, abuse, manipulation, concealment, or other unfair practices
- honest and ethical conduct, including the avoidance and proper handling of potential, actual, or apparent conflicts of interest between personal and professional relationships; and
- compliance with applicable governmental laws, rules, and regulations

the impact of the Company's operations on the community and the environment; as a global financial services business we have a responsibility in terms of the influence we can have on our industry, our supply chain and wider society. We take these responsibilities seriously. The directors believe in hard work, innovation, superior client service, strong ethics and governance, and equal opportunities, as well as community service and charity. They believe these values foster sustainable, profitable growth. The directors take their role in corporate social responsibility and sustainability seriously. The directors support the participation of staff in civic and, charitable activities.

Every year on September 11th, in conjunction with the Cantor Fitzgerald Relief Fund, the Cantor Group remembers its 719 friends and colleagues who were tragically killed on that day in 2001 by distributing its global revenues to the Cantor Fitzgerald Relief Fund and many other charities around the world.

the desirability of the Company maintaining a reputation for high standards of business conduct; the reputation and integrity of the Cantor Group are valuable assets that are vital to the Company's success. Each director, employee, contractor and consultant of the Company is responsible for conducting the Company's business and affairs in a manner that demonstrates a commitment to the highest standards of legal compliance and business and professional ethics and integrity.

the need to act fairly as between members of the Company while the Company has two shareholders, Cantor Fitzgerald Services LLP and CF&Co LLC, the directors understand that it has a broad number of stakeholder groups which includes its valued customers and suppliers, its interactions with regulators, and the value that the Company derives from drawing on the talent of the staff of the wider Cantor Group. In making decisions, the relevance of each stakeholder group varies by reference to the issue in question which the directors consider where appropriate during its discussions and as part of its decision-making. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, is integral to the way the directors operate the Company.

stakeholder interests are at the heart of our long-term strategy; the Company has addressed some of the key matters that are likely to inform its decision-making with regards to the Company's future strategy in this report and, in particular the need to implement a long-term strategy that addresses the nature and the timing of the UK leaving the European Union, which the directors continue to review and monitor closely.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company's core objectives and long term strategy dictate key performance indicators ("KPIs") that the business monitors, targets and measures. These KPIs fulfil a number of roles, including:
• to give directors and senior management a means to evaluate the Company's overall performance from an operational, growth and sustainable development perspective; and
• to provide managers and their teams with clarity and focus on the areas that are critical for the successful achievement of the Company's strategy.

Gross profit from continuing operations
Aim: For the continuous improvement of the business's operational activities.

Analysis: During 2019, the Company's continuing gross profit increased by 71.7% when compared with 2018 (2019 gross profit: US$35,184k; 2018 gross profit: US$20,494k). This is in large part as a result of the Company and Parent LLP adopting a partnership structure with cost of sales (staff costs) reducing by US$15,532k in 2019, however, administrative expenses increased by US$12,553k in 2019.

Profit before tax
Aim: To focus on maintaining profitability, through cost reduction and increasing revenues.

Analysis: The Company returned a loss before tax of US$2,571k in 2019, compared with a loss before tax of US$6,148k in 2018.

External regulatory capital requirements
Aim: To maintain a regulatory capital surplus and exceed the minimum capital ratio requirements.

The Company was in compliance with external capital requirements at 31 December 2019 and 31 December 2018. The Company maintained a strong capital surplus of US$45,053k (2018: US$52,646k) at the year end, which includes ICG, Capital planning buffer and the 2019 audited loss. Capital ratios were in excess of the minimum Pillar 1 requirements: CET1 capital ratio (must be > 4.5%) 36.3% (2018 must be > 4.5%: 41.9%), Tier 1 capital ratio (must be >6.0%) 36.3% (2018 must be >6%: 41.9%) and total capital ratio (must be > 8.0%) 36.6% (2018 must be > 8.0%: 41.9%).

Receivables overdue more than 90 days
Aim: Minimise the Company's exposure to credit risk.

Analysis: The Company experienced an increase in receivables overdue by more than 90 days of US$992k and as at 31 December 2019 totalled US$2,726k (2018: US$1,734k). These outstanding receivables were reviewed for their collectability which indicated no issues.

Maximum cumulative outflow less available liquidity reserves
Aim: The Company should have an appropriate amount of liquidity reserves, to meet its obligations in normal and stressed conditions, as and when they fall due, within its appetite and tolerance for liquidity risk.

Analysis: The Company maintained a liquidity position in excess of the regulatory thresholds and within its liquidity risk appetite by having sufficient cash and liquid assets to meet both business as usual and stressed market conditions.

CANTOR FITZGERALD EUROPE

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

These are described in notes 23 to 31 in the financial statements.

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

Mr R. Haley
Director

Date: 30 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US$3,494k (2018 - US$6,630).

The directors do not recommend a dividend for the year (2018: US$Nil).

The directors who served during the year were:

Mr R. Haley
Mr S. Sofocleous (resigned 16 March 2020)
Ms D. E. Moore (non-executive)
Mr A. J. Simpson (non-executive)
Mr J. R. Lightbourne (resigned 19 November 2019)
Mr M. E. Kaplan

The directors appointed post year end were:

Mr I. Salters (appointed 6 April 2020)
Mr S. Capstick (appointed 6 April 2020)
Mr B. Bair (appointed 6 April 2020)

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

During the year, the Company made charitable donations of US$161k (2018: US$93k).

The Company did not make any political contributions during the current or prior year.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

MATTERS COVERED IN THE STRATEGIC REPORT

An indication of the likely future developments of the Company, along with information pertaining to the branches of the Company outside of the United Kingdom, have both been discussed in the Company Strategic Report.

GOING CONCERN

The Company's business activities, together with factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 - 5. In addition, notes 23 - 31 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit, market, interest rate, foreign exchange, liquidity, operational, regulatory and capital risk.

The directors of the Company, having assessed the foreseeable financial position of the Company based upon the Company's future business, capital and liquidity plans, have a reasonable expectation that it has adequate resources to continue in operational existence and to meet financial objectives for the foreseeable future and for at least 12 months from the approval and signing of the balance sheet. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Please see the Post Balance Sheet Events section and notes to the financial statements for reference to the Company's review of the current impact of COVID-19.

POST BALANCE SHEET EVENTS

Closure of UK listed equities & investment trusts – corporate finance
In 2020, the Company took the decision to permanently close its UK listed equities & investment trusts corporate finance and advisory arm that focusses on mid-cap and AIM businesses. Following closure the Company will no longer provide corporate broker or NOMAD services. The directors consider that the closure is a non-adjusting post balance sheet event and at such time the financial impact is estimated to be costs of US$1,500k.

Covid-19
Management is considering the potential economic impact to the Company of the COVID-19 pandemic. A number of front and back office employees and clients are currently operating successfully from remote locations, on the advice of local governments. IT and communications resources available to the Company have ensured that all staff can continue to work effectively and keep in regular contact with colleagues and clients, and as a result, disruption has been kept to a minimum. Our actual trading experience to date has shown higher trading volumes and therefore revenues to the increased financial market activity that is occurring. However, as part of its going concern review, the Company has stress tested the potential impact of a significant downturn in activity levels on revenue; on profitability and on our regulatory capital. We do not expect there to be a material impact on our financial position at this time and we expect the Company to have adequate resources to continue operations for the foreseeable future. While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the directors have concluded that Covid-19 is a non-adjusting post balance sheet event.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

AUDITOR

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

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

Mr R. Haley
Director

Date: 30 June 2020

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CANTOR FITZGERALD EUROPE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANTOR FITZGERALD EUROPE

Opinion

We have audited the financial statements of Cantor Fitzgerald Europe for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 35, 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 1.1 and Note 35 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.

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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, 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.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Peter Wallace (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor

25 Churchill Place
Canary Wharf
London
E14 5EY

30 June 2020

CANTOR FITZGERALD EUROPE

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$000	2018 US$000
Turnover	2	70,868	71,051
Cost of sales		(35,684)	(50,557)
GROSS PROFIT		35,184	20,494
Administrative expenses		(36,837)	(24,284)
OPERATING LOSS	5	(1,653)	(3,790)
Interest receivable and similar income	9	2,416	2,068
Interest payable and similar charges	10	(3,334)	(4,426)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,571)	(6,148)
Taxation on ordinary activities	11	(923)	(482)
Total comprehensive loss for the year		(3,494)	(6,630)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 14 to 52 form part of these financial statements.

CANTOR FITZGERALD EUROPE
REGISTERED NUMBER: 02505767

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 US$000		As restated 2018 US$000
Current assets					
Debtors	13	179,155		198,969	
Current asset investments	14	168,819		140,182	
Cash at bank and in hand	15	19,791		32,562	
		367,765		371,713	
Creditors: Amounts falling due within one year	16	(269,880)		(270,129)	
Net current assets			97,885		101,584
Total assets less current liabilities			97,885		101,584
Provisions for liabilities	18		(615)		(820)
Net assets			97,270		100,764
Capital and reserves					
Called up share capital	20		101,237		101,237
Profit and loss account			(3,967)		(473)
Shareholders' funds			97,270		100,764

The 2018 figures are restated as a result of a prior year restatement - see note 34.

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

Mr R. Haley
Director

Date: 30 June 2020

The notes on pages 14 to 52 form part of these financial statements.

CANTOR FITZGERALD EUROPE

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

	Called up share capital	Profit and loss account	Shareholders' funds
	US$000	US$000	US$000
At 1 January 2019	101,237	(473)	100,764
Total comprehensive loss for the year	-	(3,494)	(3,494)
At 31 December 2019	101,237	(3,967)	97,270

The notes on pages 14 to 52 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Shareholders' funds
	US$000	US$000	US$000
At 1 January 2018	90,426	(47,132)	43,294
Total comprehensive loss for the year	-	(6,630)	(6,630)
Shares issued during the year	64,100	-	64,100
Shares cancelled during the year	(53,289)	-	(53,289)
Shares cancelled against profit and loss reserve	-	53,289	53,289
At 31 December 2018	101,237	(473)	100,764

1. ACCOUNTING POLICIES

The financial statements have been prepared in compliance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102') and with the Companies Act 2006.

The principal accounting policies are described below:

1.1 Basis of preparation of financial statements & cash flow exemption

The financial statements are prepared on a going concern basis under the historical cost convention, as modified by the inclusion of financial instruments which are held at fair value. The financial statements are presented in US dollars and are rounded to the nearest US$'000.

As a qualifying entity under FRS 102, the Company has taken advantage of the exemption in FRS 102 section 1.11-1.12 from preparing a cash flow statement. The Company is able to apply this exemption as its immediate parent CFS LLP, prepares publicly available consolidated financial statements (see note 33) which include a cash flow statement.

To assess the possible impact of the COVID-19 pandemic on the Company's financial, liquidity and capital positions, a going concern assessment on the Company has been performed which included stress testing of the 12 month forecast under stressed scenarios and observing the impact on the Company. This included stressing the revenue, expenses and regulatory capital for a significant downturn in activity levels. Based on the assessment performed, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Whilst there remains significant uncertainty regarding the future development of the pandemic and the timing and size of the future economic recovery, this does not impact the Company's ability to continue as a going concern and hence the financial statements have been prepared on this basis.

1.2 Foreign currencies

The Company's functional currency is US Dollars as this is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded at the month end exchange rate for the month that the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are recognised in the profit and loss account.

The balance sheet conversion rate used to convert GBP to USD at 31 December 2019 was 1.3248 (2018: 1.2736).

1.3 Segmental reporting

The Company has not presented segmental information per business line, as in the opinion of the directors, it would be seriously prejudicial to the interests of the Company to do so. The Company has however disclosed its geographical segmental information.

1. *ACCOUNTING POLICIES (CONTINUED)*

1.4 Revenue (turnover) recognition

Revenue is recognised to the extent that economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are generated from trading in financial markets and fees related to commissions earned on agency business are reported net of commissions expensed. For the principal and CFD/Equity Swap businesses, open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue together with gains and losses realised on positions that have closed.

Fee income includes revenue from placements, initial public offerings, mergers and acquisition transactions and is recognised when the outcome of a transaction can be measured reliably.

1.5 Cost of sales

Cost of sales includes all expenses which are directly attributable to the activity of generating revenue such as the cost of the Company's employees and commissions, sales and promotion, communications and other trade related charges.

1.6 Operating leases

Rental expenses and lease incentives are recognised in the profit and loss account on a straight line basis over the lease term.

1.7 Retirement benefit costs

The Company operates a defined contribution scheme for its employees. Contributions are charged to the profit and loss account as they are incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.8 Interest income and expense

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

1. ACCOUNTING POLICIES (CONTINUED)

1.9 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.

1.10 Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between the Company's taxable profits and total comprehensive income that arise 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.

1.11 Cash at bank and in hand

Cash comprises cash at bank, in hand, and client monies held by the Company. Any overdrawn accounts are classified as creditors falling due within one year.

Client monies held on behalf of clients by the Company are included within cash on the balance sheet and the corresponding liability to clients is included in trade creditors. The return received on holding client money is included within interest receivable.

1.12 Financial instruments

The Company applies the recognition and measurement provisions of IAS 39 – 'Financial Instruments: Recognition and Measurement' (as adopted for use in the EU), as permitted by FRS 102, to account for all of its financial instruments.

Recognition
The Company determines the classification of its financial instruments at initial recognition depending upon 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.

In 2018, the CFE Board have changed the accounting policy from trade date to settlement date recognition for regular way purchase/sales of financial instruments held for trading. Financial instruments classified as amortised cost continue to be recognised on a trade date basis.

1. ACCOUNTING POLICIES (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 and include amounts due from customers on pending trades and other positions (disclosed within trade debtors), other debtors and amounts owed by subsidiaries and affiliates. These amounts are initially recognised at fair value and are subsequently measured at amortised cost when the time value of money is material, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account 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.

Financial liabilities measured at amortised cost
This category of financial liabilities includes amounts due to customers on pending trades and other positions (disclosed within trade creditors), other creditors and amounts owed to parent undertakings, subsidiaries and affiliates. These amounts are initially recognised at fair value and are subsequently measured at amortised cost when the time value of money is material, using the effective interest method.

ii) Financial instruments at fair value through the profit and loss
Financial instruments classified as held for trading, or designated as such on inception, are included in this category and this is principally the Company's long and short inventory positions. Financial instruments are classified as held for trading if they are acquired for the purpose of reselling. All derivative financial instruments are measured at fair value through profit and loss. 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 balance sheet at fair value, with gains or losses recognised in the profit and loss account.

Securities borrowing, securities lending and, repurchase and reverse purchase agreements
Cash balances and accrued interest arising under repurchase agreements and securities lending arrangements are recorded as liabilities and the related securities, where owned by the Company, continue to be recognised in the financial statements at fair value.

Cash balances and accrued interest arising under resale agreements and securities borrowing arrangements are recorded as debtors and the related securities are not recognised in the financial statements.

Derecognition
As mentioned above, in 2018, the CFE Board have changed the accounting policy from trade date to settlement date recognition for regular way purchase/sales of financial instruments held for trading. Financial instruments classified as amortised cost continue to be recognised on a trade date basis.

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 transfers substantially all the risks and rewards of ownership.

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

Impairment of financial assets not held at fair value through profit or loss
The Company assesses, at each balance sheet 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

1. ACCOUNTING POLICIES (CONTINUED)

the initial recognition of the asset and prior to the balance sheet 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 the 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 the 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 immediately in the profit and loss account.

1.13 Equity Compensation

From time to time, CFLP awards certain employees of the Company grant units in CFLP. Grant units entitle the employees to participate in quarterly distributions of CFLP's income and to receive certain post-termination payments.

Adjustments are made to the fair value of all awards outstanding at the accounting reference date to account for the likelihood that the grant unit holder will fulfil the vesting conditions. Grant units awarded generally vest over a three to four year period. The awards are cash settled.

An expense has been recognised in the profit and loss account based on the adjusted fair value with a corresponding increase in the Company's intercompany liability to CFLP as the Company reimburses CFLP for the costs associated with the issuance of the awards.

1.14 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 management's best estimate of the expenditure required to settle the obligation at the balance sheet date and they are discounted to present value where the effect is material.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Provisions
Provisions established by the Company are based on management's assessment of relevant information and advice available at the time of preparing the financial statements. Outcomes are uncertain and dependent on future events. Where outcomes differ from management's expectations, differences from the amount provided will impact profit or loss in the period the outcome is determined.

Impairment of financial assets not held at fair value through profit or loss
The Company assesses, at each balance sheet date, whether there is objective evidence that an asset is impaired. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more loss events and that loss event has had an impact on the estimated future cash flows of the financial asset. The estimation of future cash flows requires management to make judgements and assumptions which impact the recoverable amount of the asset being assessed.

2. TURNOVER

The Company's income is derived from trading and brokerage services in equities, CFDs/Equity Swaps, ETFs and derivatives, corporate advisory, NOMAD, research services and debt capital markets.

Turnover represents the income received in respect of the purchase and sale of equities and commissions earned from executing broker businesses and corporate advisory fees. Revenue is shown net of any related dealing and broking expense (e.g. commissions, cost of carry).

3. TURNOVER ANALYSIS

Turnover includes commission and fee income of US$47,565k (2018: US$44,371k) and fees from group undertakings of US$4,124k (2018: US$2,470k). The remaining turnover relates to net gains from financial assets and liabilities at fair value through profit and loss US$19,179k (2018: US$24,210k).

4. GEOGRAPHICAL SEGMENTAL ANALYSIS

The following disclosures are made in accordance with the Capital Requirements Directive IV ("CRD IV") Country by Country Reporting ("CBCR") framework:

	2019 US$000	2018 US$000
Turnover		
United Kingdom	70,013	68,891
Israel	780	1,160
Dubai	75	-
	70,868	70,051

	2019 US$000	2018 US$000
Taxation on loss (excluding deferred tax)		
United Kingdom	(93)	(213)
	(93)	(213)

Refer to note 11 for further details regarding taxation.

	2019 No.	2018 No.
Average number of employees		
United Kingdom	70	124
Israel	2	2
Dubai	1	-
	73	126

Public subsidies received

The Company did not receive any public subsidies during the current and prior year.

5. OPERATING LOSS

Operating loss is stated after charging / (crediting):

	2019 US$000	2018 US$000
Foreign exchange (gain)/loss	(269)	602
Rent payable under operating leases	2,084	1,609

6. AUDITOR'S REMUNERATION

	2019 US$000	2018 US$000
Audit of the financial statements	218	218
Other audit related assurance services	153	153
	371	371

The auditor's remuneration is borne by an associated group entity, of which the Company was subsequently recharged US$419k (2018: US$205k).

7. STAFF COSTS

Staff costs were as follows:

	2019 US$000	2018 US$000
Wages and salaries	19,632	33,626
Social security costs	2,741	4,231
Cost of defined contribution scheme	152	200
	22,525	38,057

There were no outstanding contributions payable to the defined contribution scheme by the Company as at 31 December 2019 and 31 December 2018.

During the 2019 financial year, the Company and the Parent LLP adopted a partnership structure for its key front office professionals to further align their interests with the stakeholders of the Cantor Group. The principal activity of the Parent LLP is to act as a service entity, providing the services of its staff, members and board to the Company. At 31 December 2019, 87 employees had resigned from the Company and joined the Parent LLP of which 12 had become LLP members.

During the year, the Company was charged a service fee of US$11,100k (2018: US$Nil) by the Parent LLP.

STAFF COSTS (CONTINUED)

The average monthly number of employees (excluding the directors), during the year was as follows:

	2019 No.	2018 No.
Operating	62	117
Business Management	4	9
	66	126

From time to time, CFLP awards certain employees of the Company grant units in CFLP.

Grant units entitle the holder to participate in quarterly distributions of income by CFLP and receive post-termination payments equal to a fixed notional value of the award in four equal installments on the first, second, third and fourth anniversaries of the employee's termination, provided that the employee has not engaged in any competitive activity with CFLP or its affiliates prior to each payment date.

The value of the grant awards is determined using a fair value model and uses the following key assumptions:

	2019	2018
Discount rate (%)	2	3
Forfeiture rate (%)	39	41
Retirement age (years)	50	50

The Company recognised in cost of sales (staff costs - wages and salaries) a total expense of US$1,201k in the year ended 31 December 2019 (2018: expense of US$2,241k) in relation to the grant units.

8. DIRECTORS' REMUNERATION

The remuneration paid to the directors of the Company comprised:

	2019 US$000	2018 US$000
Directors' remuneration	861	1,141
Remuneration of the highest paid director	550	967

As a result of the Company and the Parent LLP adopting a partnership structure certain directors of the Company have become members of the Parent LLP in 2018. The Company pays for these director services by way of the Parent LLP service fee.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 US$000	2018 US$000
Other interest receivable	2,416	2,068
	2,416	2,068

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 US$000	2018 US$000
Bank interest payable	1,640	1,859
Loans from group undertakings	45	1,030
Other interest payable	1,649	1,537
	3,334	4,426

11. TAXATION

	2019 US$000	2018 US$000
Corporation tax		
Current tax on loss for the year	153	-
Adjustments in respect of previous periods	(58)	(32)
	95	(32)
Foreign tax adjustment in respect of prior periods	(2)	245
	(2)	245
Total current tax	93	213
Deferred tax		
Origination and reversal of timing differences	929	233
Effect of changes in tax rates	(99)	36
Total deferred tax	830	269
Taxation on loss on ordinary activities	923	482

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 US$000	2018 US$000
Loss on ordinary activities before tax	(2,571)	(6,148)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	(488)	(1,168)
EFFECTS OF:		
Expenses not deductible	179	625
Income not taxable	(7)	-
Losses carried forward / (utilised)	-	32
Deferred tax unrecognised	1,398	233
Adjustment from previous periods	(60)	(32)
Tax rate changes	(99)	36
Short-term timing differences	-	511
Foreign tax	-	245
TOTAL TAX CHARGE FOR THE YEAR	923	482

11. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The effective statutory corporation tax rate for the year ended 31 December 2019 is 19.00% (2018: 19.00%). The Finance Act 2016 which was substantively enacted on 6 September 2016 confirmed that the rate of corporation tax will reduce to 17.00% from 1 April 2020. 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 19.00%.

12. DEFERRED TAXATION

A deferred tax asset of US$Nil (2018: US$813k) has not been recognised in respect of part of the tax losses carried forward as at 31 December 2019 based on forecast losses for future years against which the tax losses can be offset.

The total deferred tax asset not recognised has been calculated at a 17.00% rate and is US$8,969k (2018: US$7,739k). Of the total asset not recognised, the amount relating to tax losses is approximately US$6,762k (2018: US$5,994k), and the amount relating to capital allowances is approximately US$135k (2018: US$185k), and the amount relating to other short-term timing differences is US$2,073k (2018: US$1,560k). If the unrecognised deferred tax had been calculated at 19%, it would have been $1,100k higher. There is no deferred tax liability provision.

13. DEBTORS

	2019 US$000	As restated 2018 US$000
Trade debtors	155,904	180,152
Amounts owed by group companies	9,544	4,358
Other taxes and social security	171	161
Other debtors	12,454	12,530
Prepayments and accrued income	107	161
Corporation tax recoverable	975	794
Deferred taxation	-	813
	179,155	198,969

The 2018 figures are restated as a result of a prior year restatement - see note 34.

In relation to the deferred tax asset, US$Nil (2018: US$542k) is considered non-current and to be utilised in more than one year.

Trade debtors are further analysed below:

	2019 US$000	As restated 2018 US$000
Mark to market on securities pending settlement	323	473
Failed trades to deliver	56,827	75,149
Securities purchased under agreements to resell with related parties	40,947	30,696
Stock borrows with unrelated parties	2,153	9,430
Stock borrows with group undertakings	7,269	-
Derivative balances	23,524	17,041
Receivables from clients, clearers, exchanges and other broker dealers	24,861	47,363
	155,904	180,152

14. CURRENT ASSET INVESTMENTS

	2019 US$000	2018 US$000
Long positions	117,963	80,649
Liquid resources	50,856	59,533
	168,819	140,182

Long positions represent the Company's trading positions and hedges for certain CFD/Equity Swap client trades. They comprise equities and fixed income securities.

Liquid resources represent the Company's positions in government securities, held for treasury and regulatory purposes.

All current asset investments are financial assets held at fair value through profit and loss.

15. CASH AT BANK AND IN HAND

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

	2019 US$000	2018 US$000
Non-segregated cash at bank and in hand	19,370	31,997
Client segregated cash	421	565
	19,791	32,562

16. CREDITORS: Amounts falling due within one year

	2019 US$000	As restated 2018 US$000
Bank overdrafts	3,112	1
Trade creditors	109,479	161,990
Amounts owed to group undertakings	16,555	8,768
Corporation tax	30	-
Other taxation and social security	7,751	6,210
Other creditors	544	368
Accruals and deferred income	27,667	32,194
Short positions	104,742	60,598
	269,880	270,129

Included in amounts owed to group undertakings is a senior loan for US$4,000k (2018: US$Nil) that was drawn down from CFLP on 30 September 2019. The interest rate charged is 250 basis points above the one month London Inter Bank Offer Rate ("LIBOR"). The initial fixed term of the loan was up to 31 March 2020. Every 30 days the loan resets and the term of the loan is extended by 30 days unless CFLP calls the loan, at which time the Company is obliged to repay the senior loan upon maturity.

The 2018 figures are restated as a result of a prior year adjustment - see note 34.

Trade creditors are further analysed below:

	2019 US$000	As Restated 2018 US$000
Mark to market on securities pending settlement	112	1,051
Failed trades to receive	61,087	76,940
Stock loans with unrelated parties	17,592	21,400
Derivative balances	19,281	11,485
Payable to customers, clearers, exchanges and other brokers	11,407	51,114
	109,479	161,990

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

On 01 April 2018, the Company repaid all tranches of the subordinated loans to CFLP following the issue of ordinary shares to its parent entities (see note 20).

18. PROVISIONS & CONTINGENT LIABILITIES

	Litigation Provision US$000
At 1 January 2019	820
Written back during the year	(200)
Foreign exchange translation	(5)
AT 31 DECEMBER 2019	615

Litigation Provision and Contingent Liabilities
From time to time the Company may become subject to various litigation, regulatory matters or employment related claims. The directors have considered any current matters pending against the Company. Where a claim is considered to be more likely than not to result in a cost to the Company, a provision has been made based on management's best estimate of the cost to the Company of settling such claims. Certain other matters may give rise to a material future outflow of economic benefit, however management consider that this is not probable and, based on the facts and circumstances, that it is not possible to reliably estimate the amounts involved.

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 US$000	2018 US$000
Within 1 year	140	93
Between 2 and 5 years	6	77
Total	146	170

20. SHARE CAPITAL

	2019 US$000	2018 US$000
Allotted, called up and fully paid		
65,423,162 (2018 - 65,423,162) Ordinary shares of £ 1 each	101,237	101,237

On 1 April 2018, CFE issued 44,986,521 ordinary shares of £1 each to its parent entity CFS LLP for a consideration of US$63,107k and 707,805 ordinary shares of £1 each to its parent entity CF&Co, LLC for a consideration of US$993k. On the same day, and using the US$64,100k of total proceeds raised in the equity issue, it repaid all tranches of the subordinated loans owed to CFLP.

On 28 December 2018, the Company cancelled and extinguished 37,987,596 ordinary shares of £1 each, equivalent to US$53,289k. The shares were cancelled against the profit and loss reserve account.

21. RELATED PARTY TRANSACTIONS

The Company enters into service arrangements with Cantor Group entities including the BGC Partners, Inc. group ("BGC Group") which is partially owned by CFLP. The balances outstanding with BGC Group and Cantor Group undertakings are disclosed below:

	2019 US$000	2018 US$000
Due to		
Entities with control over the Company	7,986	1,439
Group undertakings	4,569	7,329
	12,555	8,768

	2019 US$000	2018 US$000
Due from		
Entities with control over the Company	106	70
Group undertakings	5,438	4,288
	5,544	4,358

Included in amounts due to entities with control over the Company is a senior loan from CFLP of US$4,000k (2018: US$Nil). The details of this loan are disclosed in note 16. Interest payable on loans from group undertakings are disclosed in note 10. In addition to the above balances at 31 December 2019, the Company has accrued interest payable of US$25,254k (2018: US$25,209k) in relation to loans from entities with control over the Company.

During the year ended 31 December 2019 the net service arrangements expense with BGC Group entities was US$14,453k (2018: US$13,675k). Included in this fee are costs for support services provided by Tower Bridge International Services L.P. ("TBISLP"), the service entity to the BGC Group and Cantor Group European entities. Also included are costs for BGC Technology Support Services Limited ("BTSSL") and BGC Technology International Limited ("BTIL") in relation to the provision of IT support services (BTSSL provide infrastructure and BTIL provide development). TBISLP, BTSSL and BTIL are all subsidiaries of the BGC European Holdings Group.

In 2019 the Company and the Parent LLP adopted a partnership structure for its key front office professionals to further align their interests with the stakeholders of the Cantor Group. The principal activity of the Parent LLP is to act as a service entity, providing the services of its staff, members and board to the Company. The Company was charged a service fee of US$11,100k (2018: US$Nil) by the Parent LLP.

RELATED PARTY TRANSACTIONS (continued)

The Company enters into foreign exchange derivative transactions with BGC Group and Cantor Group entities. The outstanding balances held with related parties comprise:

	2019 US$000	2018 US$000
Amount due from / (to)		
Entities with control over the Company	(2)	19
Group undertakings	539	489
	537	508

	2019 US$000	2018 US$000
Gross contract or underlying notional amount		
Entities with control over the Company	8,826	8,155
Group undertakings	753,053	529,155
	761,879	537,310

The Company also enters into securities borrowing, lending and repurchase and reverse repurchase agreements with BGC Group and Cantor Group entities. At 31 December 2019 the Company had stock borrows of US$7,269k (2018: US$Nil) with group undertakings and securities purchased under agreement to resell with group undertakings of US$40,947k (2018: US$30,696).

The directors have authority and responsibility for planning, directing and controlling the activities of the Company and are considered to be key management personnel. Their remuneration is disclosed in note 8.

The Company earns fees from group undertakings which are disclosed in note 3.

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Gross contract or underlying notional amount US$000	Fair Value Asset / (Liability) US$000
2019		
CFDs/Equity Swaps	135,415	4,518
Foreign exchange derivatives swaps	1,086,611	(240)
Foreign exchange derivatives forwards	165,630	(35)
Total derivatives	1,387,656	4,243

	Gross contract or underlying notional amount US$000	Fair Value Asset / (Liability) US$000
2018		
CFDs/Equity Swaps	92,851	5,378
Foreign exchange derivatives swaps	1,049,988	177
Foreign exchange derivatives forwards	105,117	1
Total derivatives	1,247,956	5,556

Total derivative fair value asset / (liability) balances are included in trade debtors and trade creditors respectively.

23. RISK MANAGEMENT

Financial Instrument Risk Management

In the course of its business activities, the Company is exposed to a number of risks that may impact its business in various capacities as a:

- Counterparty in financial contracts;
- Holder of marketable securities;
- Advisor in Corporate Finance; and
- Member of exchanges and clearing houses.

Risk management is the process of identifying, assessing, managing, monitoring and reporting risk. The system incorporates the identification, analysis, measurement, monitoring / recommendation, reporting and management of risks. The ability to effectively manage risk is important for ensuring that the organisation is operating in a manner consistent with its risk appetite and for meeting responsibilities to enhance value for its shareholders.

In the course of its normal business, the Company is exposed to credit risk, market risk, interest rate risk, liquidity risk, foreign exchange risk, operational risk, regulatory and capital risk.

The directors believe that culture and conduct is fundamental to how the Company embeds its controls across the range of services and activities it provides. Therefore, through processes within the above risk categories, the Company acts in the best interest to ensure they are putting the consumer and the integrity of markets at the heart of their business models, strategies and daily activities.

Risk Management Structure

The Company has adopted the 'three lines of defence' model in embedding an Enterprise Risk Management ("ERM") framework and capabilities across the organisation. The model distinguishes between functions that own and manage risks, functions overseeing risks and functions providing independent assurance.

First - The first line of defence comprises of front office staff, business management and operational management, who own the risks and controls and have responsibility and accountability for identifying, assessing, managing, monitoring and reporting risks within their sphere of responsibility.

Second - The second line of defence comprises the Risk Management and Compliance functions, who review, challenge and monitor the implementation of effective risk management practices by the first line. It also independently provides reporting and escalation of risk issues up and down the organisation.

Third - The third line of defence, Internal Audit, through a risk based approach, provides assurance to the Company's senior management and the Company's board if directors, on how effectively the Company assesses and manages its risks, including the manner in which the first and second lines of defence operate. This assurance covers all elements of the risk management framework, i.e. risk identification, risk assessment and response to escalation of risk related information.

Overall responsibility for the establishment of the risk framework and general risk appetite of the Company lies with the Company's board of directors. The board of directors sets the culture and conduct of the Company and approves the Individual Capital Adequacy Assessment Process ("ICAAP"). The Company's board approves the Company's Business Plan and reviews the Company's Individual Liquidity Adequacy Assessment ("ILAA"). These documents and processes incorporate more detailed analysis of each risk identified and the risk management framework.

RISK MANAGEMENT (CONTINUED)

Furthermore, the Company's board of directors relies on the Risk and Oversight Committee ("ROC") and Audit Committee ("AC"), composed of Non-Executive Directors, to provide recommendations on risk appetite, tolerance and strategy.

Within the framework established by the Company's board of directors, the Company implements the principles, policies and limits of the framework and identifies its risk appetite for each risk type. The Company undertakes an annual top-down review of the highest impact key risks identified to ensure that the list of high impact risks is complete and to determine which of those risks should be subject to capital modelling. The Company is supported by a number of risk committees including the Operational Risk and Compliance Committee ("ORCC"), the Finance, Capital, Assets and Liabilities Committee ("FCALCO"), the Business Development Committee ("BDC") and the Client Engagement Committee ("CEC") in managing and monitoring the risk framework and any risk issues.

The Risk Management department designs and deploys the ERM framework across the Company. The Risk Management department maintains a register of the key risks and catalogues them by their risk categories. Day to day management of risk and its mitigation is the responsibility of business management. The Risk Management department provides an independent assessment of the Company's risks and is responsible for the challenge and review of risk assessments and for the aggregated reporting and escalation of risk issues to the directors of the Company.

Through monitoring and reporting, the Risk Management department is also responsible for ensuring the operational, credit and market risks are in line with the risk appetite. For operational risk, this is accomplished by a range of interconnecting risk and control methodologies that are embedded throughout the Company. As for credit and market risk, this is accomplished by establishing consistent credit and market risk standards, applying those standards in the assessment of counterparties and positions, adhering to delegated authority limits, and monitoring current and potential exposures after the execution of transactions.

The Risk Management department has an independent reporting line from the other business functions, and the Chief Risk Officer ("CRO") sits on the FCALCO, BDC, ORCC, and CEC. The Market and Credit Risk Management Policy and the Operational Risk Policy describe the roles and responsibilities in relation to the risk identification, assessment, management, monitoring and reporting of risks.

Business Activity Risks
The principal risk exposures arising from the Company's business activities are summarised below:

Matched Principal
Transactions where the Company acts as a matched principal and client buyer / seller anonymity is preserved. This business involves purchasing securities from one counterparty and selling to another. The Company is the buyer in one leg of the transaction and the seller on the other leg of the transaction. The principal risks affecting this business are credit, market, operational and liquidity.

Agency Give Up
Transactions where the Company acts as an arranger and the identity of the client buyer and seller counterparties is disclosed once the trade is completed. This business involves matching buyers and sellers of equity derivatives and some equities. The Company does not own the instruments at any time. The principal risks affecting this business are credit and operational.

Stock Loans and Borrows
Transactions where the Company lends equities held by the Company to counterparties or borrows equities from counterparties for trading and / or settlement facilitation purposes. The principal risks affecting this business are credit, operational and liquidity.

RISK MANAGEMENT (CONTINUED)

Cash, Client Segregated Funds and Money Market Funds
The principal risk is credit and liquidity risk due to the Company's lack of ability to recover the deposited funds if the bank where money is deposited should fail.

Market Making
The Company is a market-maker on the LSE. The Company offers other LSE members the ability to trade on its prices and as a result the Company may hold positions on its books. The principal risks affecting this business are credit, market, operational and liquidity.

Corporate Finance and Advisory
In this role the Company provides advice to clients on mergers and acquisitions, issuances and placements. The principal risks affecting this business are credit and operational.

24. RISK MANAGEMENT - CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in potential financial loss to the Company. It arises principally from trading and treasury activities. The Company has standards, policies and procedures dedicated to controlling and monitoring risk from all such activities. Limits are in place for each counterparty.

The main credit risks taken are on CFDs/Equity Swap, brokerage receivables and cash on deposit. The Company's matched principal business is subject to limited credit risk due to a delivery versus payment ("DVP") settlement process. DVP is defined when the payment and transfer of the subject security occur simultaneously. Settlement normally occurs within a central depository (e.g. The Depositary Trust Company, Euroclear) which mitigates the risk. The principal risks affecting this business are:

- Credit risk - The counterparty may not meet its obligation to settle outstanding principal and brokerage balances. Matched principal transactions typically settle on a DVP basis.
- Market risk - Unfavourable price movement on positions held to facilitate customer flows or unmatched positions arising from booking disputes.
- Operational risk - The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.
- Liquidity risk - The main liquidity risks this business faces are with respect to intra-day funding and the funding of failed settlements or transactions that happen to settle on different days.

Counterparty Credit Risk

Matched Principal Trading and Market Making

The credit risk exposure from these businesses arises from the risk of a counterparty defaulting and causing the transaction to fail. The exposure is not to the full notional value of the transaction that has failed but is limited to market movement on the value of the security during the period from execution until settlement. At settlement, where a counterparty has defaulted, the Company either holds the security to cover a fail-to-receive cash, or purchases the security in the market to fulfil a fail-to-deliver cash.

RISK MANAGEMENT - CREDIT RISK (CONTINUED)

Agency Give-Up Basis

The credit risk exposure from the agency give-up business arises from the risk of not being able to collect commissions that have been billed to a counterparty. There are no limits in place with respect to the maximum amount of commission that can be outstanding with a given counterparty; however, outstanding receivables are monitored and followed up on a daily basis by the brokerage receivables department, and where necessary, by the front office desks themselves.

The types of counterparties that the business transacts with are predominantly investment grade banks and established investment firms, which significantly reduces the risk of default. In the agency give-up business a significant mitigating factor, with respect to credit exposure, is the policy whereby brokers earn brokerage commissions only on amounts that have actually been collected.

Corporate Finance and Advisory

The credit risk exposure from the corporate finance and advisory business arises from the risk of not collecting commissions that have been billed to a counterparty. There are no limits in place with respect to the maximum amount of fees that can be outstanding with a given counterparty; however, outstanding receivables are actively followed up with the counterparty. The types of counterparties that the business transacts with significantly reduces the risk of default. These counterparties are generally listed companies or companies seeking to list on either the LSE or AIM, for which the Company is an advisor or broker to, due to the listing requirements.

Credit Risk Concentrations

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

Credit Risk Acceptance, Monitoring and Controlling

Trade Debtors

The credit risk arising from matched principal, agency give-up, advisory and research businesses are managed separately:

Matched Principal

The Credit department obtains information to assess the credit quality of the prospective counterparty as part of the client approval process. Once the relevant information is collated and reviewed, the risk department will approve a credit risk limit.

The following credit risk maintenance procedures are carried out to monitor and control the credit risk of counterparties:

a) The latest set of audited financial statements are obtained;

b) News is reviewed on an on-going basis for any items related to the Company's existing counterparties. Relevant information is reviewed and actioned as appropriate and reported to management; and

c) The risk department has access to credit rating agencies. Information is vetted for news on counterparties and actioned as appropriate.

RISK MANAGEMENT - CREDIT RISK (CONTINUED)

The credit department produces a daily credit report, which is sent to senior management. Any counterparty limits that are exceeded are reported to management. Front office personnel may be instructed to suspend all further trading until utilisation of credit lines are within set limits. Fails to deliver / receive securities and pending trades reports are reviewed regularly by senior management.

Stock Loans and Borrows

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

Agency Give-up Advisory and Research

Brokerage and fee receivable balances are monitored and actively chased once past due. The Company's brokers are typically involved in pursuing past due amounts over 90 days as name give-up commission is not paid until amounts due are settled. Corporate Finance and Advisory balances are monitored also on a company by company basis. Aged debtor reports by entity and by broker are reviewed by senior management on a regular basis.

Other Amounts Owed by Group Undertakings

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

Cash, Client Segregated Funds and Money Market Funds

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

Funds are only placed with an entity rated short-term above a minimum defined external and internal rating. An annual review is held to determine whether the policy remains appropriate or whether changes are required. However monthly assessments are also conducted and changes are made on a more frequent basis if required. Credit risk is diversified by placing funds with a number of banks.

RISK MANAGEMENT - CREDIT RISK (CONTINUED)

Maximum Credit Risk Exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The exposure is shown gross, before mitigation through the use of master netting and collateral arrangements (including margin).

The 2018 figures are restated as a result of a prior year restatement - see note 34.

	Gross maximum exposure 2019 US$000	As restated Gross maximum exposure 2018 US$000
On balance sheet items		
Trade debtors	155,904	180,152
Amounts owed by group undertakings	9,544	4,358
Corporation tax recoverable	975	794
Other taxes and social security	171	161
Other debtors	12,454	12,530
Long positions and liquid resources	168,819	140,182
Cash at bank and in hand	19,791	32,562
	367,658	370,739

Collateral and Other Credit Enhancements

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

At 31 December 2019, the long positions and liquid resources of US$168,819k (2018: US$140,182k) include securities owned and pledged as collateral amounting to US$17,592k (2018: US$21,400k).

At 31 December 2019, securities and cash amounting to US$3,276k (2018: US$3,285k) were pledged as collateral with settlement agents, prime brokers and clearing houses.

Credit Quality Per Class of Financial Assets: Financial Assets Neither Past Due Nor Impaired

Trade Debtors

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

RISK MANAGEMENT - CREDIT RISK (CONTINUED)

Amounts Owed by Group Undertakings

Amounts owed by group undertakings primarily relates to revenue sharing and clearing execution agreements. Amounts owed by related parties are settled upon demand.

Cash at Bank and in Hand

Cash at bank and in hand consist of cash and money market fund deposits held at credit worthy financial institutions and petty cash.

Long Positions and Liquid Resources

Long positions and liquid resources represent positions held for trading and liquidity purposes, which include government and corporate bonds, CFD/Equity Swap hedges and US Treasury Bills. These positions are held with highly rated financial institutions.

Other

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

	2019 US$000	2018 US$000
Net Receivables / (Payables) - Matched Principal Ageing Analysis		
Less than 1 month	(3,854)	6,347
1 month to less than 2 months	1	(6,977)
2 months to less than 3 months	42	2
3 months and over	(347)	186
	(4,158)	(442)

Fails and pending reports are reviewed daily. Management reviews past due matched principal business receivables on a regular basis. Substantial fail to deliver transactions totalling US$178k and fail to receive transactions totalling US$192k as at the date of signing the financial statements had not yet been settled. As at the signing of the 2018 financial statements, fail to deliver transactions totalling US$17,230k and fail to receive transactions totalling US$16,940k that existed as at 31 December 2018 had not yet been settled.

RISK MANAGEMENT - CREDIT RISK (CONTINUED)

	2019 US$000	2018 US$000
Receivables - Name Give-Up Basis and Corporate Finance Ageing Commissions Analysis (Net of Allowances for Credit Losses)		
Less than 1 month	6,994	7,810
1 month to less than 2 months	487	485
2 months to less than 3 months	422	302
3 months and over	3,073	1,548
	10,976	10,145

At 31 December 2019, US$256k (2018: US$23k) of trade debtors were considered to be impaired. During the year, an impairment of US$244k (2018: US$23k) was charged to the profit and loss account, US$11k (2018: US$20k) of the allowance for credit losses was reversed and US$Nil (2018: US$217k) of the allowance was utilised. Management consider financial assets to be impaired if there is objective evidence of impairment as a result of one or more loss events.

Other trade debtor balances are assessed on a case by case basis and provided for where recoverability is in question.

Other Financial Assets

No other class of financial assets were past due or impaired as at 31 December 2019 or 31 December 2018.

25. RISK MANAGEMENT - MARKET RISK

The Company classifies exposures to market risk into either trading or non-trading portfolios. The non-trading book includes all types of financial instruments entered into for funding purposes whereas the remaining financial instruments fall into the trading book category.

The market risk of the trading portfolio is managed by monitoring open position limits. Non-traded interest rate risk is immaterial and generated naturally through the raising of senior debt and subordinated loans, and by the listed investment in US Treasury Bills which are held for liquidity purposes. The foreign exchange exposure arising from revenues and expenses denominated in foreign currencies is managed and reported separately from any trading and customer activity in the non-trading book.

Trading

Position Monitoring

At the end of each day, risk management reviews positions and performs an independent mark to market. Positions are reported to senior management. At 31 December 2019, the gross exposure to market risk arising from such positions amounted to US$18,361k (2018: US$20,005k).

Value at Risk ("VaR")

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

RISK MANAGEMENT - MARKET RISK (CONTINUED)

The VaR model used by the Company is predominantly based on factor returns. The factor returns are estimated by regression analysis every week. Factor returns are then used to generate a covariance matrix of factor returns. Returns are weighted by an exponential decay factor so that more distant factor returns are assigned smaller weights relative to the more recent ones.

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

- Five factors are used: Style, Industry, Country, Currency and Market factors;
- VaR is calculated to a 99% confidence level; and
- VaR is calculated for a one day holding period.

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

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

The value at risk for the trading portfolio was as follows:

	2019 US$000	2018 US$000
Value at Risk for the year ended 31 December		
Average	359	397
Minimum	191	214
Maximum	578	558
Standard deviation	53	76
At 31 December	339	214

26. RISK MANAGEMENT - INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate risk arises from repricing periods for cash at bank and in hand, securities borrowing & lending, listed investments in US Treasury Bills, overdrafts and other financial assets and liabilities as per below. The interest rate risk repricing profile of the Company's financial assets and liabilities as at the balance sheet date was as follows:

The 2018 figures are restated as a result of a prior year restatement - see note 34.

	Less than 1 year US$000	Non-interest bearing US$000	Total US$000
2019			
Cash at bank and in hand	19,791	-	19,791
Securities purchased under agreements to resell	40,947	-	40,947
Securities borrowed	2,153	-	2,153
Securities borrowed related parties	7,269	-	7,269
US treasury bills	50,856	-	50,856
Bank overdrafts	(3,112)	-	(3,112)
Securities loaned	(17,592)	-	(17,592)
Other financial assets and liabilities	-	4,101	4,101
	100,312	4,101	104,413

	Less than 1 year US$000	Non-interest bearing US$000	Total US$000
2018 (as restated)			
Cash at bank and in hand	32,562	-	32,562
Securities borrowed	30,696	-	30,696
US treasury bills	9,430	-	9,430
Gilts	59,533	-	59,533
Bank overdrafts	(1)	-	(1)
Securities loaned	(21,400)	-	(21,400)
Other financial assets and liabilities	-	(4,955)	(4,955)
	110,820	(4,955)	105,865

Other financial assets and liabilities include trade and other debtors and creditors, non interest bearing long and short inventory, accruals and amounts owed to / from group undertakings.

The Company estimates that a 1% hypothetical adverse movement in interest rates, for the full financial year, would have resulted in a decrease (2018: decrease) in the profit before tax for the year and decrease (2018: decrease) in equity of US$1,084k (2018: US$733k).

27. RISK MANAGEMENT - LIQUIDITY RISK

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

To mitigate this risk, the Company's liquidity risk is managed through two complementary models, the Maximum Cumulative Outflows ("MCO") versus Liquidity Reserves ("LR") (collectively known as "MCO LR") and the Net Cash Capital ("NCC"). The MCO seeks to ensure that the Company has adequate access to liquidity to meet both business as usual requirements and potential stress events that may reasonably be expected to occur. It quantifies the cumulative worst case potential liquidity outflows ("MCO") that could occur during prolonged periods of stress. As such the model calculates the liquidity reserves ("LR") that would be needed to meet these potential outflows. The Company seeks to maintain available liquidity that is greater than the total potential cash outflows that could occur during a period of stress (that is the LR > MCO). The Company holds liquidity reserves invested in a diverse range of liquid assets in multiple currencies which include US treasury bills, money market mutual funds, and ring fenced bank deposits.

The NCC model seeks to ensure that the Company has sufficient long dated funding, known as cash capital, to fund illiquid assets, the haircut portion of financeable assets and all potential stressed liquidity outflows. Additionally non segregated cash, qualifying as good cash capital, is used to finance margin requirements against a client's own position and is included in the NCC model as a cash capital source.

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

RISK MANAGEMENT - LIQUIDITY RISK (CONTINUED)

Liquidity Risk Maturity Table

The following table details the Company's contractual maturity for its financial liabilities. The table has been prepared on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows for financial instruments:

The 2018 figures are restated as a result of a prior year restatement - see note 34.

	Less than 1 year US$000	Total US$000
2019		
Bank loans and overdrafts	3,112	3,112
Trade creditors	109,479	109,479
Amounts owed to group undertakings	16,555	16,555
Other creditors	544	544
Accruals	27,667	27,667
Short positions	104,742	104,742
	262,099	262,099

	Less than 1 year US$000	Total US$000
2018 (as restated)		
Bank loans and overdrafts	1	1
Trade creditors	161,990	161,990
Amounts owed to group undertakings	8,768	8,768
Other creditors	368	368
Accruals	32,194	32,194
Short positions	60,598	60,598
	263,919	263,919

Derivative financial instruments are settled within one year of the balance sheet date on a gross basis and are included in trade debtors and trade creditors.

28. RISK MANAGEMENT - FOREIGN EXCHANGE RISK

The Company is exposed to risks associated with changes in foreign exchange rates. The Company's operations generate a portion of its revenues and expenses in Sterling and Euros. Changes in the translation of the Company's net assets are recorded as part of its results of operations and fluctuate with changes in exchange rates.

Taking the Sterling denominated balance sheet as at 31 December 2019, if Sterling was to strengthen by 10% against the US Dollar with all other variables held constant, the profit before tax for the year and equity would be unfavourably affected by US$6,619k (2018: favourably affected by US$1,676k).

Taking the Euro denominated balance sheet as at 31 December 2019, if the Euro was to strengthen 10% against the US Dollar with all other variables held constant, the profit before tax for the year and equity would be favourably affected by US$865k (2018: favourably affected by US$218k).

29. RISK MANAGEMENT - OPERATIONAL RISK

Operational risk refers to the risk of loss arising from failed or inadequate processes, people, systems and / or external events. Therefore, operational risk is inherent to the Company's daily activity and business continuance.

Operational risk is identified, assessed, managed, monitored and reported ("IAMMR") via several different processes. For example:

Risk and Control Self-Assessment ("RCSA") - The RCSA process is the Company's approach for ensuring that effective risk mitigation activities are in place for all key operational risks. The process is based on an annual assessment (with a mid-year refresh), conducted by divisional experts who assess risks and their related controls in order to arrive at an estimation of the residual risk.

Key Risk Indicators ("KRIs") - KRI's are metrics used by the Company to provide an early indication of increasing risk exposures in various areas of the Business. KRI's are be reported as part of the periodic management reporting to the ORCC and the Board.

Risk Events - Risk events focuses on the IAMMR of internal operational risk events and analysis and reporting of external operational risk events.

Operational Risk Scenario Analysis - The Operational Risk Scenario Analysis process is designed to enable management to understand potential high impact, low probability risks in greater detail and to be better placed to prevent, detect and manage these risks. Once the key risks are identified, workshops are conducted to build scenarios which explore what else could go wrong and how management would respond to these events. Scenarios may combine two or more key risks in order to assess the aggregated impact of different risks taking place at the same time.

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

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

30. RISK MANAGEMENT - REGULATORY ENVIRONMENT RISK

The Company operates in a highly regulated industry. The Company is regulated by the Financial Conduct Authority ("FCA") and is authorised to conduct investment business in the UK under the Financial Services and Markets Act 2000 ("FSMA"). Furthermore, under the provisions of the Markets in Financial Instruments Directive II ("MiFID II"), it is authorised to conduct cross border investment business into European Economic Area ("EEA") member states. The Company must also comply with UK and Israeli legislation and taxation authority requirements in respect of certain direct, indirect and employment taxes.

Changes in the regulatory framework such as MiFID II as well as the UK's impending Brexit may have some impact on the financial performance of the business and are closely monitored by the Company, including any regulatory risks. The implementation of EMIR has resulted in greater reporting of information in relation to business activities. The Board monitor these developments through its various functions, including the ORCC, to ensure management action is taken in response to regulatory developments and any risks associated with non-compliance are closely monitored.

The Company has no tolerance for knowing and deliberate breaches of applicable laws, regulatory requirements or corporate policies. The Company accepts that unintentional or inadvertent breaches may occur from time to time and it is not possible to eliminate all instances of breaches. The Company expects internal systems and controls (including training of staff and documentation of policies and procedures) to be designed and implemented with the aim of detecting, preventing and therefore minimising (both in terms of frequency and impact) the occurrence of breaches. The Company has negligible tolerance for repeated breaches which are based on materially similar fact patterns. The Board expects to be notified of any breaches, or if there is any material/elevated risk in this regard.

Furthermore, the Company expects that monitoring, surveillance and self-reporting will promptly identify issues which may have regulatory consequences. Where material exceptions are identified, the Board expects to be informed of the issue and any remediation actions to be taken on a timely basis. The Board will ensure that the remedial action taken is appropriate so that the issues highlighted are satisfactorily addressed. Where necessary this will involve adjusting the internal control framework so that it is kept in line with the regulatory risk profile. The Company is only prepared to conduct business in jurisdictions within which it has obtained the necessary regulatory approvals.

31. RISK MANAGEMENT - CAPITAL

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

Objectives, Policies and Processes for Managing Capital

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue share capital and / or subordinated debt.

CFLP, the ultimate parent entity registered in the United States of America, could make capital available to the Company in the event of a liquidity crisis or sudden large losses, although it does not provide guarantees that capital will be provided in such a scenario.

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

- Rationale for the proposal; and
- Business plan

The shareholders' funds of the Company is as follows:

	2019 US$000	2018 US$000
Shareholders' funds	97,270	100,764
	97,270	100,764

32. FAIR VALUE

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

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

The carrying amounts and corresponding fair values of financial assets and financial liabilities in the financial statements are designated into the categories below. The carrying amount and fair values are not considered to be materiality different.

The derivatives receivable / payable amounts shown at fair value through profit and loss are shown gross of margin.

The 2018 figures are restated as a result of a prior year restatement - see note 34.

	Carrying Amounts 2019 US$000	Fair Values 2019 US$000	As restated Carrying Amounts 2018 US$000	As restated Fair Values 2018 US$000
Financial assets				
Trade debtors	155,904	155,904	180,152	180,152
Amounts owed by group undertakings	9,544	9,544	4,358	4,358
Other debtors	12,454	12,454	12,530	12,530
Long positions and liquid resources	168,819	168,819	140,182	140,182
	346,721	346,721	337,222	337,222

	Carrying Amounts 2019 US$000	Fair Values 2019 US$000	As restated Carrying Amounts 2018 US$000	As restated Fair Values 2018 US$000
Financial liabilities				
Bank loans and overdrafts	3,112	3,112	1	1
Trade creditors	109,479	109,479	161,990	161,990
Amounts owed to group undertakings	16,555	16,555	8,768	8,768
Other creditors	544	544	368	368
Accruals	27,667	27,667	32,194	32,194
Short positions	104,742	104,742	60,598	60,598
	262,099	262,099	263,919	263,919

FAIR VALUE (CONTINUED)

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

Trade debtors and trade creditors

Trade debtors and trade creditors are measured at amortised cost, with the exception of derivatives which are measured at fair value through profit or loss.

These derivatives are designated as held for trading and are measured at bid-market prices if deemed a financial asset or offer-market prices if a financial liability.

Amounts owed by / to group undertakings

Amounts receivable and payable from / to group undertakings are settled upon demand and are measured at amortised cost. The fair value of these balances approximates the carrying value as these amounts may be called upon shortly after the balance sheet date.

Positions and liquid resources

Positions are held for trading and liquidity purposes, which include government and corporate bonds, equities, CFD/Equity Swap hedges, and US Treasury Bills. Positions are measured at fair value through the profit and loss account.

Other and accruals

Other includes debtors / creditors, accruals, bank loans and overdrafts. Given the short term nature of these balances, the carrying value is not considered to be materially different from the fair value.

FAIR VALUE (CONTINUED)

Fair Value of Financial Instruments

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

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

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

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

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

31 December 2019

	Level 1 US$000	Level 2 US$000	Total US$000
Financial assets			
Derivative forward foreign exchange forwards	-	711	711
Derivative forward foreign exchange swaps	-	3,980	3,980
Derivative CFDs/Equity Swaps	-	18,833	18,833
Long positions and liquid resources	168,819	-	168,819
	168,819	23,524	192,343

	Level 1 US$000	Level 2 US$000	Total US$000
Financial liabilities			
Derivative forward foreign exchange forwards	-	746	746
Derivative forward foreign exchange swaps	-	4,221	4,221
Derivative CFDs/Equity Swaps	-	14,314	14,314
Short positions	104,742	-	104,742
	104,742	19,281	124,023

FAIR VALUE (CONTINUED)

31 December 2018

	Level 1 US$000	Level 2 US$000	Total US$000
Financial assets			
Derivative forward foreign exchange forwards	-	237	237
Derivative forward foreign exchange swaps	-	2,038	2,038
Derivative CFDs/Equity Swaps	-	14,766	14,766
Long positions and liquid resources	140,182	-	140,182
	140,182	17,041	157,223

	Level 1 US$000	Level 2 US$000	Total US$000
Financial liabilities			
Derivative forward foreign exchange forwards	-	236	236
Derivative forward foreign exchange swaps	-	1,861	1,861
Derivative CFDs/Equity Swaps	-	9,388	9,388
Short positions	60,598	-	60,598
	60,598	11,485	72,083

Financial Instruments Recorded at Fair Value

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

Derivatives

Derivative products valued using a valuation technique with market observable inputs, are mainly forward foreign exchange contracts, currency swaps and CFDs/Equity Swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Fair value is determined by reference to third party market values where available.

33. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The registered office of the Company is 1 Churchill Place, Canary Wharf, London E14 5RB. The Company is incorporated and registered in England and Wales. The immediate parent is CFS LLP, registered at 1 Churchill Place, Canary Wharf, London E14 5RB. CFS LLP is a limited liability partnership registered in England and Wales. The smallest group into which the results are consolidated into is CFS LLP, for which financial statements are publicly available.

The ultimate parent, controlling entity and largest group that the results of the Company are consolidated into is CFLP., a limited partnership registered at 499 Park Avenue, New York, United States of America. The financial statements are not publicly available for CFLP.

34. PRIOR YEAR RESTATEMENT

	31 December 2018 US$000	Overdraft Restatement US$000	Restated 31 December 2018 US$000
Debtors	225,881	(26,912)	198,969
Current asset investments	140,182	-	140,182
Cash at bank and in hand	32,562	-	32,562
Creditors: Amounts falling due within one year	(297,041)	26,912	(270,129)
Total assets less current liabilities	101,584	-	101,584
Creditors: Amounts falling due after more than one year	-	-	-
Provision for liabilities	(820)	-	(820)
Net assets	100,764	-	100,764

Reclassification of overdrawn clearing balance

The 2018 comparative balances have been restated to correct a prior year error in the classification of an overdrawn clearing balance. The balance was incorrectly disclosed separately from its connected clearing account balances.

The impact of the adjustment is to reclassify US$26,912k from bank overdrafts in creditors: amounts falling due within one year to trade debtors which is included within debtors. The adjustment restates the receivables from clients, clearers, exchanges and other broker dealers analysis for 2018 within trade debtors.

The prior year restatement has no impact on the profit or loss of the Company.

35. POST BALANCE SHEET EVENTS

Closure of UK listed equities & investment trusts – corporate finance
In 2020, the Company took the decision to permanently close its UK listed equities & investment trusts corporate finance and advisory arm that focusses on mid-cap and AIM businesses. Following closure the Company will no longer provide corporate broker or NOMAD services. The directors consider that the closure is a non-adjusting post balance sheet event and at such time the financial impact is estimated to be costs of US$1,500k.

Covid-19
Management is considering the potential economic impact to the Company of the COVID-19 pandemic. A number of front and back office employees and clients are currently operating successfully from remote locations, on the advice of local governments. IT and communications resources available to the Company have ensured that all staff can continue to work effectively and keep in regular contact with colleagues and clients, and as a result, disruption has been kept to a minimum. Our actual trading experience to date has shown higher trading volumes and therefore revenues to the increased financial market activity that is occurring. However, as part of its going concern review, the Company has stress tested the potential impact of a significant downturn in activity levels on revenue; on profitability and on our regulatory capital. We do not expect there to be a material impact on our financial position at this time and we expect the Company to have adequate resources to continue operations for the foreseeable future. While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the directors have concluded that Covid-19 is a non-adjusting post balance sheet event.