

BGC TECHNOLOGY INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



BGC TECHNOLOGY INTERNATIONAL LIMITED

COMPANY INFORMATION

Director Mr J. R. Lightbourne

Company secretary Mr R. M. Snelling

Registered number 03809189

Independent auditor Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BGC TECHNOLOGY INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

The Company, a limited company incorporated in the United Kingdom, is part of the global BGC Partners, Inc. group ('BGC Group'), which is part of BGC Partners, Inc. and its subsidiaries. BGC Partners, Inc. is a member of the Cantor Fitzgerald, L.P. Group ('Cantor Group'), which is part of Cantor Fitzgerald, L.P. and its subsidiaries.

RESULTS

The profit for the year, after taxation, amounted to US\$7,850k (2017:US\$2,264k).

Directors

The directors who served during the year were:

Mr J. R. Lightbourne
Mr P. Norton (resigned 31 May 2018)
Mr S. A. Windeatt (resigned 29 March 2018)
Mr S. R. McMurray (resigned 14 december 2018)

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signing the balance sheet. Accordingly, they continue to adopt the going concern basis of accounting in preparing the director's report and financial statements.

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 Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

Disclosure of information to auditor

Each of the persons who 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.

AUDITORS

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

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

A handwritten signature in black ink, appearing to read 'J. R. Lightbourne', with a stylized flourish at the end.

Mr J. R. Lightbourne
Director

Date: 24/09/2019

BGC TECHNOLOGY INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The BGC Group is a leading global brokerage which services the financial services market.

The principal activity of the Company is to provide business-to-business electronic marketplace solutions for trading financial instruments via the internet and over its privately managed network to related entities within the BGC and Cantor groups. The Company charges cost plus a fixed rate commission on the services provided.

BUSINESS REVIEW

On 3 April 2018, the directors reduced the share capital by US\$58,776k, increasing distributable reserves by US\$37,779k and returning US\$20,997k to the shareholders of the Company.

For the year ended 31 December 2018, the operating profit on ordinary activities increased by US\$67k from the prior year, however profit on ordinary activities before taxation increased by US\$5,807k. This is primarily due to US\$5,721k dividend income on its fixed assets investments.

In addition, revenue has increased by \$6,163k which is a direct result of a \$6,096k increase in administrative expenses. Increase in administrative expenses is primarily due to increased projects in 2018.

Future Developments

The Company will continue to provide development, maintenance and support of electronic trading platforms to both the BGC and Cantor Groups for the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Company faces liquidity, credit and operational risks in the course of its normal business. The directors place reliance on the BGC Group's Risk Management function to manage and monitor risks as well as other related matters, and receives regular reports on specific risks affecting the Company and the wider Group.

Credit Risk

Credit risk is the risk of potential loss from a customer default. As the Company provides software development services only to entities within the BGC Group and Cantor Group, all customers are related entities and therefore the directors consider the Company's credit risk is reduced.

Operational Risk

There is a risk of a direct or indirect loss resulting from the inadequacies or failures in projects, processes or controls due to technology, staff, organisational or other factors. This risk has been mitigated by the implementation of a system of comprehensive policies and a control framework, both of which are designed to provide a sound and controlled operational environment.

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive cost. The Company has no banking facilities of its own and relies on funding from the BGC Group's centralised treasury arrangement to meet its liabilities when they fall due.

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

KEY PERFORMANCE INDICATOR

The directors regard profit before tax as the only key performance indicator. For the year ended 31 December 2018 profit before tax was US\$8,437k (2017: US\$2,630k). The increase in profits on ordinary activities before taxation is mainly attributable to dividend income on investments received during the year.

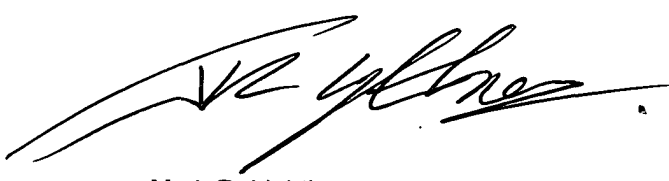
POST BALANCE SHEET EVENTS

On 23 July 2019, the Company's investment in BGC Technology A Ltd ('TAL') was repaid. The repayment was settled in specie by TAL transferring 106,875 US\$0.001 ordinary shares of BGC Technology Support Services to the Company.

EUROPEAN UNION REFERENDUM

The final impact on the business due to the European Union Referendum outcome is yet to be determined formally, as political negotiations between the UK and the EU continue. The BGC Group has established several work streams to analyse and plan for the potential effects of a number of scenarios and will continue to monitor legislative developments in order to finalise the BGC Group's operating model going forward. To date, there have been no matters that warrant adjustments to the financial results as at 31 December 2018 and for the year then ended, or management's expectations of the going concern status of the Company.

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



Mr J. R. Lightbourne
Director

Date: 24/09/2019

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

BGC TECHNOLOGY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BGC TECHNOLOGY INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of BGC Technology International Limited for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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.

Conclusions relating to going concern

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

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

Other information

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

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

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

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement as set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Date: 25/09/2019

BGC TECHNOLOGY INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$000	2017 US\$000
Turnover		33,663	27,500
Administrative expenses		(31,093)	(24,997)
Operating profit	4	<u>2,570</u>	<u>2,503</u>
Income from fixed assets investments	6	5,721	-
Interest receivable and similar income	7	286	141
Interest payable and expenses	8	(140)	(14)
Profit before tax		<u>8,437</u>	<u>2,630</u>
Tax on profit	9	(587)	(366)
Profit and total comprehensive income for the year		<u><u>7,850</u></u>	<u><u>2,264</u></u>

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

All amounts relate to continuing operations for the current and prior year.

BGC TECHNOLOGY INTERNATIONAL LIMITED
REGISTERED NUMBER: 03809189

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 US\$000	2017 US\$000
Fixed assets			
Tangible assets	10	24	25
Investments	11	6,034	6,034
		<u>6,058</u>	<u>6,059</u>
Current assets			
Debtors: amounts falling due after more than one year	12	828	825
Debtors: amounts falling due within one year	12	5,754	14,096
		<u>6,582</u>	<u>14,921</u>
Creditors: amounts falling due within one year	13	(8,573)	(3,766)
Net current (liabilities)/assets		<u>(1,991)</u>	<u>11,155</u>
Net assets		<u><u>4,067</u></u>	<u><u>17,214</u></u>
Capital and reserves			
Called up share capital	16	1,000	59,776
Retained Earnings		3,067	(42,562)
		<u><u>4,067</u></u>	<u><u>17,214</u></u>

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



Mr J. R. Lightbourne

Director 24/09/2019

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

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

	Called up share capital US\$000	Retained earnings US\$000	Total shareholder's funds US\$000
At 1 January 2018	59,776	(42,562)	17,214
Profit for the year	-	7,850	7,850
Share capital reduction and transfer to reserves	(37,779)	37,779	-
Share capital repayment	(20,997)	-	(20,997)
As at 31 December 2018	1,000	3,067	4,067

On 3 April 2018, the directors reduced the share capital by US\$58,776k, increasing distributable reserves by US\$37,779k and returning US\$20,997k to the shareholders of the Company.

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

	Called up share capital US\$000	Retained earnings US\$000	Total shareholder's funds US\$000
At 1 January 2017	59,776	(44,826)	14,950
Profit for the year	-	2,264	2,264
At 31 December 2017	59,776	(42,562)	17,214

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

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

1. STATEMENT OF COMPLIANCE

BGC Technology International Limited is a limited company incorporated in the United Kingdom. Its registered office is 1 Churchill Place, London, E14 5RD. The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and the preceding year.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

2.2 Judgements and key sources of estimation uncertainty

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

Bonus accruals

Management make provisions based on the best estimate of expected discretionary bonus payable that may be incurred.

Impairment of investment

Where there are indicators of impairment of individual assets, the Company performs impairment reviews by comparing the recoverable amount of the asset to carrying value. Recoverable amount is the higher of value in use or fair value less cost to sell. The fair value less cost to sell calculation is based on the price in a binding sale agreement in an arm's length transaction or a market price in an active market less incremental costs for disposing of the asset. Value in use is the present value of the future cashflows expected to be derived from the asset.

2.3 Foreign currencies

Transactions in currencies other than US Dollars are recorded at the average rate for the month in which the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date. Translation differences are recognised in the Statement of Comprehensive Income.

The conversion rate used to translate GBP into USD at 31 December 2018 was 1.274 (2017: 1.353).
The conversion rate used to translate EUR into USD at 31 December 2018 was 1.143 (2017: 1.200).

2.4 Functional currency

The financial statements are prepared in US Dollars, which is the currency of the primary economic environment in which the Company operates.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Consolidation exemption

BGC Technology International Limited has not prepared consolidated financial statements. Paragraph 9.3 of FRS 102 permits the Company to apply the exemption, as outlined in section 401 of the Companies Act 2006, in not preparing consolidated financial statements. BGC Technology International Limited is included in the publicly available consolidated financial statements of BGC Partners, Inc.

2.6 Exemptions applied

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

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment	3 - 5 years straight line basis
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2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Investments

Investments held as fixed assets are shown at cost less any provision for impairment. The directors assess investments for indicators of impairment on an annual basis or whenever events or circumstances indicate that the carrying amount may not be recoverable. If such indicators are apparent an impairment review is performed as further described in 2.14.

2.10 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.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.11 Deferred taxation

Deferred tax is recognised in respect of all timing differences, which occur between the Company's taxable profits and accounting profits, arising from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2.12 Revenue recognition

Revenue is recognised to the extent that economic benefits from the provision of trading platforms or associated technology will flow to the Company and the revenue can be reliably measured.

2.13 Interest income and expense

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

2.14 Financial instruments

Recognition

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

Determination of fair value

Fair value is determined by reference to third party market values where available. Where the Company has assets and liabilities with offsetting market risks, mid market prices have been used as a basis for establishing the fair values of those positions. Bid prices are used for long positions and offer prices for short positions. Where there is no underlying active market, the fair value is determined using proprietary pricing models which apply appropriate valuation techniques and consider the impact of post period end settlement prices.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

2. 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. These amounts are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the 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.

(ii) Financial instruments at fair value through profit or loss

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

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

Derecognition

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

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

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

The Company assesses at each 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 the initial recognition of the asset and prior to the balance sheet date. In addition, evidence of impairment requires a loss event to have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

2.15 Retirement benefit costs

The Company operates a defined contribution scheme. Contributions are charged to the Statement of Comprehensive Income as they are incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.17 Loans, forgivable loans, and other receivables from employees

The Company has entered into various agreements with its employees whereby these individuals receive loans which may be either wholly or in part repaid from the distribution earnings that the individual receives on some or all of their Company interests or may be forgiven over a period of time. The forgivable portion of these loans is recognised as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements. The Company reviews the loan balances each reporting period for collectability. If the Company determines that the collectability of a portion of the loan balances is not expected, the Company recognises a reserve against the loan balances.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.18 Equity Compensation

Equity based compensation expense recognised during the period is based on the portion of equity based awards that is ultimately expected to vest. The grant date fair value of equity based awards is recognised as an expense over the awards' vesting period.

Restricted stock units ('RSUs')

RSUs are awarded by BGC Partners, Inc. to employees and are accounted for as a liability based on estimated fair value of the total liability at reporting date of all future payments with charge to expense based on movement in the fair value.

The fair value of RSUs awarded is determined on the date of grant based on the market value of BGC Partners, Inc.'s Class A common stock, and is recognised, net of the effect of estimated forfeitures, over the vesting period. Historical data is used, including historical forfeitures and staff turnover rates, to estimate the expected forfeitures. Each RSU is converted into one share of BGC Partners, Inc.'s Class A common stock, upon completion of the vesting period except in certain exceptional circumstances. RSUs awarded generally vest over a three to four year period.

Limited Partnership Units

BGC Partners, Inc. provides a number of distinct limited partnership units in BGC Holdings LP including Restricted Equity Units ('REUs'), Partnership Sharing Units ('PSUs'), and Partnership Sharing Interests ('PSIs') to certain individuals who provide services to the Company. Generally, such units receive quarterly allocations of net income which are cash distributed on a quarterly basis. These quarterly allocations of net income on such limited partnership units are reflected within the Company's compensation expense for the year.

REUs may entitle the holder to receive post termination payments equal to the notional amount of the units in four equal yearly installments after the holder's termination by either party. These limited partnership units are accounted for as liability awards and as such the Company records the compensation expense for the liability awards based on the change in fair value at each reporting date.

PSUs and PSIs have no residual value however periodically are granted exchangeability into BGC Partners, Inc. Class A common stock typically on a one for one basis.

Upon grant of exchangeability, the limited partnership units are cancelled, and the partner is granted a partnership unit that is exchangeable for shares of BGC Partners, Inc. Class A common stock. At the time exchangeability is granted, the Company recognises an expense based on the fair value of the award on that date. Exchangeability is discretionary and therefore no expense is recorded prior to the formal decision made by the senior management of BGC Partners, Inc. to grant it.

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

3. TURNOVER

The Company's turnover is derived from the provision of business-to-business electronic marketplace services to related entities within the BGC and Cantor Groups. The Company charges cost plus a fixed rate commission for these services.

All turnover is attributable to a single class of business. All significant turnover arose within the United Kingdom.

4. OPERATING PROFIT

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

	2018 US\$000	2017 US\$000
Depreciation of tangible fixed assets	1	7
Foreign exchange differences	(24)	(10)

Fees of US\$48k (2017: US\$47k) payable to the Company's auditors for the audit of the Company's annual financial statements have been borne by a fellow BGC Group entity for the current and prior year and have not been recharged to the Company. No other fees were paid to the auditors in relation to the Company in the current or prior year.

5. STAFF COSTS

Staff costs were as follows:

	2018 US\$000	2017 US\$000
Wages and salaries	17,428	16,127
Social security costs	2,128	1,931
Cost of defined contribution scheme	171	100
	<u>19,727</u>	<u>18,158</u>

The average monthly number of employees during the year was as follows:

	2018 No.	2017 No.
Support Employees	<u>137</u>	<u>136</u>

Included in wages and salaries is a total expense of US\$222k (2017: US\$224k) in the year relating to Restricted Stock United (RSUs).

The key assumptions made in determining the RSU expense were:

- Weighted average forfeiture rate = 21% (2017: 21%)
- Fair value per unit: BGC Partners, Inc. share price at grant date

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

The key assumptions made in determining the expense for the limited partnership units accounted for as liability awards were:

- Weighted average forfeiture rate: 57% (2017: 57%)
- Fair value per unit = The post termination grant price stated
- Average retirement age: 47 years (2017: 47 years)
- Discount rate: 2% (2017: 2%)

The Company recognised an exchangeability expense of US\$595k for the year ended 31 December 2018 (2017: US\$574k).

The pension charge of US\$171k (2017: US\$100k) represents contributions payable by the Company to the pension scheme. As at 31 December 2018, there was no outstanding contributions payable to the scheme (2017: US\$nil).

Information regarding directors

The remuneration of directors of the Company comprised:

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

6. INCOME FROM FIXED ASSETS INVESTMENTS

	2018 US\$000	2017 US\$000
Income from fixed asset investments	<u>5,721</u>	<u>-</u>

On 3 April 2018, BGC Technology Support Services Limited Board of Directors declared and authorised the payment of US\$5,400k interim dividend to the Company.

On 3 April 2018, BGC Technology A Limited Board of Directors declared and authorised the payment of US\$321k interim dividend to the Company.

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 US\$000	2017 US\$000
Employee loans	10	9
Other interest	1	2
Research and development enhanced credit	275	130
	<u>286</u>	<u>141</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 US\$000	2017 US\$000
Bank interest payable	-	9
Other interest payable	140	5
	<u>140</u>	<u>14</u>

9. TAXATION

	2018 US\$000	2017 US\$000
CORPORATION TAX		
Current tax on profits for the year	577	369
Adjustments in respect of previous periods	13	(35)
TOTAL CURRENT TAX	<u>590</u>	<u>334</u>
DEFERRED TAX		
Origination and reversal of timing differences	(55)	107
Adjustment in respect of previous periods	-	(68)
Effect of changes in tax rates	52	(7)
TOTAL DEFERRED TAX	<u>(3)</u>	<u>32</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>587</u>	<u>366</u>

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

9. TAXATION (CONTINUED)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 US\$000	2017 US\$000
Profit on ordinary activities before tax	8,437	2,630
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	1,603	506
EFFECTS OF:		
Expenses not deductible	24	47
Income not taxable	(1,104)	(2)
Adjustments in respect of previous periods	13	(103)
Tax rate changes	51	(7)
Restricted Stock Units	-	(75)
TOTAL TAX CHARGE FOR THE YEAR	587	366

Factors that may affect future tax charges

The effective statutory corporation tax rate for the year ended 31 December 2018 is 19%. Finance Act 2016 which was substantively enacted on 6 September 2016 confirmed that the rate of corporation tax will reduce to 17% from 1 April 2020. A 17% rate has been applied to calculate the deferred tax asset as at 31 December 2018.

BGC TECHNOLOGY INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****10. TANGIBLE FIXED ASSETS**

	Computer equipment US\$000
COST	
At 1 January 2018	17,057
At 31 December 2018	<u>17,057</u>
DEPRECIATION	
At 1 January 2018	17,032
Charge for the year on owned assets	1
At 31 December 2018	<u>17,033</u>
NET BOOK VALUE	
At 31 December 2018	<u>24</u>
At 31 December 2017	<u>25</u>

11. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies US\$000
COST	
At 1 January 2018	6,034
At 31 December 2018	<u>6,034</u>
NET BOOK VALUE	
At 31 December 2018	<u>6,034</u>
At 31 December 2017	<u>6,034</u>

BGC TECHNOLOGY INTERNATIONAL LIMITED

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

11. FIXED ASSET INVESTMENTS (CONTINUED)

During 2009, the Company acquired a US\$6,000k investment in BGC Technology Support Services Limited ('TSSL') in return for the transfer of the Company's IT Infrastructure Support business. The ownership interest is 1 special share with a nominal value of US\$1. TSSL issued 200 ordinary shares each with a nominal value of US\$1 and 1 special share with a nominal value of US\$1. The special share entitles the Company to receive 90% of the dividends out of the profits of TSSL that are available for distribution. The investment is held at historic cost as no indicators of impairment have been identified.

During 2009, the Company acquired an investment in BGC Technology A Limited for US\$34k. The ownership interest is 78 ordinary A shares with a nominal value of US\$1 each, which provide the holder with 75% of the economic rights. BGC Technology A Limited issued 78 ordinary A shares each with a nominal value of US\$1 and 26 ordinary B shares each with a nominal value of US\$1. The investment is held at historic cost as no indicators of impairment have been identified. There are no voting rights attached to the Company's investment in BGC Technology A Limited.

12. DEBTORS

	2018 US\$000	2017 US\$000
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (note 14)	828	825
	<u>828</u>	<u>825</u>
	2018 US\$000	2017 US\$000
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	4,980	13,409
Other debtors	30	132
Prepayments and accrued income	153	114
Government grant receivable	207	-
Staff loan	384	415
Employee benefit trust deposit	-	26
	<u>5,754</u>	<u>14,096</u>

Certain employee loans totalling US\$315k (2017: US\$350k) are to be repaid from the proceeds of future distributions on limited partnership units granted to the employees. These loans have been classified as falling due within one year due to the uncertainty of the timing of those distributions.

The directors consider the carrying value of debtors falling due within one year approximates to fair value. The amounts owed to group undertakings are unsecured, non-interest bearing and payable on demand.

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

13. CREDITORS: Amounts falling due within one year

	2018 US\$000	2017 US\$000
Amounts owed to group undertakings	3,339	-
Corporation tax	357	223
Other taxation and social security	574	590
Other creditors	190	-
Accruals and deferred income	4,113	2,953
	<u>8,573</u>	<u>3,766</u>

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

14. DEFERRED TAXATION

	2018 US\$000	2017 US\$000
Deferred tax assets:		
At the start of the year	825	857
Adjustment in respect of prior years	-	68
Deferred tax charge for the year	3	(100)
At end of the year	<u>828</u>	<u>825</u>

The deferred tax asset is made up as follows:

	2018 US\$000	2017 US\$000
Fixed asset timing differences	530	665
Short term timing differences	298	160
Deferred tax assets	<u>828</u>	<u>825</u>

Approximately US\$107k (2017: US\$121k) of the deferred tax asset carried forward in respect of fixed asset timing differences is expected to reverse in the following accounting period as capital allowances are claimed.

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

15. DERIVATIVES HELD AT FAIR VALUE

The Company utilises the following derivative financial instruments for funding purposes:

	<i>Contract or underlying principal amount US\$000</i>	<i>Fair Value Asset US\$000</i>
2018		
Currency swaps	2,907	26
	<u>2,907</u>	<u>26</u>
	<i>Contract or underlying principal amount US\$000</i>	<i>Fair Value Asset US\$000</i>
2017		
Currency swaps	2,022	4
Forward settlement contracts	1,073	7
	<u>3,095</u>	<u>11</u>

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

16. SHARE CAPITAL

	2018 US\$000	2017 US\$000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,000,000 (2017 - 59,776,008) Ordinary shares of US\$1 each	1,000	59,776
2 Ordinary shares of £1 each - (US Dollar equivalent of US\$4)	-	-
	<u>1,000</u>	<u>59,776</u>

On 3 April 2018, the directors reduced the share capital by US\$58,776k, increasing distributable reserves by US\$37,779k and returning US\$20,997k to the shareholder of the Company.

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

	2018 US\$000	2017 US\$000
Financial assets at fair value through profit or loss		
Currency swaps (Level 2)	26	4
Forward settlement contracts (Level 2)	-	7
	<u>26</u>	<u>11</u>
Financial assets measured at amortised cost		
Amount owed by group undertaking	4,980	13,409
Other debtors	621	555
	<u>5,601</u>	<u>13,964</u>
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings	3,339	-
Other creditors	190	-
Accruals and deferred income	4,113	2,953
	<u>7,642</u>	<u>2,953</u>

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

18. RELATED PARTY TRANSACTIONS

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

The Company provides software infrastructure support services to other Cantor Group entities. During the years ended 31 December 2018 and 2017, the amount charged for these services comprised:

	2018 US\$000	2017 US\$000
Cantor Fitzgerald Europe	<u>856</u>	<u>953</u>

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

Related party balances requiring disclosure are as follows:

	2018 US\$000	2017 US\$000
Amount due from related party		
Entities with control over company	1,185	13,409
Other affiliated entities	3,795	-
Total	<u>4,980</u>	<u>13,409</u>
	2018 US\$000	2017 US\$000
Amount due to related party		
Entities with control over company	3,339	-
Total	<u>3,339</u>	<u>-</u>

19. POST BALANCE SHEET EVENTS

On 23 July 2019, the Company's investment in BGC Technology A Ltd ('TAL') was repaid. The repayment was settled in specie by TAL transferring 106,875 US\$0.001 ordinary shares of BGC Technology Support Services to the Company.

20. CONTINGENT LIABILITY

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 on management's best estimate of the cost of 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.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent and controlling party is BGC Services (Holdings) LLP, a Limited Liability Partnership registered in England and Wales. The ultimate parent and controlling entity is Cantor Fitzgerald L.P. a Limited Partnership registered in the United States of America.

The smallest group into which the results of the Company are consolidated is BGC European Holdings L.P., a Limited Partnership registered in England. The smallest and largest group to make its financial statements publicly available into which the results of the Company are consolidated is BGC Partners, Inc., incorporated in the United States of America. The consolidated financial statements of this group are available from 499 Park Avenue, New York, USA 10022. The largest group into which the results of the Company are consolidated is Cantor Fitzgerald L.P.