

Registered number: 05107427

**KYTE CAPITAL MANAGEMENT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



**KYTE CAPITAL MANAGEMENT LIMITED**

**COMPANY INFORMATION**

**Directors** Mr. J. P. Aubin  
Mr. R. B. Stevens  
Mr. S. A. Windeatt

**Company secretary** R. M. Snelling

**Registered number** 05107427

**Registered office** 1 Churchill Place  
London  
E14 5RD

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

## **KYTE CAPITAL MANAGEMENT LIMITED**

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

The directors present their annual report and the audited financial statements of Kyte Capital Management Limited (the "Company") for the year ended 31 December 2018.

Kyte Capital Management Limited is an investment company.

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

The Company has not prepared consolidated financial statements for the reasons set out in note 2.8 to the financial statements.

#### **Results and dividends**

The profit for the year, after taxation, amounted to US\$422k (2017: loss US\$1,904k).

The Company did not pay a dividend during the year but, on 22 July 2019, the directors declared a dividend of US\$6,500k (2017: US\$nil) to its sole shareholder, GFI Markets Investments Limited.

#### **Directors**

The directors who served during the year were:

Mr. J. P. Aubin  
Mr. J. R. Lightbourne (resigned 19 November 2019)  
Mr. R. B. Stevens  
Mr. S. A. Windeatt

#### **Going concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Company continues to adopt the going concern basis in preparing the 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 the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

#### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**KYTE CAPITAL MANAGEMENT LIMITED**

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

**Auditors**

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

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



Mr. R. B. Stevens  
Director

Date: 2 December 2019

## **KYTE CAPITAL MANAGEMENT LIMITED**

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

#### **Principal activities**

The Company is an investment vehicle that provides seed capital to start-ups and small established trading groups, small hedge funds, market-makers, individual sole traders and developers of algorithmic trading systems (collectively referred to as "backings").

#### **Business review**

*Qubed Derivatives LLP ('Qubed')*

The Company has commenced the retirement proceedings to cease to be a member of Qubed following the impairment of its entire investment and receivables on 31 December 2017.

#### **Financial Performance**

Management use a series of measures to monitor performance, which are primarily turnover, profit on ordinary activities before tax and net asset value.

The Company's turnover for 2018 has increased by 20% from US\$998k to US\$1,195k primarily due to a US\$700k increase in its share of profit from associates offset by a US\$503k decrease in dividend income from its investment in Arfima Trading S.L.

The Company made a profit of US\$422k on ordinary activities before tax (2017: loss of US\$1,904k). The loss in 2017 was primarily due to the impairment of its investment in Qubed Derivatives LLP.

#### **Principal risks and uncertainties**

##### **Risk Management**

The board of directors is responsible for determining the level of risk acceptable to the Company and its investments. This is subject to regular review.

The largest risk to the Company is impairment risk. The Company faces impairment risk due to the investments that it holds. Any reduction in value of these investments below their carrying value will result in an impairment of the Company's investment and a write down of its carrying value. In addition the Company is exposed to a variety of risks including credit, liquidity, currency, interest rate and operational risk.

##### **Credit risk**

Credit risk is the risk of potential loss from a customer default. As the majority of the Company's receivables are due from related parties, the directors consider the Company's credit risk to be limited.

##### **Foreign currency risk**

The Company's functional currency is US Dollar but it conducts its business in a number of foreign currencies, principally Euro and Sterling. Consequently, the Company is exposed to foreign exchange risk due to exchange rate movements. This risk is controlled by regular monitoring of foreign currency balances and by regular translations of foreign currencies into US Dollar. Any gain or loss on exchange translations is recognised in the Statement of Comprehensive Income as part of trading profits.

##### **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 relies on funding from the BGC group centralised treasury arrangement to meet its liabilities when they fall due.

**KYTE CAPITAL MANAGEMENT LIMITED**

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

**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 external 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.

**Post Balance Sheet Events**

On 22 July 2019, the Company declared a dividend of US\$6,500k to its sole shareholder, GFI Markets Investments Limited.

**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 and signed on its behalf by:



Mr. R. B. Stevens  
Director

Date: 2 December 2019

## **KYTE CAPITAL MANAGEMENT LIMITED**

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

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited 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 audited 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 audited 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.

## **KYTE CAPITAL MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KYTE CAPITAL MANAGEMENT LIMITED**

#### **Opinion**

We have audited the financial statements of Kyte Capital Management 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 17, 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 from 1 to 22, 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



## **KYTE CAPITAL MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KYTE CAPITAL MANAGEMENT LIMITED (CONTINUED)**

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

We have nothing to report in this regard.

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KYTE CAPITAL MANAGEMENT LIMITED  
(CONTINUED)**

**Auditors' 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.

**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.



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

Date: 6 December 2019

**KYTE CAPITAL MANAGEMENT LIMITED**

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

	Note	2018 US\$	2017 US\$
Turnover	3	1,194,865	998,132
Administrative expenses		(769,379)	(1,575,990)
<b>Operating profit/(loss) on ordinary activities</b>	4	<u>425,486</u>	<u>(577,858)</u>
Impairment of fixed asset investment		-	(1,326,510)
Interest receivable and similar income	6	1,220	702
Interest payable and expenses	7	(4,375)	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>422,331</u>	<u>(1,903,666)</u>
Tax on profit/(loss)	8	-	-
<b>Total comprehensive income/(loss) for the year</b>		<u><u>422,331</u></u>	<u><u>(1,903,666)</u></u>

All amounts relate to continuing operations.

The notes on pages 12 to 22 form part of these financial statements.

**KYTE CAPITAL MANAGEMENT LIMITED**  
**REGISTERED NUMBER: 05107427**

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

	Note	2018 US\$	2017 US\$
<b>Fixed assets</b>			
Investments	9	4,355,542	4,355,542
		<u>4,355,542</u>	<u>4,355,542</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	9,639,145	9,292,859
		<u>9,639,145</u>	<u>9,292,859</u>
Creditors: amounts falling due within one year	11	(13,092)	(89,137)
		<u>(13,092)</u>	<u>(89,137)</u>
<b>Net current assets</b>		9,626,053	9,203,722
<b>Total assets less current liabilities</b>		<u>13,981,595</u>	<u>13,559,264</u>
<b>Net assets</b>		<u>13,981,595</u>	<u>13,559,264</u>
<b>Capital and reserves</b>			
Called up share capital	12	3,402	3,402
Share premium account		71,927	71,927
Capital redemption reserve		141	141
Profit and loss account		13,906,125	13,483,794
		<u>13,981,595</u>	<u>13,559,264</u>

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



Mr. R. B. Stevens  
Director

Date: 2 December 2019

The notes on pages 12 to 22 form part of these financial statements.

**KYTE CAPITAL MANAGEMENT LIMITED**

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	US\$	US\$	US\$	US\$	US\$
At 1 January 2018	3,402	71,927	141	13,483,794	13,559,264
Profit for the year	-	-	-	422,331	422,331
<b>At 31 December 2018</b>	<b>3,402</b>	<b>71,927</b>	<b>141</b>	<b>13,906,125</b>	<b>13,981,595</b>

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	US\$	US\$	US\$	US\$	US\$
At 1 January 2017	3,402	71,927	141	15,387,460	15,462,930
Loss for the year	-	-	-	(1,903,666)	(1,903,666)
<b>At 31 December 2017</b>	<b>3,402</b>	<b>71,927</b>	<b>141</b>	<b>13,483,794</b>	<b>13,559,264</b>

The notes on pages 12 to 22 form part of these financial statements.

## KYTE CAPITAL MANAGEMENT LIMITED

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

#### 1. Statement of compliance

Kyte Capital Management Limited is a limited company registered in England and Wales. Its registered office is 1 Churchill Place, London, E14 5RD. The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and preceding year.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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

The preparation of the financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the 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. Judgement made on assessment of investment impairment had the most significant effect on amounts recognised in the financial statements.

###### *Impairment of fixed asset investments*

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

##### 2.3 Interest income and other expenses

Interest income and interest 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 (EIR) 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.

##### 2.4 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

## KYTE CAPITAL MANAGEMENT LIMITED

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

#### 2. Accounting policies (continued)

##### 2.4 Financial instruments (continued)

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.

##### (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.

## KYTE CAPITAL MANAGEMENT LIMITED

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

#### 2. Accounting policies (continued)

##### 2.4 Financial instruments (continued)

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.

##### 2.5 Investments

Investments have been reported under the following categories:

###### *(i) Capital and loan in subsidiary undertakings*

Capital and loans in subsidiaries are recorded at the lower of cost and net recoverable amount, with provision made for any impairment.

###### *(ii) Capital and loan in associated undertakings*

Capital and loans in associates are accounted for under the cost accounting method (FRS 102). The investments are initially recorded at cost less any accumulated impairment losses recognised.

###### *(iii) Capital and loan in investments*

Capital relates to shares in or contributions to the equity of non-listed entities. They are recorded at the lower of cost and net recoverable amount, with provisions made for any impairment.

Loans relate to non-interest bearing loans invested in non-listed entities in return for profit share. They are recorded at the lower of cost and net recoverable amount, with provisions made for any impairment.

##### 2.6 Functional and presentation currency

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

The conversion rate used to translate GBP into USD at 31 December 2018 was 1:274 (2017: 1:353).

##### 2.7 Foreign currencies

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

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



## **KYTE CAPITAL MANAGEMENT LIMITED**

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

#### **2. Accounting policies (continued)**

##### **2.8 Exemptions applied**

As a qualifying entity under FRS 102, the Company has taken advantage of the exemptions in section 1.11-1.12 from preparing a cash flow statement, the requirement of section 33.7 to disclose key management personnel compensation and the requirement of paragraph 9.3 to prepare consolidated financial statements. The BGC Group prepares publicly available consolidated financial statements including a cash flow statement which are intended to give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows and the Company is included in the BGC Group's consolidated financial statements.

##### **2.9 Turnover**

Turnover in relation to investees is calculated in accordance with the agreed terms of the profit (or loss) share between members/shareholders and it is recognised when the legal right to receive the profit is established.

##### **2.10 Dividend income**

Dividend income is recognised when the Company's right to receive payment is established. The right to receive payment is established for interim dividends, when they are paid and for final dividends, when they are approved by the shareholder.

##### **2.11 Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **2.12 Deferred taxation**

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

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

##### **2.13 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 Statement of Financial Position 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.

**KYTE CAPITAL MANAGEMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****3. Turnover**

An analysis of turnover by class of business is as follows:

	2018 US\$	2017 US\$
Dividends from investments	137,178	640,287
Share of profit from associates	1,057,687	357,845
	<u>1,194,865</u>	<u>998,132</u>

**4. Operating profit/(loss)**

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

	2018 US\$	2017 US\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	26,355	17,287
Foreign exchange gains	(2,639)	(1,582)
Professional fees	729,620	987,555
Provision for doubtful debts	-	530,971
	<u>-</u>	<u>530,971</u>

**5. Staff costs**

The Company had no employees during the year (2017: nil)

**Information regarding directors**

The directors are neither employed by the Company nor received any emoluments from the Company in respect of their services to the Company (2017: \$nil).

The directors of the Company are remunerated in respect of services provided to the Company by other entities in the BGC Partners Inc. Group. The apportioned costs in respect of services provided to the Company are not recharged to the Company and are deemed immaterial.

**6. Interest receivable**

	2018 US\$	2017 US\$
Interest on tax receivable	<u>1,220</u>	<u>702</u>

# KYTE CAPITAL MANAGEMENT LIMITED

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

### 7. Interest payable and similar charges

	2018 US\$	2017 US\$
Interest on currency swaps	4,375	-

### 8. Taxation

	2018 US\$	2017 US\$
Current tax on profits for the year	-	-

#### 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\$	2017 US\$
Profit/(loss) on ordinary activities before tax	422,331	(1,903,666)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	80,243	(366,391)
Effects of:		
Expenses not deductible	89,863	270,355
Income not taxable	(227,024)	(158,480)
Group relief surrendered	56,918	254,516
Total tax charge for the year	-	-

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 deferred tax asset has not been recognised on tax losses carried forward of US\$7.4m (2017: US\$8.7m) as it is not certain whether there will be sufficient profits in the future against which these tax losses can be utilised.

# KYTE CAPITAL MANAGEMENT LIMITED

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

### 9. Investments

#### Cost

At 1 January 2018 and 31 December 2018

5,682,052

#### Impairment

At 1 January 2018 and 31 December 2018

1,326,510

#### Net book value

At 1 January 2018 and 31 December 2018

4,355,542

#### Investment in subsidiary

Below is the breakdown of the investments in subsidiaries and associates of the Company as at 31 December 2018. The Company's interest in the capital, voting rights and the profits of Limited Liability Partnerships are not in equal proportions. All the loans to subsidiaries and associates are non-interest bearing.

	Loan US\$	Total investment US\$
<b>Cost</b>		
At 1 January 2018 and at 31 December 2018	3,354,949	3,354,949

This investment which is made through a non interest bearing loan of €2,623,000 is held at a historic cost value of \$3,354,949 on the balance sheet of the Company.

Company Name	% Holding	No. of Shares	Nominal value of shares	Equity Investment	Country of Incorporation	Principal activity
Afirma Trading S.L	40 Ordinary	1,697	€30.06	€51,012 (unpaid)	Spain	Futures and options trading

# KYTE CAPITAL MANAGEMENT LIMITED

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

### 9. Investments (continued)

#### Investment in associates

	Equity investment US\$	Loans US\$	Total investment US\$
<b>Cost</b>			
At 1 January 2018 and 31 December 2018	1,505,537	821,566	2,327,103
<b>Impairment</b>			
At 1 January 2018 and 31 December 2018	1,326,510	-	1,326,510
<b>Net book value</b>			
At 1 January 2018 and 31 December 2018	179,027	821,566	1,000,593

#### Principal associates

Partnership name	Holding	Country of Incorporation	Principal activity
BIP Trading LLP	25%	United Kingdom	Intermediate holding partnership
Qubed Derivatives LLP	15%	United Kingdom	Futures and options trading
Variance Capital LLP	15%	United Kingdom	Investment management services

The Company has commenced the retirement proceedings to cease to be a member of Qubed following the impairment of its entire investment and receivables during the year ended 31 December 2017.

### 10. Debtors

	2018 US\$	2017 US\$
Financial instruments	5,398	-
Amounts owed by group undertakings	8,088,909	8,438,077
Amounts owed by associates	1,446,542	750,974
Corporation Tax	98,296	103,808
	<u>9,639,145</u>	<u>9,292,859</u>

The directors consider the carrying value of the 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.

**KYTE CAPITAL MANAGEMENT LIMITED**

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

**11. Creditors: Amounts falling due within one year**

	2018 US\$	2017 US\$
Other creditors and accruals	13,092	89,137

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

**12. Called up share capital**

	2018 US\$	2017 US\$
2,304 Ordinary shares of £1 each	3,396	3,396
1 Reserved share of £1	1	1
52 Ordinary A growth shares of 1p each	1	1
132 Ordinary B growth shares of 1p each	2	2
32 Ordinary C growth shares of 1p each	1	1
48 Ordinary D growth shares of 1p each	1	1
	<u>3,402</u>	<u>3,402</u>

No shares, other than the Ordinary shares of £1, are entitled to receive dividends or to notice of, or to attend or vote at meetings of the Company or in any written resolution.

The holder of the reserved share is not entitled to participate in a winding up of the Company.

**13. Derivatives held at fair value**

	Contract or underlying principal amount US\$	Fair Value Asset US\$
<b>2018</b>		
Currency swaps (Level 2)	594,012	5,398
<b>Total</b>	<u>594,012</u>	<u>5,398</u>

Changes in the fair value of the financial assets and liabilities are recorded within interest receivable and other income in the Statement of Comprehensive Income. No currency swaps were held as at 31 December 2017.

# KYTE CAPITAL MANAGEMENT LIMITED

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

### 14. Financial instruments

	2018 US\$	2017 US\$
<b>Financial assets measured at amortised cost</b>		
Amounts owed by group undertaking	8,088,909	8,438,077
Amounts owed by associates	1,446,542	750,974
<b>Total</b>	<b>9,535,451</b>	<b>9,189,051</b>
<b>Financial assets at fair value through profit or loss</b>		
Currency swaps (Level 2)	5,398	-
<b>Total</b>	<b>5,398</b>	<b>-</b>

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

### 15. 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 entity. Disclosed below are the related party transaction balances as at 31 December 2018.

The Company receives professional and support services from Variance Capital LLP an associate company. During the year ended 31 December 2018, the amount charged for these services was US\$128k (2017: US\$154k).

	2018 US\$	2017 US\$
<b>Amount due from related party</b>		
Entities with control over the Company	8,088,909	8,438,077
Other affiliated entities	1,446,542	750,974
<b>Total</b>	<b>9,535,451</b>	<b>9,189,051</b>

## **KYTE CAPITAL MANAGEMENT LIMITED**

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

#### **16. 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.

#### **17. Post Balance Sheet Events**

On 22 July 2019, the Company declared a dividend of US\$6,500k to its sole shareholder, GFI Markets Investments Limited.

#### **18. Ultimate parent company and controlling party**

The immediate parent company is GFI Markets Investments Limited, a Company registered in England and Wales. The ultimate controlling party is Cantor Fitzgerald, LP, which is registered in the United States of America.

The smallest and largest group to make its financial statements publicly available into which the results of the Company are consolidated is BGC 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, LP.