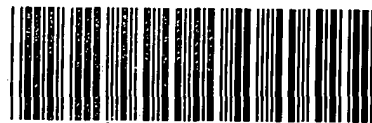


# **BGC INTERNATIONAL**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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COMPANIES HOUSE

**BGC INTERNATIONAL**

**COMPANY INFORMATION**

**DIRECTORS**

Mr D Barnard  
Mr M A J Cooper  
Mr A G Sadler  
Mr S A Windeatt

**COMPANY SECRETARY**

Mr R. M. Snelling

**REGISTERED NUMBER**

01976691

**REGISTERED OFFICE**

One Churchill Place  
Canary Wharf  
London  
E14 5RD

**INDEPENDENT AUDITOR**

Ernst & Young LLP  
One More London Place  
London  
SE1 2AF

## **BGC INTERNATIONAL**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their annual reports and the financial statements of BGC International ('BGC' or the 'Company') for the year ended 31 December 2013.

BGC, an unlimited company incorporated under the laws of England and Wales, is part of the global BGC Partners, Inc. group ('BGC Group'), which is comprised of BGC Partners, Inc. and its subsidiaries. BGC Partners, Inc. is a member of the Cantor Fitzgerald, LP group ('Cantor Group'), which is comprised of Cantor Fitzgerald, LP, and its subsidiaries.

### **RESULTS**

The profit for the year, after taxation, amounted to US\$10,468k (2012: US\$42,320k).

### **DIRECTORS**

The directors who served during the year were:

Mr D Barnard  
Mr M A J Cooper  
Mr A G Sadler  
Mr S A Windeatt

### **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. In addition, note 24 to the financial statements includes the Company's objectives, policies and processes around risk management, including credit and market risks, interest rate, liquidity, foreign exchange, operational and capital risks.

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

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

The Company has granted an indemnity to its 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 AUDITOR**

So far as each person who was a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

**BGC INTERNATIONAL**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**AUDITOR**

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 of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D Barnard', written in a cursive style.

**Mr D Barnard**  
Director  
Date: 1 May 2014

## BGC INTERNATIONAL

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

#### INTRODUCTION

The BGC Group is a full service inter-dealer broker which specialises in broking over-the-counter financial products and related derivative products.

The Company's principal trading activity was as a service company, recharging other BGC and Cantor Group entities for the use of its fixed assets. The Company ceased its principal trading activity during the year, and its principal activity is now as an investment holding company. The Company continues to earn income from its fixed asset investments.

#### BUSINESS REVIEW

##### *Results*

On 30 September 2013, the Company ceased its principal trading activity as a service company.

The profit for the year amounted to US\$10,468k (2012: US\$42,320k) which has been taken to reserves. Income arose from turnover, which was generated from recharges to other BGC Group and Cantor Group entities for the use of the Company's fixed assets, interest on intercompany loans receivable and dividends from investments.

The total recognised gains for the year amounted to US\$12,392k (2012: gain of US\$46,885k), which includes a gain of US\$1,924k (2012: gain of US\$4,565k) related to the revaluation of available for sale investments.

##### *Cessation of principal trading activity*

On 30 September 2013, Cantor Fitzgerald Europe, a Cantor Group entity, terminated its lease agreement with BGC for the 3rd floor of One America Square, London ("1AS"). With the end of this tenancy and no other BGC Group or Cantor Group entity to take over the sub lease, the Company disposed of its tangible fixed assets in relation to 1AS, see note 11. The assets were fully amortised at the date of disposal on 30 September 2013 and there were no disposal proceeds.

With the disposal of the Company's 1AS leasehold improvements and equipment and machinery and no other BGC Group or Cantor Group entity employing BGC's remaining tangible fixed assets the Company ceased its principal trading activity.

##### *Amounts owed by group undertakings*

On 27 March 2013, the Company granted a US\$40,000k unsecured loan to BGC European Holdings LP, see note 13. The loan was drawn down on the same day for a period of five years and is subject to interest at the rate of 7.8%.

In 2013 the Company earned interest on its loans to group undertakings of US\$6,977k (2012: US\$1,029k), see note 8. This increase was a result of the US\$40,000k loan drawn down by BGC European Holdings LP on 27 March 2013 and the US\$46,000k loan to BGC European Holdings LP drawn on 19 December 2012. On 20 February 2014, both of these loans and the Company's US\$28,000k unsecured loan to BGC European Holdings LP were repaid, see note 25.

##### *Investments*

BGC holds an equity investment in BGC International LP, an associated BGC Group undertaking. The value of the investment at the year end amounted to US\$70,000k (2012: US\$68,410k). During the year, US\$1,590k of the historic impairment provision against the value of this investment was reversed due to an increase in the investment's recoverable amount.

During the year, Tower Bridge Securities Limited, a subsidiary of the Company, was dissolved and capital of US\$1,174k was returned to the Company.

## **BGC INTERNATIONAL**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

#### *Investments (continued)*

On 28 May 2013 the Company subscribed for an additional 428,691 ordinary shares in LCH.Clearnet Group Limited ("London Clearing House") at a cost of €10.00 per share for a total consideration of US\$5,543k. The offering of new shares to existing shareholders follows the acquisition of a 57.8% stake in London Clearing House by the London Stock Exchange Group.

On 12 November 2013, the Company's 3,557 ordinary shares in NYSE Euronext were purchased by IntercontinentalExchange Group Inc ("ICE Group") in exchange for 605 ordinary shares in ICE Group and US\$40k in cash consideration. The purchase of shares is a result of the completion of the acquisition of NYSE Euronext by ICE Group.

On 11 March 2014, the Company acquired an additional 1,359 ordinary shares in Euroclear plc at a cost of €6.00 per share for a total consideration of US\$1,126k. The shares were acquired from Htamretfa Limited (formerly Dolmen Securities Limited), a company registered in the Republic of Ireland.

#### *Onerous lease provision*

In 2013, the provision for onerous lease commitments increased by US\$1,035k (2012: decrease of US\$462k) as result of a decrease in rental income when the Company's sub lease tenant changed and the Company had no recourse to decrease its rental expense to the landlord.

#### *Future developments*

The Company is expected to be an investment holding company for the foreseeable future and will continue to earn income from its investments. On 20 February 2014, the unsecured loans of US\$114,000k to BGC European Holdings LP were repaid and the Company received a repayment of capital for US\$70,000k from BGC International LP, an associated undertaking. On the same day, the members of the Company resolved to reduce its issued share capital by 107,503,023 Ordinary Shares of £1 each, by cancelling and extinguishing those shares and then distributing US\$184,000k to the members. See note 25 for details of post balance sheet events.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company faces credit, market, foreign exchange, liquidity, interest rate, operational and capital risks in the course of its normal business. The directors place reliance on the BGC Group's Risk Management function to manage and monitor risks as well as other related matters, and receive reports on specific risks that affect the Company. The Company relies on the policies and procedures established by the BGC Group to mitigate its exposure to the aforementioned risks. See note 24 to the financial statements for further details.

The Company faces only limited market risk directly, relating to the value of its investments. However the Company is exposed to further credit and liquidity risk indirectly, from the BGC Group entity that it lends to.

**BGC INTERNATIONAL**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**KEY PERFORMANCE INDICATORS**

As the Company is no longer a service company and is now an investment holding company, the directors regard profit before tax and the underlying value of investments as the key performance indicators of the business.

In 2013 the Company made a profit before tax of US\$7,475k (2012: US\$54,950k). The net value of investments is US\$88,281k (2012: US\$80,398k).

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



**Mr D Barnard**  
Director  
Date: 1 May 2014

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors are responsible for preparing the Directors' report and Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper 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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGC INTERNATIONAL**

We have audited the financial statements of BGC International for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

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

In our opinion 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.

## BGC INTERNATIONAL

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGC INTERNATIONAL

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 2 / 5 / 2014

**BGC INTERNATIONAL**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|  | Note | 2013<br>US\$000 | 2012<br>US\$000 |
|--|------|-----------------|-----------------|
| <b>TURNOVER</b>                                      | 2,3  |                 |                 |
| Discontinued operations                              |      | 243             | 949             |
|  |      | <hr/>           | <hr/>           |
| Administrative expenses                              | 3    | 577             | (2,297)         |
|  |      | <hr/>           | <hr/>           |
| <b>OPERATING PROFIT/(LOSS)</b>                       | 4    |                 |                 |
| Continuing operations                                |      | 799             | (1,475)         |
| Discontinued operations                              |      | 21              | 127             |
|  |      | <hr/>           | <hr/>           |
|  |      | 820             | (1,348)         |
| <b>EXCEPTIONAL ITEMS</b>                             |      |                 |                 |
| Gain on sale of investment                           | 5    | -               | 52,471          |
|  |      | <hr/>           | <hr/>           |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b> |      | 820             | 51,123          |
| Income from other fixed asset investments            | 6    | 101             | 3,059           |
| Interest receivable and similar income               | 8    | 6,987           | 1,040           |
| Interest payable and similar charges                 | 9    | (433)           | (272)           |
|  |      | <hr/>           | <hr/>           |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 7,475           | 54,950          |
| Tax on profit on ordinary activities                 | 10   | 2,993           | (12,630)        |
|  |      | <hr/>           | <hr/>           |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 | 18   | 10,468          | 42,320          |
|  |      | <hr/>           | <hr/>           |

The notes on pages 12 to 32 form part of these financial statements.

**BGC INTERNATIONAL****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|   | Note  | 2013<br>US\$000      | 2012<br>US\$000      |
|---|-------|----------------------|----------------------|
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>                     | 18    | 10,468               | 42,320               |
| Revaluation of available for sale investments                     | 18,12 | <u>1,924</u>         | <u>4,565</u>         |
| <b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO<br/>THE YEAR</b> |       | <u><u>12,392</u></u> | <u><u>46,885</u></u> |

The notes on pages 12 to 32 form an integral part of these financial statements.

**BGC INTERNATIONAL**  
**REGISTERED NUMBER: 01976691**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

|   | Note | US\$000         | 2013<br>US\$000 | US\$000         | 2012<br>US\$000 |
|---|------|-----------------|-----------------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                                   |      |                 |                 |                 |                 |
| Tangible assets                                       | 11   |                 | -               |                 | 222             |
| Investments   | 12   |                 | 88,281          |                 | 80,398          |
|   |      |                 | <u>88,281</u>   |                 | <u>80,620</u>   |
| <b>CURRENT ASSETS</b>                                 |      |                 |                 |                 |                 |
| Debtors: amounts falling due after more than one year | 13   | 40,000          |                 | 46,000          |                 |
| Debtors: amounts falling due within one year          | 13   | 78,215          |                 | 40,792          |                 |
| Cash at bank and in hand                              |      | 18,833          |                 | 52,259          |                 |
|   |      | <u>137,048</u>  |                 | <u>139,051</u>  |                 |
| <b>CREDITORS: amounts falling due within one year</b> | 14   | <u>(13,362)</u> |                 | <u>(20,441)</u> |                 |
| <b>NET CURRENT ASSETS</b>                             |      |                 | <u>123,686</u>  |                 | <u>118,610</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      |                 | <u>211,967</u>  |                 | <u>199,230</u>  |
| <b>PROVISIONS FOR LIABILITIES</b>                     |      |                 |                 |                 |                 |
| Other provisions                                      | 16   |                 | <u>(2,766)</u>  |                 | <u>(2,421)</u>  |
| <b>NET ASSETS</b>                                     |      |                 | <u>209,201</u>  |                 | <u>196,809</u>  |
| <b>CAPITAL AND RESERVES</b>                           |      |                 |                 |                 |                 |
| Called up share capital                               | 17   |                 | 203,308         |                 | 203,308         |
| Available for sale reserve                            | 18   |                 | 11,778          |                 | 9,854           |
| Profit and loss account                               | 18   |                 | <u>(5,885)</u>  |                 | <u>(16,353)</u> |
| <b>SHAREHOLDERS' FUNDS</b>                            | 19   |                 | <u>209,201</u>  |                 | <u>196,809</u>  |

The notes on pages 12 to 32 form an integral part of these financial statements.

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



**Mr D Barnard**  
Director  
Date: 1 May 2014

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

The principal accounting policies are described below:

**1.1 Basis of preparation of financial statements**

The financial statements are prepared on a going concern basis under the historical cost convention, as modified by the inclusion of financial instruments which are held at fair value.

**1.2 Consolidation exemption**

BGCI has not prepared consolidated financial statements. Paragraph 21 of FRS 2 permits the Company to apply the exemption, as outlined in section 401 of the Companies Act 2006, in not preparing consolidated financial statements. BGCI and its subsidiaries are included in the publicly available consolidated financial statements of BGC Partners, Inc.

**1.3 Functional currency**

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

**1.4 Foreign currencies**

Transactions in currencies other than US Dollars are recorded at the month end 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 profit and loss account.

The balance sheet rate used to convert GBP to USD at 31 December 2013 was 1.656 (2012: 1.626).

**1.5 Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. In addition, note 24 to the financial statements include the Company's objectives, policies and processes around risk management, including credit and market risks; interest rate, liquidity, foreign exchange, operational and capital risks.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.6 Tangible fixed assets**

Tangible fixed assets are stated at cost, being their purchase price together with any incidental cost of acquisition, less 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 at the following rates per annum:

|                         |   |   |
|-------------------------|---|---|
| Leasehold improvements  | - | over the shorter of the lease term or useful life |
| Motor vehicles          | - | 33%   |
| Equipment and machinery | - | 20% to 33%  |

**1.7 Impairment of fixed assets**

Reviews for impairment are carried out in the event that circumstances or events indicate the carrying value of fixed assets may not be recoverable. Such circumstances or events could include: a pattern of losses involving the fixed asset; a decline in the market value for a particular fixed asset; or an adverse change in the business or market related to the fixed asset.

If any such indication of impairment exists, then the fixed asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or net realisable value. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that is an estimate of the rate the market would expect on an equally risky investment and is calculated on a pre-tax basis. Where it is not reasonably practicable to identify cash flows arising from an individual fixed asset, value in use is calculated at the level of income-generating units. An income-generating unit is a group of assets that generates income that is largely independent of the Company's other income streams.

To the extent that the carrying amount exceeds the recoverable amount, the fixed asset is impaired and an impairment loss is recognised in the profit and loss account.

Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or income-generating units involve the exercise of a significant amount of judgement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.8 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. Financial instruments are recognised on a trade date basis.

*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.

*(i) Financial instruments at amortised cost*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include other debtors and loans to BGC Group undertakings. These amounts are initially recognised at fair value and are subsequently measured at amortised cost when the time value of money is material, using the effective interest 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 if the effect is material.

*(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 balance sheet. Financial instruments are classified as held for trading if they are acquired for the purpose of reselling.

The financial instruments are initially recognised at fair value on the date on which a contract is entered into. They are subsequently carried in the balance sheet at fair value with gains or losses recognised in the profit and loss account.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

*(iii) Available for sale investments*

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories and are initially recognised at fair value. Gains and losses arising from the changes in fair value are recognised directly in equity via the available for sale reserve until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss is recognised and is included in the profit and loss account for the period, the available for sale reserve having first been reversed. Available for sale investments in equity instruments that do not have a quoted market price in an active market or whose fair value cannot be reliably measured, are measured at cost.

When the investment is disposed of, the cumulative gain or loss previously recognised in the statement of total recognised gains and losses is recognised in the profit and loss account under other operating income or other operating expenses.

Dividends earned whilst holding available for sale investments are also recognised in the profit and loss account.

*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 or loss*

The Company assesses at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date. In addition, evidence of impairment requires that loss event to have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The recoverable amount is the higher of the fair value less costs to sell and 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 immediately in the profit and loss account.

**1.9 Taxation**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.10 Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are those between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**1.11 Interest income and expenses**

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

**1.12 Cash flow statement**

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the BGC Group, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1. A consolidated cash flow statement is contained in the consolidated financial statements of BGC Partners, Inc., which are publicly available.

**1.13 Provisions**

Provisions are recognised when the Company has a present obligation, legal or constructive, arising from a past event that is measurable and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the balance sheet date and they are discounted to present value where the effect is material. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

**1.14 Investment income**

Dividends and distributions of partnership income are recognised when the Company's right to receive payment is established.

**1.15 Operating leases**

Rental expenses and sub lease rental income are recognised within the profit and loss account on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.16 Investment in associated undertakings**

Investments in associated undertakings are stated at cost less any provision for permanent diminution in value. They are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable.

**1.17 Revenue recognition**

Turnover comprises revenue recognised by the Company in respect of services supplied during the year, exclusive of Value Added Tax.

**2. TURNOVER**

Turnover from discontinued operations represents the income received from BGC Group and Cantor Group entities for recharging the use of the Company's fixed assets. As recharges are based on the depreciation and fixed assets' net book values, turnover decreases in line with the decrease in the net book value due to depreciation.

**3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

|                         | 2013                  |                         | 2012                  |                         |
|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
|                         | Continuing<br>US\$000 | Discontinued<br>US\$000 | Continuing<br>US\$000 | Discontinued<br>US\$000 |
| Turnover                | -                     | 243                     | -                     | 949                     |
| Administrative expenses | 799                   | (222)                   | (1,475)               | (822)                   |
|                         | <u>799</u>            | <u>21</u>               | <u>(1,475)</u>        | <u>127</u>              |

**4. OPERATING PROFIT/(LOSS)**

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

|  | 2013<br>US\$000 | 2012<br>US\$000 |
|--|-----------------|-----------------|
| Depreciation of tangible fixed assets                    | 222             | 822             |
| Rent payable under operating lease                       | -               | 361             |
| Charge / (credit) for onerous lease provision            | 1,035           | (462)           |
| Foreign exchange losses                                  | 119             | 487             |
| Impairment (reversal)/charge for fixed asset investments | <u>(1,590)</u>  | <u>4,051</u>    |

Fees payable to the Company's auditor for the audit of the Company's financial statements was US\$25k (2012: US\$25k). The auditor's remuneration for 2013 and 2012 was borne by a fellow BGC Group entity and not recharged to the Company. No other fees were paid to the auditor in relation to the Company (2012: US\$nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**5. EXCEPTIONAL ITEMS**

|                            | 2013<br>US\$000 | 2012<br>US\$000 |
|----------------------------|-----------------|-----------------|
| Gain on sale of investment | -               | 52,471          |

On 25 July 2012, as part of a takeover of the London Metals Exchange ('LME') by Hong Kong Exchange and Clearing Limited, BGCi approved the sale of the 300,000 'A' shares it held at US\$nil cost for £107.60 per 'A' share, resulting in a gain on sale of US\$52,471k. The total consideration of £32,280k was received on 19 December 2012.

BGCi continues to hold an investment of 30,000 'B' shares in the LME, on which the Company recognised a US\$66k (2012: US\$3,511k) revaluation gain during the year (see note 12), reported in the Statement of Total Recognised Gains and Losses.

**6. INCOME FROM FIXED ASSET INVESTMENTS**

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Distribution from associated undertakings | -               | 3,015           |
| Dividend income on equity investments     | 67              | 44              |
| Income from investments                   | 34              | -               |
|   | <u>101</u>      | <u>3,059</u>    |

**7. DIRECTORS' AND EMPLOYEES**

The Company had no employees during 2013 or 2012.

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Directors' emoluments                   | <u>3</u>        | <u>5</u>        |
| Emoluments of the highest paid director | <u>1</u>        | <u>1</u>        |

Directors' remuneration for 2013 and 2012 was borne by a fellow BGC Group entity and not recharged to the Company.

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Interest receivable from group undertakings | 6,977           | 1,029           |
| Bank and other interest receivable          | 10              | 11              |
|   | <u>6,987</u>    | <u>1,040</u>    |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

|  | 2013<br>US\$000 | 2012<br>US\$000 |
|--|-----------------|-----------------|
| Other interest expense                           | 222             | -               |
| Unwinding of discount on onerous lease provision | 211             | 272             |
|  | <u>433</u>      | <u>272</u>      |

**10. TAXATION**

|  | 2013<br>US\$000 | 2012<br>US\$000 |
|--|-----------------|-----------------|
| <b>Analysis of tax (credit)/charge in the year</b>                 |                 |                 |
| <b>Current tax</b> (see note below)                                |                 |                 |
| UK corporation tax charge on profit for the year                   | (1,768)         | 12,328          |
| Adjustments in respect of prior periods                            | (1,753)         | 456             |
| <b>Current tax (credit)/charge for year</b>                        | <u>(3,521)</u>  | <u>12,784</u>   |
| <b>Deferred tax</b>  |                 |                 |
| Origination and reversal of timing differences                     | 528             | 320             |
| Change of rate   | -               | 34              |
| Adjustment in respect of prior periods                             | -               | (508)           |
| <b>Total deferred tax charge/(credit)</b> (see note 15)            | <u>528</u>      | <u>(154)</u>    |
| <b>Tax (credit)/charge on profit/(loss) on ordinary activities</b> | <u>(2,993)</u>  | <u>12,630</u>   |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**10. TAXATION (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Profit on ordinary activities before tax  | 7,475           | 54,950          |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%) | 1,738           | 13,463          |
| <b>Effects of:</b>  |                 |                 |
| Expenses not deductible/(income not taxable) for tax purposes   | (238)           | 354             |
| Capital allowances in excess of depreciation  | (2,952)         | (709)           |
| Utilisation of tax losses and other deductions  | -               | (864)           |
| Adjustment in respect of prior periods  | (1,753)         | 456             |
| Short term timing differences   | (3)             | (696)           |
| Loss carry back   | (90)            | -               |
| Partnership profits/(losses)  | (223)           | 780             |
| <b>Current tax (credit)/charge for the year</b>   | <b>(3,521)</b>  | <b>12,784</b>   |

**Factors that may affect future tax charges**

The rate of corporation tax enacted at the balance sheet date was 20%. Accordingly, this rate has been used to calculate the carried forward deferred tax asset disclosed by the Company. The decrease of the UK corporation tax rate was enacted on 2 July 2013. A corporation tax rate of 21% will be effective from 1 April 2014 with further reduction to 20% from April 2015.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**11. TANGIBLE FIXED ASSETS**

|                       | Leasehold<br>improvements<br>US\$000 | Equipment &<br>machinery<br>US\$000 | Motor vehicles<br>US\$000 | Total<br>US\$000 |
|-----------------------|--------------------------------------|-------------------------------------|---------------------------|------------------|
| <b>Cost</b>           |                                      |                                     |                           |                  |
| At 1 January 2013     | 9,769                                | 19,928                              | 105                       | 29,802           |
| Disposals             | (9,769)                              | (19,928)                            | -                         | (29,697)         |
| At 31 December 2013   | -                                    | -                                   | 105                       | 105              |
| <b>Depreciation</b>   |                                      |                                     |                           |                  |
| At 1 January 2013     | 9,547                                | 19,928                              | 105                       | 29,580           |
| Charge for the year   | 222                                  | -                                   | -                         | 222              |
| On disposals          | (9,769)                              | (19,928)                            | -                         | (29,697)         |
| At 31 December 2013   | -                                    | -                                   | 105                       | 105              |
| <b>Net book value</b> |                                      |                                     |                           |                  |
| At 31 December 2013   | -                                    | -                                   | -                         | -                |
| At 31 December 2012   | 222                                  | -                                   | -                         | 222              |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**12. INVESTMENTS**

|                          | Investments<br>in associated<br>undertakings<br>US\$000 | Available for<br>sale<br>investments<br>US\$000 | Total<br>US\$000 |
|--------------------------|---|---|------------------|
| <b>Cost or valuation</b> |   |   |                  |
| At 1 January 2013        | 78,090  | 10,473  | 88,563           |
| Additions                | -   | 5,543   | 5,543            |
| Disposals                | (1,174)   | -   | (1,174)          |
| Revaluations             | -   | 1,924   | 1,924            |
| At 31 December 2013      | 76,916  | 17,940  | 94,856           |
| <b>Impairment</b>        |   |   |                  |
| At 1 January 2013        | 8,137   | 28  | 8,165            |
| Reversal                 | (1,590)   | -   | (1,590)          |
| At 31 December 2013      | 6,547   | 28  | 6,575            |
| <b>Net book value</b>    |   |   |                  |
| At 31 December 2013      | 70,369  | 17,912  | 88,281           |
| At 31 December 2012      | 69,953  | 10,445  | 80,398           |

**Available for sale investments**

Available for sale investments include the following investments:

|  | Historical<br>cost<br>US\$'000 | Carrying<br>value<br>2013<br>US\$'000 | Carrying<br>value<br>2012<br>US\$'000 | Basis of<br>valuation |
|--|--------------------------------|---------------------------------------|---------------------------------------|-----------------------|
| 791,594 shares in London Clearing House –<br>unlisted            | 5,973                          | 12,074                                | 4,809                                 | NAV                   |
| 1,809 shares in Euroclear PLC - unlisted                         | 108                            | 2,095                                 | 1,983                                 | NAV                   |
| 30,000 shares in London Metals Exchange<br>'B' shares - unlisted | -                              | 3,577                                 | 3,511                                 | MV                    |
| 605 shares in ICE Group - listed                                 | 381                            | 136                                   | 112                                   | MV                    |
| Other investments - unlisted                                     | 58                             | 30                                    | 30                                    | Cost                  |

- a) NAV Net asset value of consolidated group  
b) MV Market value of shares  
c) Cost Cost less impairment

**Investments in associated undertakings**

BGCI holds an equity investment in BGC International LP, an associated BGC Group undertaking. The value of the investment at the year end amounted to US\$70,000k (2012: US\$68,410k). During the year, US\$1,590k of the historic impairment provision against the value of this investment was reversed due to an increase in the investment's recoverable amount.

During the year, Tower Bridge Securities Limited, a subsidiary of the Company, was dissolved and capital of US\$1,174k was returned to the Company.



## BGC INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

#### 12. INVESTMENTS (CONTINUED)

Investments in associated undertakings includes capital contributions to the following limited partnership:

| Name                 | Holding | Nature of business | Country | Registration      |
|----------------------|---------|--------------------|---------|-------------------|
| BGC International LP | 77.0%   | Servicing entity   | U.K.    | England and Wales |

As per the partnership agreement, BGCI has a non-controlling interest in BGC International LP and therefore it is not consolidated into the Company's financial statements. Under the partnership agreement, BGCI is entitled to 0.01% of the retained surplus of BGC International LP. Any losses are fully allocated to other partners' capital in the first instance. Once the other partners' capital has been fully utilised to absorb losses, any remaining losses incurred by BGC International LP are charged against BGC International's capital account.

#### 13. DEBTORS

|                                     | 2013<br>US\$000 | 2012<br>US\$000 |
|-------------------------------------|-----------------|-----------------|
| <b>Due after more than one year</b> |                 |                 |
| Amounts owed by group undertakings  | 40,000          | 46,000          |
|                                     | <hr/>           | <hr/>           |
| <b>Due within one year</b>          |                 |                 |
| Trade debtors                       | 206             | 234             |
| Amounts owed by group undertakings  | 74,785          | 36,463          |
| Deferred tax asset (see note 15)    | -               | 528             |
| Other debtors                       | 3,224           | 3,567           |
|                                     | <hr/>           | <hr/>           |
|                                     | 78,215          | 40,792          |
|                                     | <hr/>           | <hr/>           |

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

Amounts owed by group undertakings within one year includes an unsecured loan of US\$28,000k granted and drawn on 29 September 2011 and an unsecured loan of US\$46,000k granted and drawn on 19 December 2012 both to BGC European Holdings LP for a period of two years. The US\$28,000k loan is subject to interest at the rate of three months USD LIBOR plus 290 basis points and the \$46,000k loan is subject to interest at the rate of 7.8%. Other amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

The amounts owed by group undertakings due after more than one year represents an unsecured loan of US\$40,000k granted and drawn on 28 March 2013 to BGC European Holdings LP. The loan is subject to interest at the rate of 7.8% and is for a period of five years.

Other debtors includes US\$2,154k (2012: US\$2,114k) contributed to an employee benefit trust.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**14. CREDITORS:**

Amounts falling due within one year

|                                    | 2013<br>US\$000 | 2012<br>US\$000 |
|------------------------------------|-----------------|-----------------|
| Trade creditors                    | 664             | 664             |
| Amounts owed to group undertakings | -               | 21              |
| Corporation tax                    | 9,705           | 12,883          |
| Other taxation and social security | 2,594           | 2,892           |
| Accruals and deferred income       | 399             | 3,981           |
|                                    | <u>13,362</u>   | <u>20,441</u>   |

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

**15. DEFERRED TAXATION**

A deferred tax asset has not been recognised in respect of other timing differences as there is insufficient evidence that the asset will be recovered in the foreseeable future. The amount of the deferred tax asset not recognised is approximately US\$87k (2012: US\$2,501k). The asset would be recovered if there were sufficient certainty when the timing difference will unwind and that it could be offset against profits arising from the company's investments.

|  | 2013<br>US\$000 | 2012<br>US\$000 |
|--|-----------------|-----------------|
| Opening balance                            | 528             | 374             |
| (Charge)/credit to profit and loss account | (528)           | 154             |
| At end of year                             | <u>-</u>        | <u>528</u>      |

The deferred taxation balance is made up as follows:

|                                | 2013<br>US\$000 | 2012<br>US\$000 |
|--------------------------------|-----------------|-----------------|
| Accelerated capital allowances | <u>-</u>        | <u>528</u>      |

# BGC INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 16. PROVISION FOR LIABILITIES

|                                   | Provisions for<br>onerous<br>lease<br>commitments<br>US\$000 |
|-----------------------------------|--|
| At 1 January 2013                 | 2,421  |
| Charge to profit and loss account | 1,035  |
| Utilised during the year          | (935)  |
| Unwinding of discount             | 211  |
| Foreign exchange loss             | 34   |
| At 31 December 2013               | <u>2,766</u>   |

The provision for onerous lease commitments has been calculated for a property vacated during 2006 by reference to discounted expected future net cash flows relating to the property. The lease term will expire in September 2016.

#### Maturity profile of provisions:

|                                  | 2013<br>US\$000 | 2012<br>US\$000 |
|----------------------------------|-----------------|-----------------|
| Current (less than one year)     | 1,365           | 727             |
| Non-current (more than one year) | 1,401           | 1,694           |
| Total                            | <u>2,766</u>    | <u>2,421</u>    |

### 17. SHARE CAPITAL

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| <b>Allotted, called up and fully paid</b> |                 |                 |
| 118,783,829 Ordinary shares of £1 each    | <u>203,308</u>  | <u>203,308</u>  |

### 18. RESERVES

|   | Available for<br>sale reserve<br>US\$000 | Profit and<br>loss account<br>US\$000 |
|---|--|---------------------------------------|
| At 1 January 2013                             | 9,854                                    | (16,353)                              |
| Profit for the financial year                 |  | 10,468                                |
| Revaluation of available for sale investments | 1,924                                    |                                       |
| At 31 December 2013                           | <u>11,778</u>                            | <u>(5,885)</u>                        |

# BGC INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Opening shareholders' funds                       | 196,809         | 149,924         |
| Profit for the financial year                     | 10,468          | 42,320          |
| Other recognised gains and losses during the year | 1,924           | 4,565           |
| Closing shareholders' funds                       | <u>209,201</u>  | <u>196,809</u>  |

### 20. COMMITMENTS

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as follows:

|   | Land and buildings<br>2013<br>US\$000 | 2012<br>US\$000 |
|---|---------------------------------------|-----------------|
| <b>Leases over land and buildings which expire:</b> |                                       |                 |
| Within two to five years                            | <u>5,146</u>                          | <u>5,050</u>    |

### 21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 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, LP, 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. There were no significant balances outstanding with these related parties as at 31 December 2013 or 2012.

The Company recharges other Cantor Group entities for the use of its fixed assets. During the years ended 31 December 2013 and 2012, the net value of recharges comprised:

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Cantor Fitzgerald (Hong Kong) Capital Markets Limited | -               | 29              |
| Cantor Fitzgerald Europe                              | 66              | 137             |
| Cantor G&W (Nevada) LP                                | -               | 5               |
| Cantor Index Limited                                  | -               | 33              |
| Tower Bridge International Services LP                | 108             | 357             |
|   | <u>174</u>      | <u>561</u>      |

The Company enters into foreign exchange derivative transactions with Cantor Fitzgerald Europe, details of which are provided in note 22.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**22. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company utilises the following derivative instruments for funding purposes:

|                | Contract or<br>underlying<br>principal<br>amount<br>US\$000 | Fair Value<br>Asset<br>US\$000 | Fair Value<br>Liability<br>US\$000 |
|----------------|---|--------------------------------|------------------------------------|
| <b>2013</b>    |   |                                |                                    |
| Currency swaps | 14,235  | 147                            | (3)                                |
|                | <u>14,235</u>   | <u>147</u>                     | <u>(3)</u>                         |
|                | <u><u>14,235</u></u>  | <u><u>147</u></u>              | <u><u>(3)</u></u>                  |
| <b>2012</b>    |   |                                |                                    |
| Currency swaps | 5,748   | 47                             | -                                  |
|                | <u>5,748</u>  | <u>47</u>                      | <u>-</u>                           |
|                | <u><u>5,748</u></u>   | <u><u>47</u></u>               | <u><u>-</u></u>                    |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**23. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

|  | 2013<br>US\$000      | 2012<br>US\$000      |
|--|----------------------|----------------------|
| <b>Level 1</b>                                 |                      |                      |
| Listed available for sale investments          | 136                  | 112                  |
| <b>Total Level 1</b>                           | <u>136</u>           | <u>112</u>           |
| <b>Level 2</b>                                 |                      |                      |
| Derivative financial instruments - assets      | 147                  | 47                   |
| Derivative financial instruments - liabilities | (3)                  | -                    |
| Unlisted available for sale investments        | 3,577                | 3,511                |
| <b>Total Level 2</b>                           | <u>3,721</u>         | <u>3,558</u>         |
| <b>Level 3</b>                                 |                      |                      |
| Unlisted available for sale investments        | 14,199               | 6,822                |
| <b>Total Level 3</b>                           | <u>14,199</u>        | <u>6,822</u>         |
| <b>Total</b>                                   | <u><u>18,056</u></u> | <u><u>10,492</u></u> |

**Derivative financial instruments**

The currency swaps 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 counterparty level. The net fair value of the derivative financial assets and liabilities, if a total asset, is included in other debtors (see note 13) and is designated as 'held for trading' financial assets at fair value through the profit and loss account. The net fair value of the derivative financial assets and liabilities, if a total liability, is included in other creditors (see note 14) and is designated as 'held for trading' financial liabilities at fair value through the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**23. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

*Level 3 unlisted available for sale investments*

Level 3 unlisted available for sale investments are valued using the net asset value of the investment as per the latest available financial statements.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value:

|  | At 1 January<br>2013<br>US\$000 | Additions at<br>cost<br>US\$000 | Total gains<br>recorded in<br>reserves<br>US\$000 | At 31<br>December<br>2013<br>US\$000 |
|--|---------------------------------|---------------------------------|---|--------------------------------------|
| Financial investments available-for-sale |                                 |                                 |   |                                      |
| Unlisted equity investments              | 6,822                           | 5,543                           | 1,834   | 14,199                               |

There were no gains or losses on level 3 financial instruments included within turnover in the profit or loss for the period. The sensitivity of the level 3 investments' carrying value has been determined by varying key inputs to the valuation model. For unquoted equity investments, the Company considered the effect of a movement in the net asset value by 10%, which is considered by the Company to be a reasonably possible alternative. The carrying value of the level 3 investments would change by US\$1,420k (2012: US\$682k) for a 10% movement in the net assets of the underlying companies, which is a reasonably alternative assumption for the valuation model.

**24. RISK MANAGEMENT**

Risk is inherent in the Company's activities but is carefully managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and controls. This process of risk management is critical to the Company's continuing business. The Company is exposed to credit, market, foreign exchange, interest rate, liquidity, operational and capital risks in the course of its normal business.

BGC Group entities are exempt from preparing certain of the FRS 29 (Financial Instruments Disclosures) disclosures because of equivalent disclosures in the consolidated financial statements of BGC Partners, Inc., which are publicly available.

The directors place reliance on the BGC Group's Risk Management function and receive reports on specific risks affecting the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**24. RISK MANAGEMENT (Continued)**

**Credit Risk**

Credit risk is the risk of loss from a customer default. As the Company recharges the use of its fixed assets to other BGC Group and Cantor Group companies, all customers are related entities. As a result of the entities being related the Company's credit risk is reduced.

The directors consider that the carrying value of the financial assets best represents the maximum credit risk exposure at the balance sheet date.

**Market Risk**

The Company faces market price risk arising from uncertainties about future values in respect of its available for sale investments. The effect of a 10% movement in the underlying valuation of its listed and unlisted available for sale investments, assuming all other factors remain constant, would be a US\$1,791k (2012: US\$1,045k) change in shareholders' funds. There would be no material impact on profit and loss unless a decline in valuation was prolonged and an investment's carrying value exceeded its recoverable amount.

**Foreign Exchange Risk**

The Company is exposed to risk associated with changes in foreign exchange rates. The Company's operations generate a sizeable portion of its expenses in British Pounds. Changes in the translation of the Company's monetary net assets are recorded as part of its operating results and fluctuate with changes in exchange rates.

Based on the balance sheet as at 31 December 2013, a 1% foreign exchange movement for all non-US currencies against the US Dollar, with all other variables held constant, would result in an increase or decrease in the profit and loss account and a corresponding increase or decrease in shareholders' funds as at the balance sheet date of US\$17k (2012: US\$2k).

**Liquidity Risk**

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. Liquidity risk can arise from mismatching in the timing of cash flows.

Aside from cash, the remainder of the assets tend to be investments and loans to associated undertakings, which are illiquid and are funded by share capital.

As at 31 December 2013, the Company had non-derivative financial liabilities with maturities of less than 1 year totalling US\$1,063k (2012: US\$4,666k). Derivative financial instruments are settled within one year of the balance sheet date on a net basis and are included in trade debtors and trade creditors, dependant on the total net fair value.

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**24. RISK MANAGEMENT (Continued)**

**Interest rate risk profile of financial assets and liabilities**

Certain financial assets and liabilities of the Company are exposed to interest rate changes as a result of contractual re-pricing.

The carrying value of interest bearing assets and liabilities have been classified according to the earliest date at which the interest rate may change:

|  | Less than 1<br>year<br>US\$'000 | More than 1<br>year<br>US\$'000 | Non-interest<br>bearing<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------------------|---------------------------------|-------------------------------------|-------------------|
| <b>31 December 2013</b>                  |                                 |                                 |                                     |                   |
| Cash at bank and in hand                 | 18,833                          | -                               | -                                   | 18,833            |
| Loan to group undertaking                | 74,000                          | 40,000                          | -                                   | 114,000           |
| Amounts owed by other group undertakings | -                               | -                               | 785                                 | 785               |
| Other financial assets                   | -                               | -                               | 3,430                               | 3,430             |
| Other financial liabilities              | -                               | -                               | (1,063)                             | (1,063)           |
| <b>Total</b>                             | <b>92,833</b>                   | <b>40,000</b>                   | <b>3,152</b>                        | <b>135,985</b>    |
| <b>31 December 2012</b>                  |                                 |                                 |                                     |                   |
| Cash at bank and in hand                 | 52,259                          | -                               | -                                   | 52,259            |
| Loan to group undertaking                | 28,000                          | 46,000                          | -                                   | 74,000            |
| Amounts owed to other group undertakings | -                               | -                               | 8,442                               | 8,442             |
| Other financial assets                   | -                               | -                               | 3,802                               | 3,802             |
| Other financial liabilities              | -                               | -                               | (4,646)                             | (4,646)           |
| <b>Total</b>                             | <b>80,259</b>                   | <b>46,000</b>                   | <b>7,598</b>                        | <b>133,857</b>    |

Other financial assets and liabilities include other debtors and accruals and deferred income, details of which can be found in notes 13 and 14.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The intercompany loans are carried at amortised cost and are issued and redeemed at par with maturity in less than five years and are therefore not affected by any significant interest rate risk. Given that the Company's only other interest bearing asset is cash and that it has no interest bearing liabilities at the year end, the impact of an adverse movement in interest rates on the future cash flow of the entity is expected to be immaterial given the current low interest rates (2012: immaterial).

**Operational Risk**

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. When controls fail to perform, operational risks can cause damage to reputation, have regulatory and legal implications or lead to financial loss. The Company cannot expect to eliminate all operational risks, but by implementing a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation controls, reconciliation procedures, various assessment processes and the use of Internal Audit.

The Company has placed reliance on the Risk Management Function of the BGC Group to establish comprehensive control and governance structures to ensure that the risks faced by the BGC Group are managed carefully.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**24. RISK MANAGEMENT (Continued)**

**Capital Risk Management**

The Company maintains an adequate capital base to cover risks inherent in the business. The primary objective of the Company's capital risk management is to ensure that the Company will be able to continue as a going concern. The capital structure consists of called up share capital, the revaluation reserve and retained earnings as disclosed in the primary statements and notes 17 and 18.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of distributions paid or request additional capital contributions from its parent entity.

|   | 2013<br>US\$000 | 2012<br>US\$000 |
|---|-----------------|-----------------|
| Called up share capital, available for sale reserve and retained earnings | 209,201         | 196,809         |

**25. POST BALANCE SHEET EVENTS**

On 20 February 2014, BGC European Holdings LP repaid US\$114,000k of loans to the Company and the Company received a repayment of capital for US\$70,000k from BGC International LP, an associated undertaking. On the same day, the members of the Company resolved to reduce its issued share capital by 107,503,023 Ordinary Shares of £1 each, by cancelling and extinguishing those shares and then distributing US\$184,000k to the members.

On 11 March 2014, the Company acquired an additional 1,359 ordinary shares in Euroclear plc at a cost of €6.00 per share for a total consideration of US\$1,126k. The shares were acquired from Htamretfa Limited (formerly Dolmen Securities Limited), a company registered in the Republic of Ireland.

**26. PARENT ENTITIES**

The immediate parent and controlling party is BGC International Holdings, LP, which is registered in the United States of America. The ultimate controlling party is Cantor Fitzgerald, LP, which is registered at 499 Park Avenue, New York, NY 10022, United States of America.

The smallest group into which the results of the Company are consolidated is BGC European Holdings LP, a limited partnership registered in England and Wales. 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., which is registered at 499 Park Avenue, New York, NY 10022, United States of America. The largest group into which the results of the Company are consolidated is Cantor Fitzgerald, LP.