

Registered number: 8714321

CSC COMMODITIES UK LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



CSC COMMODITIES UK LIMITED

COMPANY INFORMATION

DIRECTORS	Mr Darryl Denyssen Mr James Lightbourne Mr James Martin Mr Robert Stevens Mr Julian Swain
COMPANY SECRETARY	Mr R. M. Snelling
REGISTERED NUMBER	8714321
REGISTERED OFFICE	1 Snowden Street London EC2A 2DQ
INDEPENDENT AUDITOR	Ernst & Young LLP 25 Churchill Place London E14 5EY

CSC COMMODITIES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for CSC Commodities UK Limited (the 'Company') for the year ended 31 December 2017.

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

Results and dividends

The profit for the year, after taxation, amounted to US\$1,767,561 (2016: US\$4,116,342).

The directors did not declare any dividend (2016: US\$nil) during the year. No final dividend is proposed (2016: US\$nil).

Directors

The directors who served during the year were:

Mr Darryl Denyssen	(appointed 25 October 2017)
Mr James Lightbourne	(appointed 25 October 2017)
Mr James Martin	(appointed 25 October 2017)
Mr Robert Stevens	(appointed 25 October 2017)
Mr Julian Swain	(appointed 25 October 2017)
Mr Simon Prest	(resigned 25 October 2017)

Going Concern

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

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

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

Branches outside the UK

The Company operates branches located in Gibraltar and the United States.

Future developments

The Company established a branch in New York during the second half of the year. Management is hopeful that this branch will have a positive impact on turnover and profitability.

As detailed under post balance sheet events, the Company became regulated by the Financial Conduct Authority (FCA) on 3 January 2018. Management is hopeful attaining that regulation will allow the business to continue to grow and operate profitably.

CSC COMMODITIES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Post balance sheet events

On 2 January 2018, CSC Commodities Limited was acquired by BGC European Holdings L.P. group from the GFI Group.

On 2 January 2018, the Company issued share capital amounting to US\$1.25m (£922,169) to BGC European Holdings L.P. by allotting 922,169 ordinary shares at nominal value of £1 per share.

On 3 January 2018 the revised changes to the Market in Financial Instruments Directive (MiFID), known as MiFID II, became effective. The implementation of this legislation has required the Company to be regulated by the FCA.

On 16 March 2018, the Company issued further share capital amounting to US\$5m (£3,592,470) to BGC European Holdings L.P. by allotting 3,592,470 ordinary shares at nominal value of £1 per share.

There have been no other significant events affecting the Company since the year end.

Directors' indemnities

The Company has made indemnity provisions for the benefit of the directors of CSC Commodities UK Limited. These provisions were in force during the financial year and at the date of this report.

Disclosure of information to auditor

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

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

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 and signed on its behalf by:



Darryl Denyssen
Director

Date: 25/09/18

CSC COMMODITIES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal activities

The Company's principal activity is as a proprietary trading firm, specialising in oil derivatives with a breadth of expertise across exchanges. The Company's trading mandate allows it to provide oil hedging throughout the entire barrel, from crude to fuel oil, middle distillates and light ends.

Business review

As a proprietary trading firm the Company's results are impacted by market volatility and its risk appetite.

Management uses a series of key performance indicators to monitor performance and financial condition. These indicators are primarily turnover, operating profit and the level of working capital.

Management believe that market volatility in the oil markets was lower in the year ended 31 December 2017 than in the prior period, meaning that traders had less opportunities during the year to capitalise on price moves to generate profits.

During the year the Company received the services of several other BGC Group entities. BGC Services Holdings LLP provided front office support services, Tower Bridge International Services LP provided back office support services, BGC Technology International Limited and BGC Technology Support Services Ltd provided IT support services.

The Company established a branch in New York during the second half of the year. Management is hopeful that this branch will have a positive impact on turnover and profitability.

Business performance and key performance indicators

As a result of the lower volatility detailed above, turnover has decreased during the year by 24% from US\$10,509k to US\$7,976k and with operating expenses increased during the year, operating profit decreased by 59% from US\$4,803k to US\$1,945k.

Total shareholders' funds increased by US\$1,768k (2016: increased by US\$4,116k) as a result of the total comprehensive income for the year to US\$8,520k (2016: US\$6,753k).

Principal risks and uncertainties

Risk Management

The principal risk facing the Company arise from operational, credit, market and foreign exchange risks in the course of its normal business.

The directors place reliance on the BGC group's risk management framework to manage and monitor risks as well as other related matters, and receive regular reports on specific risks affecting the Company.

Operational risk

Operational risk is the risk that the Company may incur losses as a result of the business environment in which it operates in, failed internal processes, our staff and the systems and facilities that we use. The Company has an operational risk framework in place to ensure that operational risk is reduced to acceptable levels.

CSC COMMODITIES UK LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Credit risk

Credit risk is the risk that a counterparty to a transaction could default before the final cash settlement of the transaction resulting in financial loss to the Company. The Company is exposed to credit risk on its debtors. The Company has procedures in place to monitor and control this exposure.

Market risk

Market risk is the risk that arises from fluctuation in values of assets and liabilities due to short-term price movements. The Company has an in-house system to monitor and manage this risk by product and maturity. In addition the overall amount of risk is monitored with reference to margin numbers provided by the Company's clearer.

The Company is also exposed to market risk as a result of the fact that it transacts in currencies other than its functional currency which is the United States Dollar (USD).

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



Darryl Denyssen
Director

Date: 25/09/2018

CSC COMMODITIES UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

CSC COMMODITIES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GFI HOLDINGS LIMITED

Opinion

We have audited the financial statements of CSC Commodities UK Limited for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

CSC COMMODITIES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GFI HOLDINGS LIMITED

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

CSC COMMODITIES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GFI HOLDINGS LIMITED

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.



Simon Michaelson (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor

London

Date: 25-9-18

CSC COMMODITIES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 US\$	2016 US\$
Turnover	3	7,976,177	10,508,683
Administrative expenses		(6,031,072)	(5,705,502)
Operating profit on ordinary activities	4	<u>1,945,105</u>	<u>4,803,181</u>
Interest payable and similar charges	7	(11,172)	(79,376)
Profit on ordinary activities before taxation		<u>1,933,933</u>	<u>4,723,805</u>
Taxation on profit on ordinary activities	8	(166,372)	(607,463)
Profit and total comprehensive income for the year		<u><u>1,767,561</u></u>	<u><u>4,116,342</u></u>

The notes on pages 12 to 23 form part of these financial statements.

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

CSC COMMODITIES UK LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 US\$	2016 US\$
Fixed assets			
Tangible assets	9	178	3,250
		<u>178</u>	<u>3,250</u>
Current assets			
Debtors	10	14,387,374	14,131,050
		<u>14,387,374</u>	<u>14,131,050</u>
Creditors: amounts falling due within one year	11	(5,867,303)	(7,381,612)
		<u>(5,867,303)</u>	<u>(7,381,612)</u>
Net current assets		<u>8,520,071</u>	<u>6,749,438</u>
Net assets		<u><u>8,520,249</u></u>	<u><u>6,752,688</u></u>
Capital and reserves			
Called up share capital	14	2	2
Retained earnings		<u>8,520,247</u>	<u>6,752,686</u>
Total shareholders' funds		<u><u>8,520,249</u></u>	<u><u>6,752,688</u></u>

The notes on pages 12 to 23 form part of these financial statements.

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



Darryl Denyssen
Director

Date: 25/09/2018

CSC COMMODITIES UK LIMITED

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

	Called up share capital	Retained earnings	Total shareholders' funds
	US\$	US\$	US\$
At 1 January 2017	2	6,752,686	6,752,688
Profit for the year	-	1,767,561	1,767,561
At 31 December 2017	2	8,520,247	8,520,249

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Retained earnings	Total shareholders' funds
	US\$	US\$	US\$
At 1 January 2016	2	2,636,344	2,636,346
Profit for the year	-	4,116,342	4,116,342
At 31 December 2016	2	6,752,686	6,752,688

The notes on pages 12 to 23 form part of these financial statements.

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Statement of compliance

CSC Commodities UK Limited is a limited company incorporated in the United Kingdom. Its registered office is 1 Snowden Street, London, EC2A 2DQ. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

2.2 Judgements and key sources of estimation uncertainty

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

LLP Recharge

The Company incurs an expense recharge from BGC Services (Holdings) LLP, the amount of which is based upon an estimate of the functions each entity contributes towards the generation of the Company's revenue, and the amount of revenue that is generated.

Bonus accruals

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

2.3 Cash flow statement

Under FRS 102, the Company is exempt from preparing a cash flow statement being a member of the BGC Group. 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 and profit or loss) and the Company is included in the BGC Group's consolidated financial statements.

2.4 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.

2.5 Foreign currencies

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

The conversion rate used to translate GBP into USD at 31 December 2017 was 1.353 (2016: 1.236).

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2.6 Positions

Positions are valued on the Statement of Financial Position at fair value. All positions are exchange traded derivatives which are listed on ICE, CME, SGX, EEX or Nasdaq, and hence there are no in-house valuation techniques or models used in determining fair value. There is no material difference between the fair value recorded on the statement of financial position and the market value.

2.7 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Company and the revenue can be reliably measured.

In accordance with accepted practice, the profits and losses from trading activities include unrealised profits and losses at the period end, as open positions are included at market value. The Directors consider this to be necessary to show a true and fair view, since the marketability of the instruments enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit in any period is properly made by reference to market values.

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, the requirement of section 33.1A to disclose of related party transactions with and between wholly-owned subsidiaries, and the exemption in section 9.3 from preparing 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 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and impairment. Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, at the following rates on a straight-line basis:

Office furniture and equipment	14.0% - 33.3%
--------------------------------	---------------

2.10 Financial instruments

Recognition

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

Determination of fair value

Fair value is determined by reference to third party market values where available. Where the Company has assets and liabilities with offsetting market risks, mid-market prices have been used as a basis for establishing the fair values of those positions. Bid prices are used for long positions and offer prices for short positions.

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 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.

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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

2.11 Loans, forgivable loans, and other receivables from employees

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

2.12 Pension costs

The Company incurs costs relating to a defined contribution scheme. The charge to the income statement for the year is the amount of contributions payable to such schemes in respect of the financial year.

2.13 Equity compensation

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

Restricted stock units ('RSUs')

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

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

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Limited Partnership Units

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

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

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

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

Restricted stock

BGC Partners, Inc. has granted restricted Class A common stock ('the Restricted Shares') to certain individuals who provide services to the Company. The grant date fair value of the Restricted Shares is expensed on the date of grant because the Restricted Shares are fully vested and not subject to continued employment or service with the BGC Group.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 Interest income and interest expense

Interest income and expense is recognised in the Statement of Comprehensive Income using the effective interest rate method.

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

2.16 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.

CSC COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2.17 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.

3. Turnover

Turnover represents the income received from trading activity net of brokerage fees.

4. Operating profit

The operating profit is stated after charging:

	2017 US\$	2016 US\$
Depreciation on tangible fixed assets	3,072	5,034
Loss/ (Gains) on foreign exchange	124,490	(52,500)
Operating lease rentals for land and building	73,479	21,222
	<u>73,479</u>	<u>21,222</u>

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	55,583	46,612
	<u>55,583</u>	<u>46,612</u>

The audit fees payable represent the Company's portion of the group audit fees payable relating to the financial year, which are borne by a fellow BGC Group entity and subsequently recharged to the Company.

The Company uses the services of GFI Holdings Limited for which it paid a management fee of US\$258,110 (2016: US\$207,382). The Company also incurred fees of US\$261,554 (2016: US\$216,386) to BGC European Holdings L.P. for back office and technology support services provided.

During the year BGC Services (Holdings) LLP ('LLP') provided the services of its members and employees to the Company. Revenues is shared with the LLP for these services. The Company was charged US\$800,096 (2016: US\$503,292) by the LLP for its services.

CSC COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Staff costs

Staff costs were as follows:

	2017 US\$	2016 US\$
Wages and salaries	2,810,118	3,608,908
Social security costs	365,592	499,765
Other pension costs	7,742	12,028
	<u>3,183,452</u>	<u>4,120,701</u>

Included in wages and salaries is an expense of US\$845,924 (2016: US\$173,398) related to limited partnership units that were exchanged during 2017.

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

	2017 No.	2016 No.
Administration	1	1
Proprietary trading	11	7
	<u>12</u>	<u>8</u>

Staff costs and staff numbers disclosed above relate to those employees retained by the London, Gibraltar and New York branches of CSC Commodities UK Limited.

Staff costs relating to trading activities borne by BGC Services (Holdings) LLP, a member of the BGC Group, is included in the management and service fees paid by CSC Commodities UK Limited.

6. Directors' remuneration

The total remuneration of the directors of the company for the year was as follows:

	2017 US\$	2016 US\$
Aggregate remuneration	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Aggregate remuneration of the highest paid director	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

7. Interest payable and similar charges

	2017 US\$	2016 US\$
Bank charges and other interest	11,172	79,376

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation

	2017 US\$	2016 US\$
Corporation tax		
Current tax on profits for the year	261,890	587,714
Adjustments in respect of previous periods	(65,685)	164,154
	<u>196,205</u>	<u>751,868</u>
Foreign tax		
Foreign tax on profits for the year	(23,518)	(145,362)
	<u>(23,518)</u>	<u>(145,362)</u>
Total current tax	<u>172,687</u>	<u>606,506</u>
Deferred tax		
Origination and reversal of timing differences	(5,523)	520
Adjustments in respect of prior years	(1,149)	463
Effect of changes in tax rates	357	(26)
Total deferred tax	<u>(6,315)</u>	<u>957</u>
Tax on profit on ordinary activities	<u>166,372</u>	<u>607,463</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 US\$	2016 US\$
Profit on ordinary activities before tax	<u>1,933,933</u>	<u>4,723,805</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	372,216	944,761
Effects of:		
Expenses not deductible	9,553	27,028
Income not taxable	-	(20,360)
Effects of group relief/ other reliefs	(20,612)	(155,836)
Overseas profits not taxable (branch election)	(104,790)	(207,358)
Adjustment from previous periods	(90,352)	19,254
Tax rate changes	357	(26)
Total tax charge for the year	<u>166,372</u>	<u>607,463</u>

Factors that may affect future tax charges

The effective statutory corporation tax rate for the year ended 31 December 2017 is 19.25%. 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. An 18% rate has been applied to calculate the deferred tax asset as at 31 December 2017. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

CSC COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Tangible assets

	Office furniture & equipment US\$
Cost	
At 1 January 2017	15,101
At 31 December 2017	<u>15,101</u>
Depreciation	
At 1 January 2017	11,851
Charge for the year	3,072
At 31 December 2017	<u>14,923</u>
Net book value	
At 31 December 2017	<u>178</u>
At 31 December 2016	<u><u>3,250</u></u>

10. Debtors

	2017 US\$	2016 US\$
Trade debtors	4,415,835	-
Amounts owed by group undertakings	3,902,000	-
Deferred taxation (note 13)	6,315	-
Corporation tax	346,297	-
Other debtors, prepayments and accrued income	11,854	37,720
Amounts owed by clearing organisations	5,705,073	14,093,330
	<u>14,387,374</u>	<u>14,131,050</u>

Trade debtors consist of open positions which are classified as a current asset or liability at fair value through the income statement (refer to note 12). These positions are held for short term gain and any changes in fair value are recognised as part of turnover. As at the year end, the Company held long positions with a total value of US\$4,415,835 (2016: US\$nil).

The amounts owed by group undertakings are non-interest bearing and repayable on demand.

The directors of the Company consider the carrying value of these items approximate to fair value.

11. Creditors: amounts falling due within one year

	2017 US\$	2016 US\$
Trade creditors	-	41,260
Amounts owed to group undertakings	5,295,779	5,813,251
Corporation tax	-	177,140
Other taxation and social security	15,124	41,859
Other creditors	-	1
Accruals	556,400	1,308,101
	<u>5,867,303</u>	<u>7,381,612</u>

CSC COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Creditors: amounts falling due within one year

Trade creditors consist of open positions which are classified as a current asset or liability at fair value through the income statement (refer to note 12). These positions are held for short term gain and any changes in fair value are recognised as part of turnover. As at the year end, the Company held short positions with a total value of US\$nil (2016: US\$41,260).

The directors of the Company consider the carrying value of these items approximate to fair value.

12. Derivatives held at fair value

The Company utilises the following derivative instruments for trading:

	Contract or underlying principal amount US\$	Fair value asset US\$	Fair value liability US\$
2017			
Oil derivatives (level 1)	2,403,121,476	31,834,092	(27,418,257)
2016			
Oil derivatives (level 1)	555,000	139,970	(181,230)

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

13. Deferred taxation

	2017 US\$	2016 US\$
At beginning of year	-	957
Adjustment in respect of prior periods	(1,149)	(463)
Charge to the income statement	(5,166)	(494)
At end of year	(6,315)	-

The deferred tax asset is made up as follows:

	2017 US\$	2016 US\$
Short-term timing differences - trading	(6,315)	-
	(6,315)	-

14. Share capital

	2017 US\$	2016 US\$
Shares classified as equity		
Allotted, called up and fully paid		
6,769,420 Ordinary shares of £1 each	2	2

CSC COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Financial commitments

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 US\$	2016 US\$
Not later than 1 year	<u>7,155</u>	<u>11,504</u>

The lease agreement in place at the end of 2017 expired on 31 July 2018 and was renewed for a further year upon expiry. The commitment shown above therefore relates to the seventh month period up to this date.

16. Ultimate parent and controlling party

The immediate parent company is GFI Markets Investments Limited, a company which is incorporated in United Kingdom. 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.

17. 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.

Related party balances requiring disclosure are as follows:

	2017 US\$	2016 US\$
Amount due to related party		
Other affiliated entities	1,393,779	5,813,251
Total	<u>1,393,779</u>	<u>5,813,251</u>

18. Post balance sheet events

On 2 January 2018, CSC Commodities Limited was acquired by BGC European Holdings L.P. group from the GFI Group.

On 2 January 2018, the Company issued share capital amounting to US\$1.25m (£922,169) to BGC European Holdings L.P. by allotting 922,169 ordinary shares at nominal value of £1 per share.

CSC COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Post balance sheet events -

On 3 January 2018 the revised changes to the Market in Financial Instruments Directive (MiFID), known as MiFID II, became effective. The implementation of this legislation has required the Company to be regulated by the FCA.

On 16 March 2018, the Company issued further share capital amounting to US\$5m (£3,592,470) to BGC European Holdings L.P. by allotting 3,592,470 ordinary shares at nominal value of £1 per share.

There have been no other significant events affecting the Company since the year end.