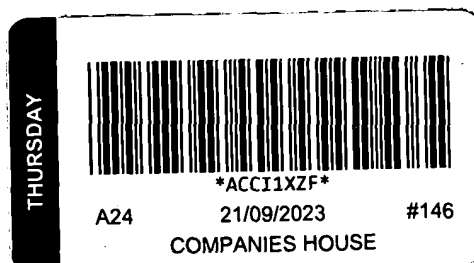


# **LMAX Limited**

Annual report and financial statements

Registered number 06505809

For the year ended 31 December 2022



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## Strategic report

for the year ended 31 December 2022

The directors have prepared a strategic report of LMAX Limited (“LMAX Exchange” or “the Company”) for the year ended 31 December 2022.

### Business Review

LMAX Exchange recorded volumes of \$4.3tn in 2022 representing a small annual decrease of 8% (2021: \$4.7tn) that was largely a result of a focused effort to optimise liquidity across exchanges in the first half of the year. This has helped to create a more sustainable and diversified ecosystem which should support long term growth. Annual volumes and trading commissions were also adversely impacted by a global drop in market volumes traded via Central Limit Order Books (CLOB)<sup>1</sup>. Despite these challenges, record annual revenues of £24.1m are reported for 2022, an increase of 6% on prior year (£22.8m) and helped by increased market data and technology service fee income.

2022 delivered an unremittingly challenging economic backdrop, with pandemic supply chain disruptions dragging on, the Russian invasion on Ukraine causing soaring energy prices, with the resulting high inflation leaving the global economy to endure the fastest and broadest episode of monetary policy tightening in history. This caused several market shocks and sustained volatility, along with heightened global macroeconomic risk factors across countries and asset classes. Throughout this challenging year, both liquidity on exchanges and operational performance was exemplary, including 100% systems uptime and reliability.

Since 2018 LMAX Exchange volumes have been growing at 11.4% CAGR (Compound annual growth rate). Central to this is the increase in bank members, which has helped to grow connected trading desks to 372 in 2022. The Company continues to invest in product and trading functionality as well as broadening its global sales coverage.

### Key Performance Indicators

Metric	2018	2019	2020	2021	2022	CAGR 2018-2022
Average Daily Volume (\$bn)	10.7	12.0	16.1	18.1	16.5	11.4%
Gross Revenues (£m)	8.6	11.6	15.7	22.8	24.1	29.4%
EBITDA (£m)	3.3	4.7	6.2	8.0	6.1	17.4%
Live Trading Desks	137	203	268	292	372	28.4%
Exchange Uptime	100%	100%	100%	100%	100%	-

In November 2022 LMAX Exchange expanded its global technology infrastructure in Asia Pacific with the launch of its fourth global matching engine in the Equinix IBX Data Centre in Singapore, the third largest global FX centre. This brings greater access for clients to deep regional institutional liquidity and the ability to trade on a CLOB with streaming real-time, firm limit order liquidity from top tier global banks and non-banks. The launch was the latest investment by the Company in robust and scalable exchange infrastructure to ensure efficient price discovery and consistent, low latency execution for its global customers.

Record revenues of £24.1m in 2022 helped to drive gross profits of £18.1m (2021: £18.7m), predominantly from commission and market data charges to members of the Exchange and technology services fees to fellow entities of the LMAX Group<sup>2</sup>. Operating expenditure<sup>3</sup> was £11.9m (2021: £10.7m) leading to EBITDA of £6.1m in 2022 (2021: £8.0m). The increase in operating expenditure was due to technology services borne by the Company, however this led to recognition of an additional £1.3m of service revenue from its fellow group entities. With a large number of global banks connected to our exchanges and benefiting from our consistent delivery of efficient market structure and transparent, precise, consistent execution – the Company is well set for further growth with continued investment in product diversification and widening its global sales reach.

The Company generated £0.7m of profit after tax (2021: £2.9m) and has £16.9m (2021: £12.3m) of net assets at the year end. Surplus regulatory capital was £2.6m (2021: £0.8m) at the end of the year. On 25 February 2022, the Company had an additional £4.0m capital injection to provide sufficient surplus for future capital requirements.

### Strategic Goals

- Continue to increase market share with greater client diversity
- Expand Exchange product suite – NDF’s, new order types, swaps
- Grow revenues from market data expansion strategy
- Maintain a quality service to clients
- Technical innovation
- Investment in research and development
- Attract, develop and retain the best people

<sup>1</sup> Results of the 2022 BIS triennial survey states a 53% drop in CLOB execution (anonymous venues) for spot FX

<sup>2</sup> Refers to LMAX Exchange Group Limited and its subsidiaries (“LMAX Group” or “the Group”)

<sup>3</sup> Operating expenditure of £11.9m (2021: £10.7m) is arrived at by deducting back depreciation £0.8m (2021: £0.6m), amortisation £4.5m (2021: £4.2m) to administrative expenses of £17.4m (2021: £15.5m)

## Strategic report (*Continued*)

for the year ended 31 December 2022

### Overview of Corporate Governance

LMAX Exchange recognises that its overall structure is subject to the direction of its shareholders, who agree the Articles of Association, consider the appointment and re-appointment of Auditors and Directors, approve the final dividend and provide for the Directors to delegate any of their powers or discretions.

The Board of Directors is responsible for appointing Directors to the Board, for agreeing the Company's strategy and for monitoring progress with the execution of the firm's strategy against agreed targets. The Board has responsibility for promoting the long-term sustainable success of the Company for the benefit of its members as a whole, having regard, among other matters, to those matters set out in Section 172 of the Companies Act 2006, providing leadership and direction, including in relation to culture, ethics and values, and ensuring effective engagement with and encouraging participation from shareholders and other stakeholders.

The Chief Executive Officer ("CEO") has delegated authority for:

- The development and execution of strategy
- Leadership and development of the Company's executive management team below Board level
- Day-to-day decision-making relating to, and management of, the affairs of the firm
- Delivering financial performance in line with the Company's agreed budget
- Organisational design of the Company's operations
- Client management, marketing and global sales.

The Finance Director ("FD") has delegated authority including financial management of the Company, the stewardship of Group assets, financial reporting, capital and liquidity risk management and investor relations.

Below Board level, the Company operates a number of executive management committees. The CEO is supported by the senior executive management committee, comprising the CEO, FD, Chief Operating Officer ("COO"), Chief Technology Officer ("CTO") and other senior executives. It supports the CEO in the proper performance of his duties, including to optimise the execution of the Company's strategy agreed by the Board, and provides advice and support to executive management in the day-to-day running of the firms' operations.

The COO has delegated authority in respect of trading, operations and business change and also leads the Operational Risk Committee which oversees the work of functional heads in the execution of their responsibilities.

### Principal risks and uncertainties

#### Risk Management and Governance

LMAX Exchange has well-established processes for identifying and managing risks. The Board sets the Risk Appetite and monitors how well risks within the business are managed, mitigated and controlled. The Company has a long term focus, with importance placed on building a sustainable business model with the capacity to manage all the risks it faces, and the ability to continue to offer its services under sustained financial market volatility and stressed conditions.

The Company operates in a dynamic competitive environment, facing risks relating to market conditions and its competitive position. The level of revenue in any period is largely driven by commission income, which is a function of the volume of trading by the Company's clients. High market volatility usually results in increased levels of trading and commissions; conversely low market volatility usually has the opposite impact.

The Firm has assessed that its risk management and governance is compliant with FCA's regulatory requirements, including that it has:

- In place adequate oversight, systems and controls in relation to risk management.
- In place appropriate strategies, policies and processes for identifying, measuring, monitoring and managing the risks faced.
- Sufficient capital to meet its regulatory and internal capital requirements.
- Sufficient liquidity to meet its obligations as they fall due.

#### Capital Adequacy

As of 31 December 2022, LMAX Exchange was regulated under the Investment Firm Prudential Regime (IFPR), which stipulates the requirements to hold sufficient regulatory capital to cover its risk exposures, valued according to applicable rules.

The Company manages capital adequacy through its regulatory capital policy, ensuring that it holds sufficient capital to operate its business successfully and to meet regulatory requirements.

The Company manages its capital resources with the objectives of facilitating business growth whilst complying with the regulatory capital resources requirement.

## **Strategic report (Continued)**

for the year ended 31 December 2022

### **Capital Adequacy (Continued)**

LMAX Exchange undertakes an annual Internal Capital Adequacy and Risk Assessment Process (ICARA) through which it assesses its capital requirements, including the application of a series of stress-testing scenarios, to its base financial projections. The ICARA document is reviewed, challenged and approved by the Board annually.

### **Liquidity Risk Management**

Liquidity risk is defined as the risk that the Firm, although solvent, either does not have sufficient liquid resources to meet its obligations as they fall due or can secure such resources only at excessive cost.

It is managed through the application of the Company's Liquidity Risk Management Policy and the liquidity requirements contained in the IFPR.

The Company ensures that it has sufficient liquidity to meet financial liabilities when due, under both normal circumstances and stressed conditions. The level of liquid assets required to be held is assessed annually as part of the Company's ICARA process.

### **Credit and Concentration Risk**

Credit risk relates to the potential for a counterparty to be unable to meet its financial obligations when due. Concentration risk may arise due to the creditworthiness of the investment counterparties with which the Company deposits cash. Cash is held with authorised counterparties of a high credit standing.

An impairment analysis of trade and fees receivable is performed quarterly, to assess potential credit losses and considers the counterparty's credit quality. None of the Company's trade receivables are material by individual counterparty.

### **Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes business and reputational risk.

The Operational Risk Committee ensures that the Company has adequate systems and controls in place to prevent material operational losses from occurring.

### **Clients**

Our revolutionary, minimalist technology delivers one global marketplace for FX – through exchange infrastructure in London, New York, Singapore and Tokyo, ensuring complete transparency, open access and a level playing field for all market participants. All clients are members of the exchange and have signed up to a public rulebook with all members treated equally. LMAX Exchange can count most of the world's largest banks as its clients, the majority of whom have been members of the Exchange since 2012.

We ensure that commitment to our customers is embedded in our culture and strategic initiatives and there is regular dialogue between LMAX Exchange and all of its clients. The Company has enhanced its relationship support team across the year in London, New York and Singapore. This enables us to develop our products and services specifically to meet the needs of our global client base.

Central to our commitment to our customers is the transparency and quality of our order execution. LMAX Exchange is an advocate of no last look trading and processes 100% of client trades automatically, never requote prices. Should a significantly better price become available for customers during the dealing process, our innovative price-improvement technology enables customers to receive that better price during trade execution.

### **Information Technology and Cyber Security**

As an online business, the integrity and operational robustness of IT systems are critical for ongoing performance. Ensuring that appropriate protections are in place to detect and prevent any intrusion such that all systems are safeguarded against hackers, email viruses, attacks and other forms of cybercrime is essential. Any failure in these measures could significantly impact the Company's reputation and hence financial performance. The Group conducts annual third-party security assessments covering the internal and external facing systems and applications and to assess the susceptibility to cyber-crime.

The Group has implemented an information security framework ISO 27001:2013 which is certified by a UKAS accredited audit body and is assessed for compliance every 6 months. The group has introduced an internal audit team to develop, test and maintain the controls required to support various compliance activities

### **Foreign Currency Risk**

The Company pro-actively manages its foreign currency risk with regards to currency exposure on financial assets and liabilities by conducting regular internal review, cash management and by hedging the residual exposure when deemed appropriate. See Note 13 for further detail.

## **Strategic report (*Continued*)**

for the year ended 31 December 2022

### ***Conduct Risk***

Conduct risk is broadly defined as the risk of potential misconduct by LMAX or its employees that may lead to customer detriment or that has an adverse effect on the integrity and stability of the financial markets or effective competition.

The Company strives to promote good behaviour across all aspects of the organisation and develop a culture in which it is clear there is no room for misconduct.

The Company has no appetite for conduct risks to crystalize into a breach that may harm customers, markets, or competition. Any issues that are likely to result in material harm to customers, markets or competition are to be raised at the Conduct Committee and the Board as appropriate.

### ***Business & Strategic Risk***

Business risk is defined as any risk to the firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

The Company is willing to take risks on new products, business lines and acquisitions to achieve growth and drive profitability over the long-term, while maintaining the firm's financial resilience. The Firm will only engage in activities that are aligned to the company's desired risk profile and long-term strategy.

The Company aligns its business plan to ensure it can meet its strategic objectives and ensures variations in its business performance versus the plan do not deviate above acceptable levels.

### ***Reputational Risk***

Reputational Risk is defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect the Firm's ability to maintain existing, or establish new, business relationships and continued access to sources of funding

The Company's appetite for reputational risk is low. The Marketing and Legal & Compliance functions keep a daily watching brief for reputational issues. Additionally, the Firm undertakes to:

- Offer access only to appropriate customers (in terms of their means and the absence of any links to money laundering, fraud and terrorist financing) and;
- Only engage exchange participants from jurisdictions where LMAX knows it is legal to do so.

### ***Impact of the economic environment***

The economic environment remains a risk to the growth plans for the business, and whilst management continue to monitor its effects upon our customer base, the management believe that due to a mature and diversified customer base and product mix, the Company is well positioned to manage any adverse impact.

Financial market volatility, measured by various indexes such as VIX, returned to pre-pandemic levels across 2022, with occasional periods of high volatility around Russia-Ukraine developments, which has led to improved trading conditions.

### ***Russia-Ukraine situation***

The Russian-Ukrainian conflict has had unprecedented impact on the world, loss of human lives, economic uncertainty, and escalated levels in the threat landscape. LMAX Group and subsidiaries have reacted immediately to all international sanctions and guidance.

There were no instances of sanctioned customers trading on LMAX Exchange, and RUB trading has been delisted from our Exchange venues. The Company holds no residual RUB market risk and exposure to potential Russian credit risk is immaterial.

## Strategic report (*Continued*)

for the year ended 31 December 2022

### Future Outlook

LMAX Exchange has achieved impressive volume and revenue growth over a number of years by staying true to its founding principles of offering client's transparent fair execution on firm limit order liquidity within a trusted and regulated trading environment taking place on robust, scalable ultra-low latency technology.

The business continues to grow its client base and its geographical reach and with the release of a more diverse product offering across the next 12-24 months, we expect to obtain a larger share of our clients total FX volumes.

We expect success to continue in 2023 and beyond, helped by the growth strategies listed below. Operating expenses excluding variable remuneration are expected to increase in the 2023 financial year, reflecting the Group's continued investment in product and platform development and additional headcount in technology, sales, and operational support.

Key future growth strategies:

- Expand geographic footprint of exchange infrastructure with the newly established matching engine in Singapore
- Obtain a greater share of existing bank and liquidity provider volumes through expansion of product suite
- Refine market data strategy and product offering to improve client experience as well as to better monetise the product
- Greater diversification in our client composition to enhance the liquidity provision and participation.



On behalf of the Board  
Grant Pomeroy  
Director  
18 August 2023

Yellow Building  
1A Nicholas Road  
London, W11 4AN

## Directors' report

for the year ended 31 December 2022

The directors present their Directors' report and the audited financial statements for the year ending 31 December 2022.

### Principal activities

LMAX Exchange is an FCA regulated multilateral trading facility ("MTF") for spot foreign exchange ("FX") (firm reference number 509778) and operates a firm-liquidity central limit order book ("CLOB") execution model multi-dealer platform for spot FX. Clients benefit from transparent fair execution within a trusted and regulated trading environment taking place on robust, scalable ultra-low latency technology.

FX is the most transacted financial asset class in the world with nearly \$7.5 trillion of volumes transacted daily, driven by international trade and investment and hedging requirements.

The LMAX Exchange differentiated CLOB based model is particularly attractive to price takers because it offers higher certainty of execution at posted prices, which enables greater control over trading costs. This feature is attractive to buy-side customers who may find last-look rules produce price slippage and / or low fill-rates on their orders.

Transparent rules and firm liquidity make it well-suited to price takers who expect to realize higher fill-rates with less price slippage. Market makers are drawn to the diversified client flow, representative of all market segments. Furthermore, among FX venues, those with firm-liquidity and large ADVs (average daily volumes) can generate significant revenue from our real-time streaming market data. As LMAX Exchange grows ADV, it expects to further monetize its market data which is based on firm liquidity and captures the whole FX market.

The Company is registered in England and Wales (number 06505809). The immediate and ultimate parent company is LMAX Exchange Group Limited ("LMAX Group").

### Going concern

The Directors have reviewed the Company's management of financial risk, available liquidity, the regulatory capital position and annual budget and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

### Proposed dividend

The directors did not declare a dividend in 2022 (2021: £1.5m) to the ultimate parent, LMAX Exchange Group Limited.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Grant Pomeroy  
David Mercer (resigned on 05 July 2023)  
Edmond Warner (resigned on 05 July 2023)  
Edward Wray (resigned on 05 July 2023)  
Daniel Karakanna (appointed on 05 July 2023)  
Barbara Pozdorovkina (appointed on 05 July 2023)  
Chetan Parmar (appointed on 05 July 2023)

### Employees

The Company is committed to promoting and encouraging equal opportunities for all prospective and current employees and actively promotes good employee relations. Management aims to eliminate any conditions, procedures and individual behaviour that can lead to discrimination even where there was no intent to discriminate, with particular regard to race, gender, disability, sexuality, age, religion and belief.

Management recognise that employees are key to both its present and future success and places considerable value on the involvement of its employees. In order to maximise the potential of every employee, management support the fundamental belief that there must be considerable investment in training and development, a supportive and progressive working environment and employee contribution and involvement in business matters.

Management continued its practice of keeping employees informed on matters affecting them and on the various factors affecting the performance of the Company. This was achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.



## **Directors' report (*Continued*)**

for the year ended 31 December 2022

### **Research and Development**

The Company undertakes continuous research and development ("R&D") of its MTF exchange and mobile application software. Since 2019 the Company has utilised the enhanced tax deduction at 130%, available to small and medium-sized enterprises (SMEs) to reduce its corporation tax obligations. (Refer to note 3 for details).

### **Reappointment of the independent auditors**

PricewaterhouseCoopers LLP were appointed as the independent auditors of the Company on 14 May 2018. Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed and therefore will continue in office.

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

The directors holding office at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and have taken all the steps that ought to have taken as a directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Future developments**

These have been included within the Future Outlook section of the Strategic Report on page 7.

### **General Information**

LMAX Limited is registered at Companies House in England and Wales.

LMAX Group is the largest group of undertakings for which consolidated financial statements are drawn up and of which the company is a member. Copies of the financial statements of LMAX Group are available to the public and can be obtained from the following web address: <https://www.lmax.com/investor-relations>.



**On behalf of the Board**

**Grant Pomeroy**

Director

18 August 2023

Yellow Building  
1A Nicholas Road  
London, W11 4AN

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

## **Independent auditors' report to the members of LMAX Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, LMAX Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## **Independent auditors report to the members of LMAX Limited (*Continued*)**

### **Reporting on other information (*continued*)**

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the requirements of the Financial Conduct Authority or UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the incentive for management to inflate the profitability of the company, through posting manual journal entries to manipulate financial performance or through showing management bias in judgements and assumptions.

## **Independent auditors report to the members of LMAX Limited (*Continued*)**

### **Auditors' responsibilities for the audit of the financial statements (*continued*)**

Audit procedures performed by the engagement team included:

- Performing enquiries with management and those charged with governance regarding any known or suspected instances of non-compliance with laws and regulation and fraud.
- Challenging assumptions and judgements made by management in their estimates, including testing the useful economic life of intangible assets.
- Reviewing correspondence with regulatory authorities.
- Using our data analytic tool to identify manual journals with a higher inherent risk of fraud, and obtaining appropriate audit evidence to support these journals.
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mike Wallace (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
18 August 2023

**Statement of Comprehensive Income**  
*For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Revenue</b>	<i>2.1</i>	<b>24,134</b>	22,798
<b>Cost of sales</b>	<i>2.2</i>	<b>(6,018)</b>	(4,101)
<b>Gross profit</b>		<b>18,116</b>	18,697
 <b>Administrative expenses</b>	 <i>2.3</i>	 <b>(17,354)</b>	 (15,482)
<b>Operating profit</b>		<b>762</b>	3,215
 <b>Financial costs</b>		 <b>(9)</b>	 (12)
<b>Profit before tax</b>	<i>2</i>	<b>752</b>	3,203
 <b>Taxation</b>	 <i>3</i>	 <b>(94)</b>	 (298)
<b>Profit and total comprehensive income for the year</b>		<b>659</b>	2,905
 <b>Profit for the year attributable to:</b>			
Equity holders of the parent		<b>659</b>	2,905

The notes on pages 18 to 35 form an integral part of these financial statements.

## Statement of Financial Position

*As at 31 December 2022*

	<i>Note</i>	<b>2022</b> £'000	2021 £'000
<b>Non-current assets</b>			
Intangible assets	6	12,683	9,498
Property, plant and equipment	5	3,845	3,669
<b>Current assets</b>			
Trade and other receivables	7	13,606	7,079
Cash and cash equivalents	8	2,270	1,153
<b>Total assets</b>		<u>32,404</u>	<u>21,399</u>
<b>Non-current liabilities</b>			
Trade and other payables	9	(2,811)	(1,976)
<b>Current liabilities</b>			
Trade and other payables	9	(12,639)	(7,128)
<b>Total liabilities</b>		<u>(15,450)</u>	<u>(9,104)</u>
<b>Net assets</b>		<u>16,954</u>	<u>12,295</u>
<b>Equity</b>			
Share capital	10	599	599
Share premium		8,000	4,000
Distributable Reserves		5,391	5,391
Retained earnings		2,964	2,305
<b>Equity attributable to equity holders of the parent</b>		<u>16,954</u>	<u>12,295</u>
<b>Total equity</b>		<u>16,954</u>	<u>12,295</u>

The notes on pages 18 to 35 form an integral part of these financial statements.

These financial statements on pages 14 to 35 were approved by the Board of Directors on 18 August 2023 and signed on its behalf by:



**Grant Pomeroy**  
*Director*

## Statement of Changes in Equity

*For the year ended 31 December 2022*

	Share capital £'000	Share premium £'000	Distributable reserves £'000	Retained Earnings £'000	Total equity £'000
Balance at 1 January 2022	599	4,000	5,391	2,305	12,295
Profit for the year	-	-	-	659	659
Total comprehensive income for the year	-	-	-	659	659
Issue of shares by subsidiaries	-	4,000	-	-	4,000
Balance at 31 December 2022	599	8,000	5,391	2,964	16,954

	Share capital £'000	Share premium £'000	Distributable reserves £'000	Retained Earnings £'000	Total equity £'000
Balance at 1 January 2021	599	4,000	5,391	900	10,890
Profit for the year	-	-	-	2,905	2,905
Total comprehensive income for the year	-	-	-	2,905	2,905
Shareholder dividends	-	-	-	(1,500)	(1,500)
Balance at 31 December 2021	599	4,000	5,391	2,305	12,295

Dividend declared in the year was £nil (2021: £1.5m).

The notes on pages 18 to 35 form an integral part of these financial statements.



**Statement of Cash Flows**  
*For the year ended 31 December 2022*

	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>		
Operating profit	762	3,215
<i>Adjustments for:</i>		
Depreciation	789	561
Amortisation	4,526	4,248
Foreign exchange (gains)/loss	(100)	128
Increase in trade and other receivables	(6,527)	(1,907)
Increase in trade and other payables	6,258	3,811
Tax paid	-	-
Taxation refund	(6)	-
<b>Net cash from operating activities</b>	<u>5,702</u>	<u>10,056</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(965)	(3,047)
Acquisition of intangibles and capitalised expenses	(7,711)	(7,314)
<b>Net cash used in investing activities</b>	<u>(8,676)</u>	<u>(10,361)</u>
<b>Cash flows from financing activities</b>		
Capital injection	4,000	-
Dividend paid	-	(1,500)
Finance expense	(9)	(12)
<b>Net cash from/(used in) financing activities</b>	<u>3,991</u>	<u>(1,512)</u>
Net increase/(decrease) in cash and cash equivalents	1,017	(1,817)
Cash and cash equivalents at beginning of year	1,153	3,098
Effect of exchange rate fluctuations on cash held	100	(128)
<b>Cash and cash equivalents at end of year</b>	<u><u>2,270</u></u>	<u><u>1,153</u></u>

The notes on pages 18 to 35 form an integral part of these financial statements.

## Notes to Financial Statements

for the year ended 31 December 2022

### 1. Accounting policies

The financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from preparing consolidated financial statements as they are included in consolidated financial statements for the LMAX Exchange Group limited drawn up to the same date. These financial statements present information about the Company as an individual undertaking and not of its group. The consolidated financial statements of the Group can be requested from the company's registered office.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Going concern*

The Directors have considered all available information about the future events when considering going concern. The Directors have reviewed profit and cash flow forecasts for 12 months following the date of signing of these financial statements. These forecasts take into account future expected revenues, costs, liquidity and statutory capital requirements of the Company. The directors anticipate no significant impact of the novel strain of coronavirus (COVID-19) on the business, considering the improving situation post developments in the vaccination programme globally.

The Directors believe the Company has sufficient financial resources together with an increasing and more diversified number of customers and suppliers across different geographic areas. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully and has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with the Companies Act 2006 under the historical cost convention. The accounting policies that have been applied in preparation of the financial statements for the year ended 31 December 2022 are disclosed below.

#### *Critical Accounting estimates and Judgements*

The preparation of financial statements requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, the reported amounts of revenues and expense. Actual results may differ from those estimates. These include the carrying value and useful economic life estimates of non-current assets, and the valuation of current assets and liabilities. The area involving significant estimates or judgement is:

- Estimated useful economic life of intangibles – The Company has conducted sensitivity analysis around the estimated useful economic life of the intangible assets and assuming no significant change in nature and usage of the asset, if the current useful economic life was reduced or increased by 1 year, then the amortisation expense would increase by £1.9m or reduce by £1.9m respectively.

#### *Intangible assets, amortisation, research and development*

Intangible assets include software licences and intellectual property rights. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring it into use. The costs are amortised over their estimated useful economic life or the life of the software licence contract which is three to five years. Intellectual property acquired is amortised over the 3 years straight line basis.

The Company undertakes continuous development of its MTF exchange and mobile application software. The development activity involves planning and designing for the production of new and substantially improved features for the MTF exchange. Labour and expenses directly attributable to new and improved features are capitalised as an intangible asset, to the extent:

- it is technically and commercially feasible and there is an intention to complete and ability to use or sell the asset.
- it can be reliably demonstrated that the software will generate future economic benefits.
- there are adequate technical, financial and other resources to complete the development and to put it in use.
- the expenditure attributable to the development of the intangible asset can be reliably measured.

Other development expenditure and research activities are expensed as incurred. The capitalised cost of developed software is amortised over a three-to-five-year period.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

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

#### *Property, plant and equipment and depreciation*

Assets are stated at historical cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of assets by equal instalments over their estimated useful economic lives as follows:

Leasehold	-	Shorter of the term of the lease or the useful economic life of the asset
Computer equipment and software	-	3-5 years straight line
Furniture, Fixtures and fittings	-	5 years straight line

#### *Impairment of intangible and tangible assets*

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. In the event that the recoverable amount is below the carrying amount, an impairment loss is recognised.

Assets may be part of an income generating unit, which is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets. In respect of income-generating units, impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis.

The recoverable amount of an asset is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

#### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses. The expected credit losses (ECL) on trade receivables is assessed in accordance with the simplified approach as permitted under IFRS 9 through the use of a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding. Trade receivables are monitored regularly and a decision to write off a trade receivable is made on a case by case basis.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits repayable on demand with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash.

#### *Revenue*

Revenue is measured as the commission charged to clients on the notional traded within the billing period as stated in the contract. Commissions are recognised post trade execution and billed on contractual basis, and it include service fee revenue for any market data information and additional services to its clients.

Revenue also includes fees in relation to provision of IT services including but not limited to computer support/installation, communication & connectivity services to the Group's fellow subsidiaries.

The company further provides service in relation to mobile application development. Such service is generally recognised as revenue at the point when the contract is signed marking an obligation to deliver such services however where the service is delivered in advance, company presents its right to consideration against such service as a "Contract Asset" included in Trade and other receivables and where consideration is received in advance against the services not yet delivered to the clients, company presents its obligation to such deferred revenue as a "Contract Liability" included in the Trade and other payables in accordance with IFRS 15.

Revenue comprises the fair value of consideration received from the provision of services in the ordinary course of the Company's activities in accordance with IFRS 15 "Revenue from Contracts with Customers". The Company recognises revenue when the amount of services can be determined and the performance obligation has been satisfied, this leads to the revenue being recognised on the Company providing the services to the client or to the Company's fellow subsidiaries.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

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

#### *Employee and other short-term benefits*

The Company operates a defined contribution pension plan under which the fixed contributions are paid into a separate entity and there is no legal or constructive obligation to pay further amounts. Contributions are recognised as an expense in the periods during which services are rendered by employees.

Short-term employee benefit obligations (i.e. leave pay) are measured on an undiscounted basis and are expensed as the related service is provided.

#### *Research and development grant*

The Company was eligible for a grant on research and development activities it undertakes. The grant was recognised when there was reasonable assurance that it will meet the requirements of the grant and it will be received. The portion of the grant that was subject to deduction from future taxable payments is recognised only to the extent that there is reasonable assurance there will be future tax payments.

#### *Foreign currencies*

The financial statements are presented in British Pounds which is the Company's functional currency.

Transactions in foreign currencies are recorded using the rate of exchange ruling at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Foreign currency gains and losses are reported on a net basis and are included in the Statement of Comprehensive Income.

#### *Finance income and costs*

Financing expenses comprise interest charges from financial institutions, suppliers and leases. Finance charges are recognised using the effective interest method. There were no borrowing costs that are directly attributable to the acquisition, construction or production of an asset.

Financing income comprises of interest receivable on funds held in bank accounts and financing interest recoverable on sub-leased computer equipment. Finance income is recognised as it accrues, using the effective interest method.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in the Statement of Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable profits or losses for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### *Related party transactions*

The Company has procedures to identify and monitor related party transactions and, where possible, endeavours to transact with all related parties on an arm's length basis. The disclosures of identified related party transactions are included in note 11.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 2. Profit before tax

#### 2.1. Revenue breakdown:

	2022	2021
	£'000	£'000
Commissions	13,522	13,925
Others	10,612	8,873
<b>Total Revenue</b>	<b>24,134</b>	<b>22,798</b>

Other revenue for the year includes service revenue of £9.3m (2021: £8m) for provision of IT services to the fellow subsidiaries of the Group and £1.3m (2021: £0.9m) for market data information and additional services.

#### 2.2. Cost of sales is stated after charging/(crediting):

	2022	2021
	£'000	£'000
Clearing and trading fees	921	631
Bad debt	(122)	193
Other variable costs*	5,219	3,277
<b>Total cost of sales</b>	<b>6,018</b>	<b>4,101</b>

\* Other variable cost includes £5.2m (2021: £3.2m) of liquidity provider rebates.

#### 2.3. Administrative expenses are stated after charging/(crediting):

	Note	2022	2021
		£'000	£'000
Wages and salaries		1,087	1,086
Employee cost recharges		9,483	8,140
- of which capitalised as development software	6	(7,474)	(6,754)
Social security costs		167	99
Other Pension costs		35	51
Depreciation of tangible assets	5	789	561
Amortisation of intangible assets	6	4,526	4,248
Legal and professional		106	326
Foreign exchange gains		(1,123)	(184)
VAT and tax refund		(1,187)	(431)
Impairment credit loss on trade receivables	2.3a	-	11
Other costs	2.3b	10,945	8,329
<b>Total administrative expenses</b>		<b>17,354</b>	<b>15,482</b>

2.3a Impairment credit loss on trade receivables relates to credit risk provision. For further details refer to note 14.1.

2.3b Other costs include recharge of services from subsidiaries, please see note 11 for further details.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 2. Profit before tax *(continued)*

2.4. The average monthly number of employees (including directors) analysed by category is as follows:

	2022	2021
	Number	Number
Product development	1	-
Operations	6	3
Sales and marketing	4	4
	<u>11</u>	<u>7</u>

2.5. The highest paid director of the Group received total emoluments for the year of £1.4m (2021: £1.6m).

	2022	2021
	£'000	£'000
Total directors' emoluments	<u>1,878</u>	<u>2,078</u>

The Group and the Company hold same board of directors and therefore the Group allocates this cost to the Company for directorial services. Total directors' emoluments included in salary expenses relating to the Company for the reported year are £239k (2021: £353k).

2.6. Remuneration paid to the auditors is as follows:

	2022	2021
	£'000	£'000
To Company's auditors for:		
- the audit of the Company's annual financial statements	<u>85</u>	<u>120</u>
	<u>85</u>	<u>120</u>

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 3. Taxation

		2022	2021
	<i>Note</i>	£'000	£'000
UK corporation tax charge on profit for the year at 19% (2021: 19%)		-	-
R&D tax Credits		(741)	(964)
Adjustment in respect of prior year periods		-	1
<b>Total current tax</b>		<b>(741)</b>	<b>(963)</b>
Deferred tax - origination and reversal of timing differences		692	890
Prior year adjustments		5	-
Effect of tax rate change on opening balance		138	371
<b>Total deferred tax</b>	<b>3.1</b>	<b>835</b>	<b>1,261</b>
<b>Total tax charge</b>	<b>3.2</b>	<b>94</b>	<b>298</b>

- 3.1. The deferred tax charge for the year has been recognised on all timing differences between the carrying value treatment of assets and liabilities and the associated tax allowances. Deferred tax was recorded using the substantively enacted rates of 25% which comes into force from 01 April 2023. The deferred tax credit has been a result of:

	<i>Note</i>	2022	2021
		£'000	£'000
<b>Deferred tax comprises:</b>		<b>2,811</b>	<b>1,976</b>
Deferred tax liability		<b>2,811</b>	<b>1,976</b>
The movement in the provision is as follows:		2022	2021
		£'000	£'000
At start of year		1,976	714
Prior year adjustment		5	-
Charge to the profit and loss account		830	1,262
<b>At end of year</b>	<b>3.1.1</b>	<b>2,811</b>	<b>1,976</b>

Deferred tax is recorded using a blended tax rate of 25% (2021: 23.38%) based on substantively enacted tax rates for future years.

3.1.1. The total closing deferred tax liability is £2,811K, represented by capitalised intangible fixed assets (£2,341K) and accelerated capital allowances (£485K).

The total closing deferred tax asset is £15K, represented by other temporary differences.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 3. Taxation *(continued)*

- 3.2. The current tax charge for the year is lower the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
<b><u>Factors Affecting Total Tax Charge or the Current Period</u></b>	<b>£'000</b>	<b>£'000</b>
Profit before taxation	752	3,203
At standard rate of corporation tax in the UK of 19% (2021: 19%)	143	609
<i>Effects of:</i>		
Group Relief surrendered	1,116	670
Enhanced R&D Expenditure	(1,671)	(1,486)
R&D tax credits rate differences	230	299
Expenses not deductible for tax purposes	33	2
Prior year adjustment	5	1
Super deduction on Fixed assets permanent differences	(55)	(168)
Deferred tax - changes in tax rates	304	371
Losses not show in computation	(11)	-
<b>Total tax charge/(credit)</b>	<b>94</b>	<b>298</b>

### 4. Investments

Details of the investments are as follows:

<b>Subsidiary</b>	<b>Country Of Incorporation</b>	<b>Principal activity</b>	<b>Principal place of business</b>	<b>Ordinary Shares held No.</b>	<b>Ordinary Shares held %</b>
LMAX USA, Inc.	Delaware, USA	Support and Marketing	Suite 8500, One World Trade Center, New York, NY 10007, USA	1,000	100
LMAX Japan Co. Ltd	Japan	Sales Presence	Level 11, Aoyama Palacio Tower, 3-6-7, Kita-Aoyama, Minato-Ku, Tokyo 107-0061, Japan	50,000	100

The carrying amount of the investments was immaterial during the year (2021: immaterial).



## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 5. Property, plant and equipment

	Computer equipment £'000	Fixtures, furniture and fittings £'000	Total property, plant, and equipment £'000
Balance at 1 January 2021	6,138	240	6,378
Additions	3,375	-	3,375
Transfers	(328)	-	(328)
Balance at 31 December 2021	<u>9,185</u>	<u>240</u>	<u>9,425</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2021	(5,009)	(186)	(5,195)
Depreciation for the year	(542)	(19)	(561)
Balance at 31 December 2021	<u>(5,551)</u>	<u>(205)</u>	<u>(5,756)</u>
<b>Cost</b>			
Balance at 1 January 2022	9,185	240	9,425
Additions	965	-	965
Balance at 31 December 2022	<u>10,150</u>	<u>240</u>	<u>10,390</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2022	(5,551)	(205)	(5,756)
Depreciation for the year	(771)	(18)	(789)
Balance at 31 December 2022	<u>(6,322)</u>	<u>(223)</u>	<u>(6,545)</u>
<b>Carrying value</b>			
at 31 December 2021	3,634	35	3,669
at 31 December 2022	3,828	17	3,845

The Company transferred some of its computer equipment to fellow subsidiaries within LMAX Group at the carrying value of £328k.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 6. Intangible assets

	<b>Purchased software</b>	<b>Developed software</b>	<b>Intellectual Property</b>	<b>Total intangible assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
Balance at 1 January 2021	1,111	23,508	360	24,979
Additions	560	6,754	-	7,314
Balance at 31 December 2021	<u>1,671</u>	<u>30,262</u>	<u>360</u>	<u>32,293</u>
<b>Accumulated amortisation</b>				
Balance at 1 January 2021	(685)	(17,692)	(170)	(18,547)
Amortisation for the year	(358)	(3,770)	(120)	(4,248)
Balance at 31 December 2021	<u>(1,043)</u>	<u>(21,462)</u>	<u>(290)</u>	<u>(22,795)</u>
<b>Cost</b>				
Balance at 1 January 2022	1,671	30,262	360	32,293
Additions	237	7,474	-	7,711
Balance at 31 December 2022	<u>1,908</u>	<u>37,736</u>	<u>360</u>	<u>40,004</u>
<b>Accumulated amortisation</b>				
Balance at 1 January 2022	(1,043)	(21,462)	(290)	(22,795)
Amortisation for the year	(353)	(4,103)	(70)	(4,526)
Balance at 31 December 2022	<u>(1,396)</u>	<u>(25,565)</u>	<u>(360)</u>	<u>(27,321)</u>
 at 31 December 2021	 628	 8,800	 70	 9,498
<b>at 31 December 2022</b>	<b>512</b>	<b>12,171</b>	<b>-</b>	<b>12,683</b>

The intellectual property asset is a result of the acquisition of business and assets of "Mobile Trading Partner LLP" on 01 August 2019.

Amortisation for the year is included within the Administrative expenses on the Statement of Comprehensive Income as also shown in note 2.3.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 7. Trade and other receivables

		2022	2021
	<i>Note</i>	£'000	£'000
Trade debtors		2,323	1,572
Other debtors	7.1	521	36
Taxation debtor		1,765	1,022
Collateral requirement for trade clearing		-	100
Prepayments and accrued income		583	523
Inter-group receivables	7.2	8,414	3,826
		<u>13,606</u>	<u>7,079</u>
Classification:			
Current		<u>13,606</u>	<u>7,079</u>
		<u>13,606</u>	<u>7,079</u>

7.1. Other debtors include VAT recoverable for £507k (2021: £22k).

7.2. See Note 11 for breakdown of the inter group receivables.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 8. Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash and cash equivalents	<u>2,270</u>	<u>1,153</u>

Cash and cash equivalents comprise of bank balances held by the Company on a short-term basis with original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The company does not hold any client funds.

Below is an analysis of the change in net funds:

	Cash and cash equivalents £'000	Collateral £'000	Total funds £'000
Balance at 1 January 2022	1,153	100	1,253
Net cash movement	<u>1,117</u>	<u>(100)</u>	<u>1,017</u>
Balance at 31 December 2022	<u><u>2,270</u></u>	<u><u>-</u></u>	<u><u>2,270</u></u>
Balance at 1 January 2021	3,098	100	3,198
Net cash movement	<u>(1,945)</u>	<u>-</u>	<u>(1,945)</u>
Balance at 31 December 2021	<u><u>1,153</u></u>	<u><u>100</u></u>	<u><u>1,253</u></u>

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 9. Trade and other payables

		2022	2021
	<i>Note</i>	£'000	£'000
Trade creditors		2,698	116
Security liability		45	42
Accruals and deferred income	9.2	539	817
Inter-group payables	9.1	9,357	6,153
Deferred Tax liability		2,811	1,976
		<u>15,450</u>	<u>9,104</u>
		2022	2021
		£'000	£'000
Classification:			
Non-current		2,811	1,976
Current		<u>12,639</u>	<u>7,128</u>
		<u>15,450</u>	<u>9,104</u>

- 9.1. LMAX Exchange Group Limited recharges administrative and operational overhead costs to LMAX Limited £6.7m (2021: 4.1m). These intra Group payables should be reviewed alongside the intercompany receivables. For Further details on the Inter-group payables & receivables refer note 7 & 11.
- 9.2. The accruals and deferred income above include accruals worth £0.6m (2021: £0.8m) and deferred income representing contract liability accounted under IFRS 15, "Revenue from Contracts with Customers". The contract liability had arisen post acquisition of business of Mobile Trading Partners LLP on account of services due to customers for development and support of mobile trading applications.

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 10. Share capital

	2022	2021
	£'000	£'000
<b>Allotted and called up</b>		
599,079 (2021: 599,078) Ordinary shares of £1 each	<u>599</u>	<u>599</u>

### 11. Related party transactions

#### Identified related parties

Identified related parties include:

- Directors of the company, who are listed in the directors' report and their remuneration shown in note 2.5.
- Directors of subsidiaries. These directors received no fees from their directorships, but were paid salaries for services rendered to the subsidiaries in accordance with their employment contracts.
- Group companies including: subsidiaries listed in note 4, J Digital 4 LLC (9.99% shareholder of LMAX Group), JCF LMAX Acquisition Ltd (30.00% shareholder of LMAX Group) and LMAX Exchange Group Limited (registered in Jersey) and its subsidiaries.

	2022	2021
	£'000	£'000
<b>Key management personnel compensation</b>		
Short-term employee benefits	1,867	2,062
Post-employment benefits	<u>11</u>	<u>16</u>
	<u><b>1,878</b></u>	<u><b>2,078</b></u>

## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 11. Related party transactions *(Continued)*

Balances	Note	2022	2021
Amounts due from/(to) group companies:		£'000	£'000
- LMAX Bullion Limited		1,709	395
- LMAX Japan Co. Ltd		(13)	77
- LMAX New Zealand Limited	11.4	(2,358)	(1,687)
- LMAX PTE Limited		(128)	375
- LMAX USA, Inc.		(622)	(369)
- LMAX Broker Limited	11.1	2,057	471
- LMAX Exchange Group Limited	11.2	(6,236)	(4,098)
- LMAX Digital Broker Limited		742	499
- LMAX Digital Group Limited	11.3	3,638	1,865
- LMAX Broker Europe		265	142
- LMAX Broker Mauritius Limited		1	-
- LMAX Capital Markets		2	2
		<u>(943)</u>	<u>(2,328)</u>
Management recharge included in Administration expenses		2022	2021
Transactions		£'000	£'000
Management recharges from:			
- LMAX Japan Co. Ltd		93	156
- LMAX USA, Inc.		3,399	2,550
- LMAX New Zealand Limited		685	773
- LMAX PTE Limited		659	433
		<u>4,836</u>	<u>3,912</u>

11.1. Balance with LMAX Broker Limited driven by commission charges being a member of Exchange and IT cost recharges.

11.2 Balance with the parent entity LMAX Exchange Group Limited is as a result of operational cost recharges.

11.3 Balance with LMAX Digital Group Limited is as a result of facilitating trades on the digital exchange platform and other IT support services.

11.4 Balance with LMAX New Zealand Limited is arising due to management recharges for technical support on the exchange maintenance & development.

### 12. Ultimate Parent Company

The Company is a subsidiary undertaking of LMAX Exchange Group Limited a company incorporated in Jersey with limited liability. The group in which the results of the Company are consolidated is that headed by LMAX Exchange Group Limited, hence exemption from the Consolidation has been exercised. The Company's parent produces consolidated financial statements that are available for public use and can be requested in writing from the Company's registered address.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 13. Financial instruments

#### 13.1 Credit risk

As a provider of leveraged financial instruments, clients are only required to deposit sufficient margin on their accounts to enable them to trade on the platform, whilst still being fully exposed to the position in the market. As a result, losses can exceed funds on account when there are sudden and unexpected price movements exposing the Company to the risk of potential bad debts where customers are unable to fund their losses.

This risk is managed by setting appropriate margin levels and position limits per currency pair. Risks specifically around volatile currencies are monitored and have margin rates increased where it is deemed necessary. Clients' positions are actively monitored and are requested to adjust their positions when position sizes expose the Company to too much risk. Clients are encouraged to hold a diversified portfolio thereby further reducing risk. Risk management procedures & policies and technology are designed to limit financial repercussions from such events.

The Company is also exposed to credit risk for financial assets included in trade and other receivables and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company's cash and collateral is held across four separate financial institutions with Moody's credit ratings indicating they are low credit risk.

#### *Credit quality of financial assets and impairment losses*

The aging of trade receivables included in note 7 at the year-end date is as follows:

31 December 2022	Current	1-30 Days past due	31-60 Days past due	61-90 Days past due	90 Days past due or more	Total
Expected loss rate	0.02%	0.03%	0.05%	0.20%	1.55%	
Gross Carrying amount - trade receivables (£'000)	603	570	448	244	458	2,323
Loss allowance (£'000)	0	0	0	1	7	8

31 December 2021	Current	1-30 Days past due	31-60 Days past due	61-90 Days past due	90 Days past due or more	Total
Expected loss rate	0.05%	0.06%	0.15%	1.02%	14.01%	
Gross Carrying amount - trade receivables (£'000)	734	399	187	58	194	1,572
Loss allowance (£'000)	0	0	0	2	27	29

The loss allowance as at 31 December 2022 and 31 December 2021 was determined as above for trade receivables. The loss rates for the year have been derived based on estimates of average bad debts and invoiced sales for the year and prior years, with improved recovery for receivables below 90 days due and higher loss allowance being carried for receivables over 90 days due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022	2021
	£'000	£'000
Balance as at 1 January	29	18
Provision recognised during the year	-	11
Provision released	(21)	-
<b>Total at 31 December</b>	<b>8</b>	<b>29</b>



## Notes to Financial Statements *(continued)*

for the year ended 31 December 2022

### 13. Financial instruments *(continued)*

#### 13.2 Liquidity risk

The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other group companies to meet its liquidity requirements in the short and longer term.

At 31 December 2022	Less than 6 months £'000	6-12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual undiscounted cash flows £'000	Carrying amount liabilities £'000
<b>Non- derivatives</b>						
Trade payables	2,698	-	-	-	2,698	2,698
Social security liability	45	-	-	-	45	45
Accruals and deferred income	539	-	-	-	539	539
Inter-group payable	9,357	-	-	-	9,357	9,357
<b>Total non-derivatives</b>	<b>12,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,639</b>	<b>12,639</b>

At 31 December 2021	Less than 6 months £'000	6-12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual undiscounted cash flows £'000	Carrying amount liabilities £'000
<b>Non- derivatives</b>						
Trade payables	116	-	-	-	116	116
Social security liability	42	-	-	-	42	42
Accruals and deferred income	817	-	-	-	817	817
Inter-group payable	6,153	-	-	-	6,153	6,153
<b>Total non-derivatives</b>	<b>7,128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,128</b>	<b>7,128</b>

The Other payable in comparatives includes lease liability for computer equipment reflecting undiscounted contractual cash flows. This liability has been fully discharged during the year.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 13. Financial instruments (*continued*)

#### 13.3 Interest rate risk

The Company's activities do not expose it to significant interest rate risk.

#### 13.4 Foreign currency risk

The financial assets and liabilities of the Company are held predominantly in British Pounds, US Dollars, Euros, Japanese Yen, Australian Dollars. Cash and collateral balances are actively monitored and converted so as to maintain as best as possible a net neutral position in all non-British Pound currencies.

The currency exposures of financial assets and liabilities for the year ended 31 December 2022 are as follows.

	<b>TOTAL</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>AUD</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	2,270	1,279	835	151	-	5
Trade debtors	559	-	559	-	-	-
Trade creditors	(934)	(283)	(645)	(8)	-	2
Net exposure	<u>1,895</u>	<u>996</u>	<u>749</u>	<u>143</u>	<u>-</u>	<u>7</u>

The currency exposures of financial assets and liabilities for the year ended 31 December 2021 are as follows.

	<b>TOTAL</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>AUD</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	1,153	288	813	47	-	5
Collateral requirement for trade clearing	100	100	-	-	-	-
Trade debtors	1,514	-	1,509	5	-	-
Trade creditors	(116)	(116)	-	-	-	-
Net exposure	<u>2,651</u>	<u>272</u>	<u>2,322</u>	<u>52</u>	<u>-</u>	<u>5</u>

#### Sensitivity Analysis

	<b>Impact on post tax (loss)/profit</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
USD/GBP Exchange rate - increase 5%	(38)	(116)
USD/GBP Exchange rate - decrease 5%	37	116

As shown in the table on above, the entity is primarily exposed to changes in USD/GBP exchange rates. The sensitivity of (loss)/profit to changes in the exchange rates arises mainly from cash and cash equivalents.

## Notes to Financial Statements (*continued*)

for the year ended 31 December 2022

### 13. Financial instruments (*continued*)

#### 13.5 Fair value

All financial instruments are held at amortised cost which is assessed to be materially the same as their fair value.

#### 13.6 Capital management

The Company's primary objective when managing capital is to safeguard the company's ability to continue as a going concern. In addition, the Company is required to maintain regulatory capital determined in accordance with the Financial Conduct Authority through the requirements of CRD IV. The minimum capital requirement is predominantly driven by the fixed overhead requirement, which is based on the fixed costs and so does not fluctuate significantly. The minimum capital requirement is usually £1.6m. Regulatory capital is represented by the Company's equity less intangible assets and investments which on 31 December 2022 was £7.0m (2021: £1.8m). On 25 Feb 2022, additional share capital of £4m was invested in the Company thereby ensuring sufficient regulatory capital is maintained.

The Company's capital structure is regularly reviewed and managed with due regard to overall capital requirements and the requirements of each of its subsidiary. Adjustments are made to the capital structure in light of changes in conditions affecting each subsidiary, to the extent that these do not conflict with any of the directors' fiduciary duties of the Company.

### 14. Post Balance sheet event

There are no post balance sheet events to report for the year ended 31st December 2022.

### 15. Contingent liabilities

Despite there being a low likelihood of any future liability arising, the directors have disclosed a potential taxation charge arising from the perceived existence of an overseas permanent establishment. A reasonable estimate of the potential liability is £1.1m (2021: £0.89m). The Company, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

### 16. Development in reporting standards and implementations

#### *Standards and interpretations adopted during the year*

There are no new accounting standards adopted by the company during the year.

#### *Future new standard and interpretations*

There are no known changes in standards to be implemented in future which could materially impact the company.

### 17. Registered address and country of domicile

LMAX Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom, London. Its registered office and principal place of business is:

LMAX Limited  
Yellow Building  
1A Nicholas Road  
London  
W11 4AN