LMAX Limited

Annual report and financial statements

Registered number 06505809

For the year ended 31 December 2020

Contents

Strategic report

for the year ended 31 December 2020

In accordance with section 414C of the Companies Act 2006, the directors have prepared a strategic report, which contains business review of LMAX Limited and a description of the principal risks and uncertainties facing the company along with a view on the future outlook.

Business Review

LMAX Limited ("LMAX Exchange" or "the Company") recorded volumes of $4.2tn in 2020, annual growth of 34%, this despite being faced with the extremely challenging market conditions and whilst the rest of the spot FX market grew at just 5%. This resulted in revenues of $20.3m (£15.7m), 37% higher than the $14.8m (£11.6m) achieved in 2019.

Financial markets were severely tested in 2020, as news of the global pandemic came to light, with the extreme volatility comparable to some of the worst periods in financial market history. Whist there was a short-term benefit to trading volumes in March 2020, the risk-off sentiment that subsequently followed, lasting across the remainder of the year to some extent, hindered the levels of volume and revenue growth which could have been achieved in normal market conditions. The global lockdowns did not affect our ability to operate and service clients, however the restricted travel and ability to meet did partially hinder our ability to onboard new clients.

Since 2016 LMAX Exchange volumes have been growing at 21% CAGR, whilst the rest of the spot FX market has seen growth of just 6%. Central to this growth is the increase in bank members, which has resulted in over 100 connected trading desks in 2020. During this time the Company continues to invest in global distribution, market leading technology and best-in-class service for clients.

Paramount to the strong performance in 2020 has been the continued impressive client acquisition in EMEA and Americas, which helped to deliver record results with gross profits of £12.6m (2019: £10.9m), predominantly from commission charges to members of the Exchange, which include major banks and trading institutions. Operating expenditure was £6.4m[1] (2019: £6.2m) leading to EBITDA of £6.2m in 2020, annual growth of 32% (2019: £4.7m). The firm views this as a vote of confidence in its award-winning, robust proprietary technology and its ability to consistently deliver efficient market structure and transparent, precise, consistent execution – which has set LMAX Exchange apart from the competition over several years.

The Company generated £1.8m of profit before tax (2019: £0.3m) and has £11.2m (2019: £9.4m) of net assets at the period end. Common Equity Tier 1 capital surplus was £4.4m at the end of the period (2019: £3.9m).

Despite the challenges posed by the pandemic and subsequent lockdown, operational performance was exemplary throughout 2020, highlights including 100% systems uptime and reliability and experienced no outages in the financial year (2019: 100% and nil).

Strategic Goals

- Increase market share
- Maintain a quality service to clients
- Technical innovation
- Investment in research and development
- Attract, develop and retain the best people

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 firms' 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.

Certain governance responsibilities have been delegated by the Board to Committees of the Board, to ensure independent oversight over financial reporting, internal controls, risk management, remuneration and reward.

[1] Operating expenditure of £6.4m (2019: £6.2m) is arrived at by adding back depreciation £0.7m (2019: £1.3m), amortisation £3.7m (2019: £3.0m) and reducing foreign exchange gains £0.4m (2019: £0.4m loss) for the year to administrative expenses of £10.8m (2019: £10.5m).

Strategic report *(Continued)*

for the year ended 31 December 2020

Overview of Corporate Governance (continued)

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, COO, 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 and operations and business change and also leads the Operational Risk Committee and the Control Functions Oversight Committee, which oversees the work of regulatory control function heads in the execution of their responsibilities.

Principal risks and uncertainties

Risk Profile

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 mitigated and controlled. The Company focuses on the long term, building out a sustainable business model with the capacity to manage all the risks it faces, and able 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 factor 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 Company pro-actively manages its foreign currency risk with regards to currency movements on financial assets and liabilities by its cash management and regular internal review. The Operational Risk Committee assesses operational risks, including those arising through technology, people, process and external events. LMAX Exchange faces conduct risk relating to how it deals with its clients and with the markets.

Capital adequacy risk

LMAX Exchange is regulated under the Capital Requirements Directive IV (CRD IV) which stipulates the requirements to hold sufficient regulatory capital to cover its risk exposures, valued according to applicable rules. The Company manages capital adequacy risk through its regulatory capital policy and seeks to ensure 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. LMAX Exchange undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) through which it assesses its capital requirements, including the application of a series of stress-testing scenarios, to its base financial projections. The ICAAP document is reviewed and challenged by the Board.

Clients

Our revolutionary, minimalist technology delivers one global marketplace for FX – through exchange infrastructure in London, New York and Tokyo, ensuring complete transparency, open access and a level playing field for all market participants. All clients of LMAX Exchange 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 worlds' 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 both London and New York. This enables us to develop our products and services specifically to meet the needs of our global client base.

Strategic report *(Continued)*

for the year ended 31 December 2020

Principal risks and uncertainties (continued)

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 requoting 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.

IT 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-attacks.

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, have been at significantly higher than the low levels reported in the last five years. It is expected that an increase in the general level of financial market volatility will be beneficial to revenues, which are therefore partly dependent upon macroeconomic conditions.

COVID-19

The novel strain of coronavirus (COVID-19) that first surfaced in China was declared as a pandemic by the World Health Organisation on March 11, 2020 impacting countries globally. Further new coronavirus variant "SARS-CoV-2" was first identified in United Kingdom towards the end of year. The effects of the COVID 19 and SARS-CoV-2 outbreak followed during the year 2020 and ahead however it did not have any significant detrimental impact on the company's performance rather as a result of macroeconomic uncertainty company has record volumes being recorded on the exchange. The Company's business continuity plan was put to test beginning of the year and worked throughout with 95% of employees successfully transitioning to working from home and no disruption to systems uptime and reliability.

With the promising advancements on vaccination programmes across the globe the Company expects global economic uncertainties to reduce and no material impact the business and customers. The Directors anticipate no downturn to business for the next year as a result of this pandemic. This is a non-adjusting post balance sheet event and an estimate of the future effect is assessed to be not material though the situation still prevails.

Brexit

LMAX Exchange operates three independent all-to-all matching facilities for spot fx and metals in London (LD4), New York (NY4) and Tokyo (TY3), offering liquidity access and exchange quality execution to funds, banks, proprietary trading firms, brokerages and assets managers. The Company does not have any operational presence within the EU. Furthermore, spot FX and metals are not defined as financial instruments within the scope of any EU financial services regulation, thus the Company did not rely on passporting rights under the EU single market rules to sell to European clients prior to Brexit, which was the legal basis for UK entities to offer financial services to European clients under one single rule applying to financial services (MiFID).

As the Members and Users of the Exchange are global wholesale institutions consisting of some European wholesale institutions, such European institutions contract with LMAX Limited to access the Exchange under the freedom of contract, which is not prohibited by European law. In essence, even as Brexit has removed passporting rights available to financial services firms, it had no impact on the premise which members and users of the Exchange contract with LMAX Limited.

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 clients transparent fair execution on firm limit order liquidity within a trusted and regulated trading environment taking place on robust, scalable ultra-low latency technology.

There continues to be regulatory focus on creating fair practises within the industry, which we feel will drive more FX trading onto regulated exchanges like ours. These developments are commensurate with the Company's vision of transforming global FX trading and driving change in the industry in order to encourage a fairer and more transparent marketplace.

The Company delivered strong volume and revenue growth from Exchange trading in 2020, despite the challenging market conditions, and continued to increase its presence and market share. We expect this success to continue in 2021 and beyond, helped by the growth strategies listed below. Operating expenses excluding variable remuneration are expected to increase in the 2021 financial year, reflecting the Group's continued investment in product and platform development and additional headcount in sales and operational support.

Strategic report *(Continued)*
for the year ended 31 December 2020

Future Outlook (continued)

Key future growth strategies:

- Expand geographic footprint of exchange infrastructure with a new matching engine in Singapore in 2021
- Obtain a greater share of existing bank and liquidity provider volumes through algo integration
- Expand market data product offering

On behalf of the Board
David Mercer
Director
30 June 2021

Yellow Building
1A Nicholas Road
London, W11 4AN

Directors' report

for the year ended 31 December 2020

The directors present their Directors' report and the audited financial statements for the year ending 31 December 2020.

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 trillion of volumes transacted daily, driven by international trade and investment and hedging requirements. 80% of over the counter FX turnover comes from the 5 countries within which we operate: UK (43%), US (17%), Singapore (8%) Hong Kong (8%) and Japan (5%).

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.

Firm liquidity means that prices quoted are executable, unlike last-look venues which provide market makers with the option to update prices after a taker places an order. The majority of electronic exchanges offer last-look, discretionary pricing, counterparty blocking or otherwise use rules that favour certain market participants (typically market makers) to attract volumes. The practice of last-look has come under recent scrutiny by price takers and regulators and is viewed negatively by the Global Code of Conduct for the FX market, promulgated by the Bank for International Settlements. Regulatory or industry action on this topic stands to benefit LMAX Exchange and other CLOB players disproportionately.

The Company is registered in England and Wales (number 06505809). The immediate 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 do not recommend the payment of a dividend for 2020 (2019: nil).

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:

David Mercer
Edmond Warner
Edward Wray
Grant Pomeroy

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 2020

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.

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.

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
David Mercer
Executive Director
30 June 2021

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 2020; 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 2020 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, UK Companies Act, 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 the 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 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. 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.

MikeWall

Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 June 2021

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020	2019
		£'000	£'000
Revenue	*2.1*	**15,671**	11,578
Cost of sales	*2.2*	**(3,024)**	(709)
Gross profit		**12,647**	10,869
Administrative expenses	*2.3*	**(10,772)**	(10,478)
Operating profit/(loss)		**1,875**	391
Finance income		**8**	14
Finance costs		**(33)**	(150)
Profit/(Loss) before tax		**1,850**	255
Taxation	*3*	**(319)**	(627)
Total comprehensive income/(expense) for the year		**1,531**	(372)
Profit / (loss) for the year attributable to:			
Equity holders of the parent		**1,531**	(372)

The notes on pages 17 to 35 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2020

	Note	2020	2019
		£'000	£'000
Non-current assets			
Intangible assets	6	6,432	5,514
Property, plant and equipment	5	1,183	1,303
Current assets			
Trade and other receivables	7	5,171	10,141
Cash and cash equivalents	8	3,098	1,856
Total assets		15,884	18,814
Non-current liabilities			
Trade and other payables	10	(714)	(692)
Current liabilities			
Trade and other payables	10	(4,280)	(8,763)
Total liabilities		(4,994)	(9,455)
Net assets		10,890	9,359
Equity			
Share capital	11	599	599
Share premium		4,000	4,000
Distributable Reserves		5,391	5,391
Retained earnings / (Accumulated losses)		900	(631)
Equity attributable to equity holders of the parent		10,890	9,359
Total equity		10,890	9,359

The notes on pages 17 to 35 form an integral part of these financial statements.

These financial statements on pages 13 to 35 were approved by the Board of Directors on 30 June 2021 and signed on its behalf by:

David Mercer
Director

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital	Share premium	Distributable reserves	Retained Earnings / (Accumulated losses)	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2020	**599**	**4,000**	**5,391**	**(631)**	**9,359**
Profit for the year	-	-	-	1,531	1,531
Total comprehensive income for the year	**-**	**-**	**-**	**1,531**	**1,531**
Balance at 31 December 2020	**599**	**4,000**	**5,391**	**900**	**10,890**

	Share capital	Share premium	Distributable reserves	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	599	-	5,391	(259)	5,731
Loss for the year	-	-	-	(372)	(372)
Total comprehensive expense for the year	-	-	-	(372)	(372)
Capital injection	-	4,000	-	-	4,000
Balance at 31 December 2019	599	4,000	5,391	(631)	9,359

Dividend paid in the year was £nil (2019: £nil).

On 30 March 2019 the company issued one share at face value £1 to the parent company, LMAX Group at a premium of £3,999,999 this is shown in prior year as capital injection.

The notes on pages 17 to 35 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Operating profit	1,875	391
Adjustments for:		
Depreciation	696	1,296
Amortisation	3,670	3,037
Foreign exchange loss/(gains)	153	
Decrease/(Increase) in trade and other receivables	4,970	(3,201)
Decrease in trade and other payables	(5,134)	(1,540)
Taxation refund	354	290
Net cash generated from operating activities	6,584	273
Cash flows from investing activities		
Acquisition of property, plant and equipment	(576)	(906)
Acquisition of intangibles and capitalised expenses	(4,588)	(4,066)
Net cash used in investing activities	(5,164)	(4,972)
Cash flows from financing activities		
Capital injection	-	4,000
Finance income	8	14
Finance costs	(33)	(150)
Net cash (used in)/generated from financing activities	(25)	3,864
Net increase / (decrease) in cash and cash equivalents	1,395	(835)
Cash and cash equivalents at beginning of year	1,856	2,691
Effect of exchange rate fluctuations on cash held	(153)	
Cash and cash equivalents at end of year	3,098	1,856

The notes on pages 17 to 35 form an integral part of these financial statements.

Notes to Financial Statements

for the year ended 31 December 2020

1. Accounting policies

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU) (together "adopted IFRS").

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 except where required otherwise by the adopted IFRS. The accounting policies that have been applied in preparation of the financial statements for the year ended 31 December 2020 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 recoverability 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 £1.7m or reduce by £1.2m 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 reliability 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 year period.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

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 includes service fee revenue for any market data information and additional services.

The company also 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.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

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

In prior years, 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.

Leases

On 1st January 2019 company adopted IFRS 16 'Leases'. IFRS 16 replaces IAS17 'Leases' and eliminates the classification of leases as either operating leases or finance leases and provides a single lease accounting model to recognise the Right to Use assets and lease liabilities for all applicable leases.

The company has adopted practical expedients of exempting leases with a short life (less than 12 months) or low value leases (less than US $5,000). As a result, the key leases to which the full requirement of IFRS 16 were applied relates to lease of the Office Building and some computer equipment. The computer equipment were previously held under finance lease and thus based on retrospective modified transition approach under IFRS 16, the company shall continue to disclose the lease liability and Right to use asset at their respective previous carrying value (refer note 5).

Towards the end of the last year, company had transferred its lease asset, lease liability and associated leasehold improvements on the office building at carrying amount to the parent company, LMAX Group thereby only remaining the lease on IT equipment for the year. For details of this lease refer to note 5 and note 10.2.

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 comprise 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.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

1. Accounting policies *(continued)*

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 12.

Notes to Financial Statements *(continued)*
for the year ended 31 December 2020

2. Profit before tax

2.1. Revenue breakdown:

	2020	2019
	£'000	£'000
Commissions	14,986	11,307
Others	685	271
Total Revenue	**15,671**	11,578

2.2. Cost of sales is stated after charging:

	2020	2019
	£'000	£'000
Clearing and trading fees	956	361
Bad debt	4	21
Other variable costs*	2,064	327
Total cost of sales	**3,024**	709

* Other variable cost includes £1.9m (2019: £0.3m) of liquidity provider rebates

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

	Note	2020	2019
		£'000	£'000
Wages and salaries	*2.4*	957	4,252
Employee cost recharges	*2.3a*	5,759	1,084
- of which capitalised as development software	*6*	(4,300)	(3,427)
Social security costs	*2.4*	143	556
Other Pension costs	*2.4*	33	114
Depreciation of tangible assets	*5*	696	1,296
Amortisation of intangible assets	*6*	3,670	3,037
Legal and professional		172	113
Foreign exchange (gains) / losses		(413)	383
VAT and tax refund		(102)	(122)
Impairment credit loss on trade receivables	2.3b	5	13
Other costs	*2.3c*	4,152	3,179
Total administrative expenses		10,772	10,478

2.3a During 2019, majority of company employees were centralised and transferred to LMAX Group thereby increasing employee cost recharges from the parent entity.

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

2.3c Other costs include recharge of services from subsidiaries, please see note 12 for further details.

Notes to Financial Statements *(continued)*
for the year ended 31 December 2020

2. Profit before tax *(continued)*

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

	2020	2019
	Number	Number
Corporate and administration	-	8
Product development	-	19
Operations	3	4
Sales and marketing	4	8
	7	39

During August 2019, the majority of company employees were transferred to LMAX Group thereby reducing the average number of employees over the year compared to prior year.

2.5. The highest paid director received total emoluments for the year of £0.8m (2019: £1.25m).

	2020	2019
	£'000	£'000
Total directors' emoluments included in salary expenses	**1,082**	1,581

2.6. Remuneration paid to the auditors is as follows:

	2020	2019
	£'000	£'000
To Company's auditors for:		
- the audit of the Company's annual financial statements	55	54
	55	54

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

3. Taxation

	Note	2020 £'000	2019 £'000
UK corporation tax charge on profit/(loss) for the year at 19% (2019: 19%)		2	-
Adjustment in respect of prior year periods		2	494
Total current tax		4	494
Deferred tax - origination and reversal of timing differences		275	194
Prior year adjustments		(6)	(61)
Effect of tax rate change on opening balance		46	-
Total deferred tax	*3.1*	315	133
Total tax charge	*3.2*	319	627

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 at the balance sheet date of 19% and 17% (2019: 19% and 17%). The deferred tax credit has been a result of:

	2020 £'000	2019 £'000
Deferred tax provided comprises:	714	399
Deferred tax provided liability	714	399
The movement in the provision is as follows:		
At start of year	399	266
Prior year adjustment	(6)	(61)
Charge to the profit and loss account	321	194
At end of year	714	399

Notes to Financial Statements *(continued)*

for the year ended 31 December 2019

3. Taxation *(continued)*

3.2. The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
Factors Affecting Total Tax Charge or the Current Period	**£'000**	£'000
Profit/(Loss) on ordinary activities before taxation	**1,850**	**255**
At standard rate of corporation tax in the UK of 19% (2019: *19%)*	**351**	**48**
Effects of:		
Group Relief surrendered	**1,145**	**1,249**
Enhanced R&D Expenditure	**(1,224)**	**(1,100)**
Expenses not deductible for tax purposes	**4**	**20**
Prior year adjustment	**(3)**	**433**
Deferred tax - changes in tax rates	**46**	**(23)**
Total tax charge/(credit)	**319**	**627**

4. *Investments*

Details of the investments are as follows:

Subsidiary	Country Of Incorporation	Principal activity	Principal place of business	Ordinary Shares held No.	Ordinary Shares held %
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-Ayoama, Minato-Ku, Tokyo 107-0061, Japan	50,000	100

The carrying amount of the investments was immaterial during the period (2019: immaterial)

Dividend paid in the year was £nil (2019 £nil)

Notes to Financial Statements (continued)

for the year ended 31 December 2020

5. Property, plant and equipment

Cost	Leasehold improve-ments	Computer equipment	Fixtures, furniture and fittings	Right to use Office Building	Total property, plant, and equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2019	**424**	**5,002**	**206**	**-**	**5,632**
Additions	146	566	28	3,026	3,766
Disposals	(142)	-	-	(2,718)	(2,860)
Balance at 31 December 2019	**428**	**5,568**	**234**	**308**	**6,538**
Accumulated depreciation					
Balance at 1 January 2019	**(423)**	**(3,374)**	**(142)**	**-**	**(3,939)**
Depreciation for the year	(5)	(960)	(23)	(308)	(1,296)
Balance at 31 December 2019	**(428)**	**(4,334)**	**(165)**	**(308)**	**(5,235)**
Cost					
Balance at 1 January 2020	**428**	**5,568**	**234**	**308**	**6,538**
Additions		571	6		576
Write Offs	(428)			(308)	(736)
Balance at 31 December 2020	**-**	**6,139**	**240**	**-**	**6,378**
Accumulated depreciation					
Balance at 1 January 2020	**(428)**	**(4,334)**	**(165)**	**(308)**	**(5,235)**
Depreciation for the year		(675)	(21)		(696)
Write Offs	428			308	736
Balance at 31 December 2020	**-**	**(5,009)**	**(186)**	**-**	**(5,195)**
Carrying value					
at 31 December 2019	-	1,234	69	-	1,303
at 31 December 2020		**1,130**	**54**	**-**	**1,183**

The £1.1m of Computer equipment above includes Right to Use asset worth £0.2m (2019:£0.4m) held on lease as described in note 10.2 The Company holds a financing arrangement on these computer equipment of which, equipments worth £0.2m (2019: £0.3m) are sub-leased to a fellow subisdary "LMAX Digital Group Limited"and the balance are held by the company.

In the prior year the Company transferred its asset Right to Use Office building to the parent company LMAX Group at the carrying value. Following the lease transfer the company also transferred the associated lease hold improvements to the parent hence company no longer holds these assets for the reporting year.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

6. Intangible assets

	Purchased software	Developed software	Intellectual Property	Total intangible assets
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2019	**544**	**15,781**	**-**	**16,325**
Additions	279	3,427	360	4,066
Balance at 31 December 2019	**823**	**19,208**	**360**	**20,391**
Accumulated amortisation				
Balance at 1 January 2019	**(194)**	**(11,646)**	**-**	**(11,840)**
Amortisation for the year	(217)	(2,770)	(50)	(3,037)
Balance at 31 December 2019	**(411)**	**(14,416)**	**(50)**	**(14,877)**
Cost				
Balance at 1 January 2020	**823**	**19,208**	**360**	**20,391**
Additions	288	4,300	-	4,588
Balance at 31 December 2020	**1,111**	**23,508**	**360**	**24,979**
Accumulated amortisation				
Balance at 1 January 2020	**(411)**	**(14,416)**	**(50)**	**(14,877)**
Amortisation for the year	(274)	(3,276)	(120)	(3,670)
Balance at 31 December 2020	**(685)**	**(17,692)**	**(170)**	**(18,547)**
Carrying value				
at 31 December 2019	412	4,792	310	5,514
at 31 December 2020	**426**	**5,816**	**190**	**6,432**

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

There was no disposal of intangible assets in 2020. Amortisation for the year is included within the Administrative expenses on the Statement of Comprehensive Income as also shown in note 2.2.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

7. Trade and other receivables

	Note	2020 £'000	2019 £'000
Trade debtors		1,354	940
Other debtors	7.1	66	120
Taxation debtor		58	416
Collateral requirement for trade clearing		100	100
Prepayments and accrued income		494	707
Inter-group receivables	7.2	3,099	7,858
		5,171	10,141
Classification:			
Current		5,171	10,141
		5,171	10,141

7.1. Other debtors include VAT recoverable for £51k (2019: Nil).

7.2. See Note 12 for breakdown of the inter group receivables.

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

8. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash and cash equivalents	3,098	1,856

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	Collateral	Total funds
	£'000	£'000	£'000
Balance at 1 January 2020	1,856	100	1,956
Net cash movement	1,242	-	1,242
Balance at 31 December 2020	**3,098**	**100**	**3,198**
Balance at 1 January 2019	2,691	100	2,791
Net cash movement	(835)	-	(835)
Balance at 31 December 2019	1,856	100	1,956

9. Deferred tax liability

	2020	2019
Deferred tax liability	£'000	£'000
Deferred tax liability/ (asset) at the start of the period	399	266
Adjustment in respect of prior years	(6)	(61)
Deferred tax asset derecognised on carry forward tax losses	321	194
Total deferred tax liability	714	399

The measurement of deferred tax is based upon the substantively enacted rate of 19% (2019: 19%) at 31st December 2020. Total tax losses available by the Company to reduce future tax liabilities amount to £nil (2019: £nil).

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

10. Trade and other payables

	Note	2020 £'000	2019 £'000
Trade creditors		579	524
Taxation and social security		40	43
Accruals and deferred income	*10.3*	433	758
Inter-group payables	*10.1*	2,935	6,945
Deferred Tax liability		714	399
Other payable	*10.2*	293	786
		4,994	9,455
Classification:			
Non-current		714	692
Current		4,280	8,763
		4,994	9,455

10.1. LMAX Limited charges LMAX Broker Limited Commission for being a member on the exchange and overheads recharged for shared services across the Group. As a result of intercompany settlements during the year the inter-group payables have decreased and should be viewed alongside the inter-group receivable £3.1m (2019: £7.9m) in note7 and 12.

10.2. The Other payable includes £0.3m (2019: £0.7m) worth of lease liability against the right to use IT equipment and the sub-leased assets as referred in note 5. The financing arrangements have terms of three years, are repayable on a quarterly basis and have effective interest rates of 0.8% to 4.8%. The company also apportions and recharges the finance cost incurred on the sub-leased assets to the fellow subsidiary LMAX Digital Group Limited (refer note 5) and such income is represented as finance income on the profit and loss statement.

10.3. The accruals and deferred income above include accruals worth £0.4m (2019: £0.7m) and deferred income representing contract liability accounted under IFRS 15, "Revenue from Contracts with Customers" worth £29k (2019: £29k). The contract liability has 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 2020

11. Share capital

	2020	2019
	£'000	£'000
Allotted and called up		
599,078 (2018: 599,077) Ordinary shares of £1 each	**599**	599

12. Related party transactions

Identified related parties

Identified related parties include:

- Directors of the company, who are listed in the director's report and their remuneration shown in note 2.6.
- 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.
- Supplier, Mobile Trading Partners LLP, of which David Mercer was a member in prior year then got acquired by the company during the year.
- Client Directa S.I.M.p.A, due to their 5% shareholding in LMAX Limited which was bought back by LMAX Exchange Group Limited on 1st July 2019.
- Group companies including: subsidiaries listed in note 4, and LMAX Exchange Group Limited (registered in Jersey) and its subsidiaries.

	2020	2019
	£'000	£'000
Key management personnel compensation		
Short-term employee benefits	**1,075**	**1,570**
Post-employment benefits	**7**	**11**
	1,082	**1,581**

Notes to Financial Statements (continued)

for the year ended 31 December 2020

12. Related party transactions *(Continued)*

Balances	*Note*	**2020**	2019
Amounts due from/(to) group companies:		**£'000**	£'000
- LMAX Bullion Limited		**196**	**163**
- LMAX Japan Co. Ltd		**129**	**632**
- LMAX New Zealand Limited		**(335)**	**(863)**
- LMAX PTE Limited		**146**	**402**
- LMAX USA, Inc		**(215)**	**(95)**
- LMAX Broker Limited	*12.1*	**123**	**(5,867)**
- LMAX Exchange Group Limited	*12.2*	**(2,267)**	**540**
- LMAX Digital Broker Limited		**34**	**375**
- LMAX Digital Group Limited	*12.3*	**2,395**	**5,745**
- LMAX Broker Europe		**76**	**1**
-LMAX Employee Benefit Trust		**(118)**	**(120)**
		164	**913**

Management recharge included in Administration expenses	**2020**	2019
Transactions	**£'000**	£'000
Management recharges from:		
- LMAX Japan Co. Ltd	**131**	**165**
- LMAX USA, Inc	**1,503**	**1,432**
- LMAX New Zealand Limited	**667**	**595**
- LMAX PTE. Limited	**298**	**499**
- LMAX Bullion Limited	**-**	**(76)**
	2,599	**2,615**

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

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

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

13. 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 2019

14. Financial instruments

14.1 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 yearend date is as follows:

31 December 2020	**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	0.3%	1.6%	3.6%	6.6%	10.6%	
Gross Carrying amount - trade receivables	787	393	88	77	9	1,354
Loss allowance	**2**	**6**	**3**	**5**	**2**	**18**

31 December 2019	**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	0.3%	1.6%	3.6%	6.6%	10.6%	
Gross Carrying amount - trade receivables	617	125	83	50	65	940
Loss allowance	**2**	**2**	**3**	**3**	**7**	**17**

The loss allowance as at 31 December 2020 and 31 December 2019 was determined as above for trade receivables.

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

	2020	2019
	£'000	£'000
Balance as at 1 January	**17**	4
Provision recognised during the year	18	17
Provision released	(17)	(4)
Total at 31 December	**18**	**17**

Notes to Financial Statements *(continued)*

for the year ended 31 December 2020

14. Financial instruments *(continued)*

14.2 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 2020	Less than 6 months £'000	6-12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual cash flows £'000	Carrying amount liabilities £'000
Non- derivatives						
Trade payables	579	-	-	-	579	579
Taxation and social security	40	-	-	-	40	40
Accruals and deferred income	433	-	-	-	433	433
Inter-group payable	2,935	-	-	-	2,935	2,935
Other payable	198	99	-	-	297	293
Total non-derivatives	**4,185**	**99**	**-**	**-**	**4,284**	**4,280**

The Other payable includes lease liability reflecting undiscounted contractual cashflows.

At 31 December 2019	Less than 6 months £'000	6-12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual cash flows £'000	Carrying amount liabilities £'000
Non- derivatives						
Trade payables	524	-	-	-	524	524
Taxation and social security	43	-	-	-	43	43
Accruals and deferred income	758	-	-	-	758	758
Inter-group payable	6,945	-	-	-	6,945	6,945
Other payable	312	198	298	-	808	786
Total non-derivatives	8,582	198	298	-	9,078	9,056

Notes to Financial Statements *(continued)*
for the year ended 31 December 2020

14. Financial instruments *(continued)*

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

14.4 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 2020 are as follows.

	TOTAL	**GBP**	**USD**	**EUR**	**JPY**	**AUD**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	3,098	569	2,456	68	-	5
Collateral requirement for trade clearing	100	100	-	-	-	-
Trade debtors	1,354	44	1,308	2	-	-
Trade creditors	(579)	(5)	(573)	(1)	-	-
Net exposure	**3,973**	**708**	**3,191**	**69**	**-**	**5**

The currency exposures of financial assets and liabilities for the year ended 31 December 2019 are as follows.

	TOTAL	GBP	USD	EUR	JPY	AUD
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,856	817	929	84	-	26
Collateral requirement for trade clearing	100	100	-	-	-	-
Trade debtors	940	2	931	7	-	-
Trade creditors	(524)	(260)	(209)	(36)	(21)	2
Net exposure	2,372	659	1,651	55	(21)	28

Sensitivity Analysis

	Impact on post tax profit/(loss)	
	2020	**2019**
	£'000	**£'000**
USD/GBP Exchange rate - increase 5%	**(159)**	(83)
USD/GBP Exchange rate - decrease 5%	**160**	82

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

Notes to Financial Statements *(continued)*

for the year ended 31 December 2019

14. Financial instruments *(continued)*

14.5 Fair value

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

14.6 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 2020 was £4.8m (2019: £3.9m).

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.

15. Post Balance sheet event

There is no post balance sheet event to report.

16. 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 £0.87m. The Company, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

17. 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.

18. 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