Turquoise Global Holdings Limited

Report and Financial Statements

For the year ended 31 December 2016

Company Registration Number: 07102717

TURQUOISE GLOBAL HOLDINGS LIMITED
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TURQUOISE GLOBAL HOLDINGS LIMITED
DIRECTORS AND OFFICERS

DIRECTORS

D Lester
N Bertrand
R Barnes
R Leighton
Sir A Yarrow
C Wright
N Rathi
S McGoldrick
S Hay
J Hayward
J Baugh

COMPANY SECRETARY

T Hogan

REGISTERED OFFICE

10 Paternoster Square
London
EC4M 7LS

INDEPENDENT AUDITORS

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BANKERS

HSBC Bank plc
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

The Directors present their Strategic Report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Turquoise Global Holdings Limited (the "Company") operates a multilateral trading facility ("MTF"). Members are able to access the equity platform providing they have the appropriate post-trade arrangements in place. With a single connection, members can trade over 4,300 stocks of 19 major European and emerging markets as well as US stocks, International Order Book Depository Receipts (IOB), Exchange Traded Funds (ETFs) and European Rights Issues with an efficient interoperable post-trade model. Members include banks, brokers, specialist trading firms and retail intermediaries. The Company supports member-choice of central clearer under an interoperable Central Counter Party (CCP) model.

The Company is a limited licence firm authorised by the Financial Conduct Authority ("FCA") of the United Kingdom. Initially founded by a consortium of nine investment banks, the Ultimate Parent, London Stock Exchange Group Plc (LSEG) now indirectly owns 51.36% of the Company through its subsidiary, London Stock Exchange Group (R) Limited. The Company is the parent of the following subsidiaries: Turquoise Trading Limited ("TTL") and Turquoise SwapMatch Limited ("Swapmatch"), which was acquired on the 11 July 2016, (together the "Group"). In addition to LSEG, its shareholders currently include twelve of the leading investment banks. The Group was established to engender greater competition in the secondary trading of European equities, and offers a combination of innovative services, superior technology and competitive pricing.

Turquoise features two orders books. Turquoise Integrated Lit Book combines simple limit and iceberg orders with Large In Scale hidden orders. Turquoise Plato™ Order Book prioritizes orders by size and allows users to configure Minimum Execution Size; it features two distinct mechanisms, each executing at the midpoint of the Primary Market Best Bid and Offer: continuous matching and Turquoise Plato Uncross™, an innovation that provides randomised uncrossings during the trading day, ideal for larger and less time sensitive passive orders. Turquoise Plato Block Discovery™ is the award winning innovation matching undisclosed Block Indications that execute in Turquoise Plato Uncross™.

The Company's trading platform is hosted in the data-centre of the LSEG) and has interface common to other markets of LSEG, ensuring that customers accessing other LSEG markets can enjoy access to the Company with little incremental cost or effort.

On 11 July 2016 Turquoise acquired a 60% stake in Turquoise SwapMatch limited. Turquoise SwapMatch™ is a neutral arranging platform for Participants to match block interests in over-the-counter equity total return swaps.

On 6 September 2016 the Plato Partnership, a not-for-profit industry group of buy and sell-side firms who are collaborating to bring creative solutions and efficiencies to today's complex equity marketplace, announced that it had selected the Company, a leading pan-European MTF, as its Preferred Partner. Following the agreement the Turquoise Midpoint Dark Book and Turquoise Block Discovery were renamed Turquoise Plato™ and Turquoise Plato Block Discovery™.

This report shows the Company and Group results for year to 31 December 2016, with the comparatives for the year ended 31 December 2015.

The Group recognised a turnover of £41.8m for the year ended 31 December 2016 (£30.1m for the year ended 31 December 2015) and its net assets were £33.8m as at 31 December 2016 (31 December 2015: £34.2m). Profit on ordinary activities after taxation was £9.3m (£6.6m for the year ended 31 December 2015)

KPIs performed strongly in line with revenue in both Lit and Turquoise Plato™ books with combined value traded for the year ended 31 December 2016 increasing 26% to €1.38 trillion above combined value traded for the twelve month period ending 31 December 2015 of €1.09 trillion. Combined Lit and Turquoise Plato™ share of European trading for the year ending 31 December 2016 was 11.7% compared to the combined share of trade for the year ended 31 December 2015 of 8.4%, with positive geographical growth. Turquoise Plato Block Discovery™ since its October 2014 launch has matched more than €9 billion of which more than half has traded since the September 2016 announcement of the Plato Partnership Cooperation Agreement (as of 31 December 2016).

Continued cost control for the year ended 31 December 2016 resulted in an operating profit of £7.8m (year ended 31 December 2015: £5.5m).

FUTURE DEVELOPMENTS

The Group will seek to increase revenues principally through adding new customers for existing services, adding new instruments, through the introduction of new or enhanced trading services and the growth of the newly acquired business, Turquoise Swapmatch™. Further as partners, Plato Partnership and Turquoise will look to develop increased efficiencies for the electronic execution of anonymous block trades in European equities in response to growing demand from market participants, particularly buy-side firms.

Particular focus will revolve around geographic diversification and innovative trading functionality to promote better service to customers.

The Group intends to control its costs tightly, through constant monitoring, budgeting and forecasting.

EMPLOYEES

Our people are at the heart of what we do and drive the success of our business. Attracting, developing and retaining the skills we need to deliver on our strategy is a key imperative for the Group. The Group provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Group encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given appropriate support.

All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

Employee engagement is therefore paramount the continued growth of the Group, which is why we were pleased to see the improvements in our latest colleague engagement survey - 'Have Your Say'. In 2016, the overall engagement index was 92%, 10% above LSEG and outperforming the external benchmark by 15% placing Turquoise in the top quartile for engagement. The improvements in response to various topics were driven by a number of actions which employees influenced through their feedback to previous engagement.

These include the development of a career framework to provide greater clarity on career opportunities across the LSEG. Employees are kept informed of LSEG strategy and business progress through a comprehensive communication plan, and also have access to a series of learning and development opportunities, as well as a global employee LSEG share scheme and mentoring programme.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a variety of foreseeable and unforeseeable risks and uncertainties which may have an impact on the Group's ability to execute its strategy and deliver its expected performance. The identification, assessment and management of these risks are central to the Company's operating framework. The Group adopts the LSEG's risk and control structure is based on the 'three lines of defence' model:

- The First line (Management), is responsible and accountable for identifying, assessing and managing risk.
- The Second line (Risk Management and Compliance), is responsible for defining the risk management process and policy framework and providing challenge to the first line on risk management activities assessing risks and reporting to the LSEG and Company Board Committees on risk exposure.
- The Third line (Internal Audit), provides independent assurance to the LSEG and Company Boards and other key stakeholders over the effectiveness of the systems of controls and the Risk Framework.

In addition to the principal market and operational risks below, the Group is exposed to financial risks that are detailed on pages 17 to 19

The Group's principal market risks are considered to arise from clients and competition, the changing regulatory environment and the macro economic environment including a range of measures which may impact the business directly or indirectly, and subsequently reduce the attractiveness of London as a major financial centre.

The LSEG's principal operational risks include those arising from the change management with the Group having a number of major, complex projects and initiatives underway concurrently, the Group's ability to attract and retain high quality employees, the Group's dependencies on having secure premises and uninterrupted operation of its IT systems and infrastructure, and the Group's businesses and major revenue streams being highly dependent on secure and stable technology performing to high levels of availability and throughput.

On 23 June 2016 the UK voted to exit the EU. The Group relies on a number of rights that are available in order to conduct business with EU participants. This includes, without limitation, the right for UK trading venues to offer services to participants in the EU. The Company has analysed the potential impact and considered contingency plans that it may choose to execute if and when required.

By order of the Board

Robert Barnes
Chief Executive Officer
30 March 2017

REGISTERED OFFICE:
10 Paternoster Square, London, EC4M 7LS

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

REVIEW OF BUSINESS

The review of the Group's business is set out within the Strategic Report on page 4.

DIVIDENDS

The Directors have not recommended a dividend (year ended 31 December 2015: nil).

DIRECTORS AND DIRECTORS' INTERESTS

The following Directors have held office throughout the period and up to the date of approval of the financial statements, except as noted below:

D Lester	Chairman	
N Bertrand	Non Executive Director	
R Barnes	Chief Executive Officer	
R Leighton	Independent Non Executive Director	
Sir A Yarrow	Independent Non Executive Director	
M Holder	Non Executive Director	(resigned 4 July 2016)
C Wright	Non Executive Director	
G Wadhera	Non Executive Director	(resigned 17 February 2017)
N Rathi	Non Executive Director	
S McGoldrick	Non Executive Director	(appointed 15 January 2016)
S Hay	Non Executive Director	(appointed 6 January 2017)
J Hayward	Non Executive Director	(appointed 27 January 2017)
J Baugh	Non Executive Director	(appointed 17 February 2017)

None of the Directors had any interest in the shares of the Company. There are no directors' interests requiring disclosure under Companies Act 2006.

DIRECTORS' LIABILITIES

The Company has Directors and Officers insurance which provides an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Directors have reviewed the Company's and the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, which shows that the Company and the Group are expected to have sufficient financial resources in the foreseeable future. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

POST BALANCE SHEET EVENTS

The Directors confirm that there were no significant events occurring after the balance sheet date, up to the date of this report, that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 December 2016.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors of the Group at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the Board

Robert Barnes
Chief Executive Officer
30 March 2017

REGISTERED OFFICE:
10 Paternoster Square, London, EC4M 7LS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TURQUOISE GLOBAL HOLDINGS LIMITED

We have audited the financial statements of Turquoise Global Holdings Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Group Balance Sheet, the Company Balance sheet, the Group Cash Flow Statement, the Company Cash Flow Statement, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 to 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit
    - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
    - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TURQUOISE GLOBAL HOLDINGS LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

Ernst & Young LLP

Gary Adams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 March 2017

TURQUOISE GLOBAL HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue	4	41,849	30,088
Cost of sales		(22,020)	(14,811)
Gross profit		19,829	15,277
Expenses			
Administrative expenses	5	(12,000)	(9,751)
Operating profit		7,829	5,526
Analysed as:			
Operating profit before amortisation of purchased intangible assets		8,047	5,744
Amortisation of purchased intangible assets	5, 11	(218)	(218)
Operating profit		7,829	5,526
Finance income	8	295	144
Profit before taxation		8,124	5,670
Taxation	9	1,234	889
Profit for the financial year		9,358	6,559
Profit for the year attributable to equity holders		9,438	6,559
Loss for the year attributable to non-controlling interests		(80)	-
		9,358	6,559

There are no other items of income or expenditure other than those included within the income statement for the year ended 31 December 2016 and year ended 31 December 2015.

The notes on pages 14 to 33 form an integral part of these financial statements.

TURQUOISE GLOBAL HOLDINGS LIMITED
BALANCE SHEETS
At 31 December 2016

		Group		Company	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	11	**11,297**	9,885	**9,667**	9,885
Investment in subsidiary undertakings	12	-	-	**1,665**	165
Deferred tax assets	13	**5,576**	4,149	**5,576**	4,149
		16,873	14,034	**16,908**	14,199
Current assets					
Trade and other receivables	14	**22,131**	14,268	**22,101**	14,358
Cash and cash equivalents	15	**12,349**	15,934	**11,981**	15,934
		34,480	30,202	**34,082**	30,292
Total assets		**51,353**	44,236	**50,990**	44,491
Liabilities					
Current liabilities					
Trade and other payables	16	**8,135**	9,787	**7,712**	10,794
Current Tax		**183**	223	-	-
		8,318	10,010	**7,712**	10,794
Non-current liabilities					
Other non-current liabilities		**9,144**	-	-	-
		9,144	-	-	-
Total liabilities		**17,462**	10,010	**7,712**	10,794
Net assets		**33,891**	34,226	**43,278**	33,697
Equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary share capital	17	**14,000**	14,000	**14,000**	14,000
Share premium		**6,581**	6,581	**6,581**	6,581
Other reserves		**30,334**	30,334	**30,334**	30,334
Retained losses		**(16,944)**	(16,689)	**(7,637)**	(17,218)
Total shareholders' funds		**33,971**	34,226	**43,278**	33,697
Non-controlling interests		**(80)**	-	-	-
Total equity		**33,891**	34,226	**43,278**	33,697

The Company recorded profit for the year of £9.3 million (2015: £5.5 million).The notes on pages 14 to 33 form an integral part of these financial statements.
The financial statements on pages 10 to 33 were approved by the Board on 30 March 2017 and signed on its behalf by:

Robert Barnes
Chief Executive Officer
Turquoise Global Holdings Limited

Registered number: 07102717

TURQUOISE GLOBAL HOLDINGS LIMITED
CASH FLOW STATEMENTS
Year ended 31 December 2016

		Group		Company	
		Year ended 2016	Year ended 2015	Year ended 2016	Year ended 2015
	Notes	£'000	£'000	£'000	£'000
Cash flow from operating activities					
Cash generated/(absorbed) by operations	18	(2,186)	(6,079)	(2,684)	(6,079)
Interest received		231	139	231	139
Corporation tax received		-	-	-	-
Net cash inflow from operating activities		(1,955)	(5,940)	(2,453)	(5,940)
Cash flow from investing activities					
Acquisition of subsidiary		(1,000)	-	(1,000)	-
Capital contribution to subsidiary		-	-	(500)	-
Purchase of intangible assets		(630)	-	-	-
Net cash inflow from investing activities		(1,630)	-	(1,500)	-
Decrease in cash and cash equivalents		(3,585)	(5,940)	(3,953)	(5,940)
Cash and cash equivalents at beginning of the year		15,934	21,874	15,934	21,874
Cash and cash equivalents at end of the year	15	12,349	15,934	11,981	15,934

The notes on pages 14 to 33 form an integral part of these financial statements.

TURQUOISE GLOBAL HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
Year ended 31 December 2016

	Attributable to equity holders						
	Ordinary share capital	Share premium	Retained losses	Other reserves	Total attributable to equity holders	Non-controlling interest	Total equity
Group	£'000	£'000	£'000	£'000	£'000		£'000
31 December 2014	14,000	6,581	(23,183)	30,334	27,732	-	27,732
Profit for the year	-	-	6,559	-	6,559	-	6,559
Tax in relation to employee share scheme	-	-	(65)	-	(65)	-	(65)
Employee share scheme credits	-	-	243	-	243	-	243
Employee share scheme recharges	-	-	(243)	-	(243)	-	(243)
31 December 2015	14,000	6,581	(16,689)	30,334	34,226	-	34,226
Profit for the year	-	-	9,438	-	9,438	(80)	9,358
Tax in relation to employee share scheme and losses	-	-	204	-	204	-	204
Employee share scheme credits	-	-	375	-	375	-	375
Employee share scheme recharges	-	-	(375)	-	(375)	-	(375)
Purchase of non-controlling interest within acquired subsidiary	-	-	(9,897)	-	(9,897)	-	(9,897)
31 December 2016	**14,000**	**6,581**	**(16,944)**	**30,334**	**33,971**	**(80)**	**33,891**

	Attributable to equity owners of the Company				
	Ordinary share capital	Share premium	Retained Losses	Other reserves	Total equity
Company	£'000	£'000	£'000	£'000	£'000
31 December 2014	14,000	6,581	(22,680)	30,334	28,235
Profit for the year	-	-	5,527	-	5,527
Tax in relation to employee share scheme	-	-	(65)	-	(65)
Employee share scheme credits	-	-	243	-	243
Employee share scheme recharges	-	-	(243)	-	(243)
31 December 2015	14,000	6,581	(17,218)	30,334	(33,697)
Profit for the year	-	-	9,377	-	9,377
Tax in relation to employee share scheme and losses	-	-	204	-	204
Employee share scheme credits	-	-	375		375
Employee share scheme recharges	-	-	(375)	-	(375)
31 December 2016	**14,000**	**6,581**	**(7,637)**	**30,334**	**43,278**

Other reserves comprise the following:

Capital contribution reserve of £21.4m (31 December 2015: £21.4m), a distributable reserve resulting from capital contributions made by London Stock Exchange Group Holdings (R) Limited, the Company's parent.

Merger reserve of £8.9m (31 December 2015: £8.9m), arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

The notes on pages 14 to 33 form an integral part of these financial statements.

1. Basis of Preparation and Accounting Policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Company is a private limited company incorporated and domiciled in the UK. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

1.1 Recent Accounting Developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Associates and joint ventures' on applying the consolidated exception for investment entities;
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation;
- Proposed amendments to IAS 1, 'Presentation of financial statements' disclosure initiative; and
- Annual Improvements 2012-2014.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2016 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the above future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

International accounting standards and interpretations	Effective date
Amendment to IAS 7, 'Statement of cash flows' on changes in liabilities arising from financing activities	1 January 2017
Amendment to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to IFRS 2, 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
IFRS 9, 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15, 'Revenue from contracts with customers'	1 January 2018

- IFRS 15 'Revenue from contracts' with customers introduces new accounting principles for revenue recognition for all types of sales of goods or services. It is effective from 1 January 2018 and as a result the Company will adopt IFRS 15 in the annual 2018 financial statements. IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers, and replaces the separate models for goods, services and construction contracts currently included in IAS 11 'Construction Contracts' and IAS 18 'Revenue'.

  Based on the provisional assessment, the key areas of judgement expected on initial adoption of IFRS 15 are in relation to the timing of revenue recognition for services provided and how performance obligations are satisfied in contracts providing several services to customers. The Company will continue to assess the impact during 2017.

- IFRS 9 'Financial instruments' is effective for the year ended 31 December 2018 and will simplify the classification of financial assets for measurement purposes. The implementation of IFRS 9 is not currently expected to have a significant impact on the Company's financial statements.

1.2 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the period is disclosed within the statement of changes in equity.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

Investments in subsidiaries shares and loans are measured at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

1.3 Revenue

Equity revenue, which is derived from the provision of electronic execution services for secondary trading of pan-European equities, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Equities revenue is recognised in the period when the service or supply is provided.

1.4 Cost of sales

Cost of sales comprises data fees and trading platform costs directly incurred to provide services to customers and direct expenses in relation to passive trading.

1.5 Foreign Currencies

These financial statements are presented in Pounds Sterling ("Sterling"), which is the Company's and Group's presentational and functional currency.

Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction or at the monthly average as a proxy. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within administrative expenses.

1.6 Current and non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for trade or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.7 Finance Income and Expense

Finance income and expense comprises interest earned borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the period.

1.8 Intangible Assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Income Statement.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships - 2 to 25 years (material assets are amortised over a life exceeding 15 years)
b) Brands - 10 to 25 years (material assets are amortised over a life of 25 years)
c) Software licenses and intellectual property - 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years)

The useful economic lives are based on management's best estimate such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of three to five years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of three to five years.

Intangible assets, excluding goodwill, are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant.

1.9 Investment in Subsidiary Undertakings

A subsidiary is an entity in which the Company has power to control the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries are stated in the Company's financial statements at cost less impairment losses, if any. On disposal, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

1.10 Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal is controlled by the Company or it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

1.11 Financial Assets

The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

1.12 Trade Receivables

Trade receivables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation and / or default on or be delinquent on its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

1.14 Share Based Compensation

The Company operates share based compensation plans for employees, settled in shares of the ultimate parent company, London Stock Exchange Group plc. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant as an indirect measure of the value of employee services received by the Company and recognised over the relevant vesting period.

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance shares and an award of Matching shares linked to investment by the executive of annual bonus in the Company's shares. Vesting of these awards is dependent upon the LSEG's total shareholder return performance and for awards made since 2008, adjusted earnings per share.

The Save As You Earn (SAYE) scheme provides for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards are granted at nil cost to employees and other share options were granted at fair market value or above.

The Company is recharged costs from London Stock Exchange Group plc to settle the share based awards made to employees of the Company.

1.15 Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders

1.16 Put options written on non-controlling interests

Commitments to purchase minority interests and put options granted to minority shareholders are recognised at fair value as a financial liability. When the financial liability is recognised initially, the redemption amount is reclassified from equity. The changes in the measurement of the financial liability are recognised in the income statement. Changes in the measurement of that financial liability do not change the relative interests in the subsidiary that are held by the parent and the non-controlling-interest shareholder and therefore are not equity transactions.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk, capital risk and regulatory and compliance risk. The Group is part of London Stock Exchange Group plc ("LSEG") and financial risk management is carried out by LSEG through its central treasury , compliance, and financial control functions. LSEG's risk management approach seeks to minimise the potential adverse effects of these risks on the financial performance of the Company.

2.1 Market Risk

Foreign exchange risk
The Group operates in the UK and reports its results in sterling and therefore its exposure to foreign exchange risk is limited to specific foreign currency transactions that it may enter into.

Foreign exchange risk is identified by the LSEG's central treasury function and, if deemed material, is hedged in accordance with LSEG's approved policy framework.
The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 December 2016, the Group has considered movements in the euro and the US dollar over the year to 31 December 2016 and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 December 2016, if sterling had weakened or strengthened by 10 per cent against the euro and/or the US dollar with all other variables held constant, the impact on post tax profit for the year to 31 December 2016 and on equity at the 31 December 2016 is set out, with comparatives, in the table below:

		31 December 2016		31 December 2015	
		Profit after tax impact £'000	Equity Impact £'000	Profit after tax impact £'000	Equity Impact £'000
Euro	Sterling Weaken	148.3	148.3	37.3	37.3
	Sterling Strengthen	(163.2)	(163.2)	(34.0)	(34.0)
US dollar	Sterling Weaken	14.9	14.9	20.3	20.3
	Sterling Strengthen	(16.4)	(16.4)	(18.5)	(18.5)

Interest rate risk
The Group's interest rate risk arises from the variable interest rates applied to its loan assets and the variable interest rates it earns on the short term cash and cash equivalent investments it is required to maintain. Loans are all internal to related Group companies and include fixed interest margins that reduce the impact of variations in market interest rates.

In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2016, at the Group level, if interest rates on sterling-denominated, euro-denominated and US dollar-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £146k higher (31 December 2015: £149k higher).

2.2 Credit Risk

Credit risk is the risk that the Group's counterparties will be unable to meet their obligations to the Group either in part or in full and arises from credit exposures to customers as well as on cash and cash equivalent balances, deposits and derivative financial instruments with financial counterparties.

Credit risk is controlled through policies and procedures developed either at the LSEG level or by the Group itself in consultation, where appropriate, with its regulator.

The Group assesses the credit quality of its customers, based upon the customer's financial position and considering past experience and other factors. Trade receivables, net of impairment, are concentrated in the financial community, and are managed as one class of receivables. There is no material concentration of credit risk with respect to trade receivables as the Group has a large number of customers; the low historic incidence of customer defaults, the recurring nature of the billing and the largely automated collection arrangements, management assesses the credit quality of the Group's customers as high.

2.3 Liquidity Risk

The Group is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations.

The Group is profitable and generates a strong positive cash flow. The LSEG is required, under policy, to maintain significant committed credit facilities to support its subsidiaries' liquidity requirements including those of the Group. The central treasury function of the LSEG ensures the Group is therefore in a position on a day to day basis to meet all its financial obligations as they fall due.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Internal cash management, including the observance of local regulatory requirements, is a key focus of the LSEG's treasury management.

No separate analyses have been prepared to split the Group's financial liabilities into relevant maturity groupings because all liabilities are expected to be paid, based upon their contractual maturity date, within one year.

2.4 Capital Risk Management

The Group manages its capital to ensure it meets its regulatory capital requirements and will be able to continue as a going concern. The capital structure of the Group consists of equity, comprising issued share capital, share premium, other reserves and accumulated losses as disclosed in the Balance Sheet and in note 17.

The Group is required to maintain certain levels of liquidity for regulatory and operational purposes. These requirements are agreed with the Financial Conduct Authority. As at 31 December 2016 the Group held capital resources which exceeded the minimum regulatory capital required.

2.5 Regulatory and Compliance Risk

Turquoise Global Holdings Limited has permission to operate a multilateral trading facility and deal in investments as principal. As an FCA authorised limited activity firm, the Company is subject to FCA Handbook organisational, prudential, behavioural, notification and reporting requirements and guidance.

The Group has a zero appetite for operating outside of its regulatory obligations. Accordingly:

- The Group will devote the required resources to ensure its conduct and service offering (existing and new) is compliant with the applicable rules and regulations. Where an element of interpretation is necessary, the Group will act prudently.
- The Group will seek to ensure that its staff and outsourced service providers are aware of and act in accordance with all applicable rules and policies.
- Should the Group be projected to breach its minimum regulatory capital requirements, the Group will either raise fresh capital in sufficient time, or will execute an orderly wind-down of the business.
- Any suspected breaches of regulatory obligations will be reported to the competent authority immediately.

For reasons of efficiency and continuity, the Company has outsourced the compliance and Anti-Money Laundering (AML) function as well as the related required control functions compliance officer (CF10) and control functions money laundering reporting officer (CF11) to London Stock Exchange plc. The outsourcing arrangement is specified in and managed on the basis of a work order. The CF10/CF11 coordinates and prioritises activities on a frequent basis with the Group's senior management.
In order to ensure compliance with regulatory requirements and expectations, the Company's compliance and AML function operates a regulatory risk management framework, including the performance of a compliance risk assessment which is monitored on an on-going basis. Additionally, compliance systems and controls are subject to regular testing.

3. Significant Judgements and Estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant estimates for the year ended 31 December 2016 are as follows:

- Goodwill - tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by shareholders to determine an appropriate discount rate, a sensitivity analysis provided in Note 11;
- Intangible assets acquired as part of a business combination - valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised; and
- Deferred tax assets - The Company recognises deferred tax assets to the extent it is probable they will be recoverable against future taxable profits or via surrender or group relief to other companies within the LSEG, the actual achievement of which is not certain.

The significant judgement for the year ended 31 December 2016 is as follows:

- Investment in subsidiary undertaking - tested for impairment based on forecast cash flows and an appropriate discount rate. The basis of such values cannot be precise and is subject to movement variations in both cases.
- Financial liabilities - valued based on the forecast cash flows against the associated earn out payments attached to the option using appropriate discount rates.

4. Revenue

	Year ended December 2016 £'000	Year ended December 2015 £'000
Integrated trading (Lit)	30,070	21,292
Mid-point trading (Dark)	7,792	5,255
Data charges and other	3,987	3,541
Total Revenue	**41,849**	30,088

The principal operations and customers of the Group are in the United Kingdom. There is no further information on business or geographical segments considered by management.

5. Expenses by Nature

Expenses comprise the following:

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Employee costs	6	1,953	1,545
Property costs		61	94
IT costs		7,556	6,709
VAT recovery		210	82
Professional fees		373	202
Outsourcing fees		1,528	1,489
Amortisation of purchased intangibles	11	218	218
Other costs		101	(588)
Total		**12,000**	9,751

In the prior period, other costs includes a £843k credit to the income statement relating to the waiving of a third party liability which relived the Group of any further obligation.

6. Employee Costs

Employee costs comprise the following:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Salaries and other short term benefits	1,703	1,282
Social security costs	186	213
Other pension costs	64	50
Total	**1,953**	1,545

Share based recharges of £375k for the year ended 31 December 2016 (year ended 31 December 2015: £243k) are included within salaries and short term benefits.

	Year ended 31 December 2016	Year ended 31 December 2015
Monthly average number of employees in the Group was:	5	4
Number of employees in the Group at year end	5	4

7. Directors' Remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Remuneration received	360	655
Benefits	3	4
Value of contributions to group personal/money purchase schemes	15	45
Share based payments	415	69
Total	**793**	773

During the year, two (year ended 31 December 2015: four) Directors had retirement benefits accruing under money purchase pension schemes.

The remuneration of Directors disclosed above includes the following amounts for the highest paid Director who served during the period:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Remuneration received	295	513
Benefits	3	3
Value of contributions to group personal/money purchase schemes	15	39
Share based payments	415	-
Total	**728**	555

The highest paid Director has not exercised any share options of London Stock Exchange Group plc during the period. One Director has exercised share options of London Stock Exchange Group plc during the year.

8. Finance Income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Bank deposit and other interest income	47	83
Interest on loan to company under common control	248	61
Total	**295**	144

9. Taxation

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Taxation credited to the income statement			
Current tax			
Corporation tax for the year		-	(171)
Adjustment in respect of previous years		11	(592)
		11	(763)
Deferred taxation	13		
Deferred tax for the year		1,463	1,694
Adjustment in respect of previous years		144	(42)
Impact of change in rate		(384)	-
Taxation credit		1,234	889

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Taxation on items not credited/(charged) to the income statement		
Tax Allowance on share options/ awards in excess of expense recognised	80	(65)
Deferred tax on losses	124	-
Taxation credit/(debit)	204	(65)

Factors affecting the tax credit for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax of 20% (Year Ended 31 December 2015: 20.25%), and the income statement tax credit for the year are explained below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit before taxation	8,124	5,670
Profit multiplied by standard rate of corporation tax in the UK	(1,626)	(1,148)
Expenses (not deductible)/income not taxable	(4)	(29)
Adjustment in respect of previous years	155	(634)
Adjustment arising from change in UK tax rate	(384)	(150)
Unrecognised deferred tax on current year unutilised losses	(29)	-
Deferred tax previously not recognised	3,122	2,850
Taxation credit	1,234	889

The UK Finance Bill 2015 was enacted in November 2015 reducing the standard rate of corporation tax from 20% to 19% effective from 1 April 2017 and the UK Finance Bill 2016 was enacted in September 2016 further reducing the standard rate of corporation tax to 17% effective from 1 April 2020. Accordingly the UK deferred tax balances at December 2016 have been stated at 19% or 17% dependent on when the temporary differences are expected to reverse.

10. Dividend

No dividend has been proposed or paid in the year (year ended 31 December 2015: nil).

11. Intangible Assets

Group	Goodwill	Purchased Intangible Assets	Software	Total
	£000	£000	£000	£000
Cost:				
31 December 2015	7,830	3,337	2,807	13,974
Additions in the year	1,000	-	630	1,630
31 December 2016	**8,830**	**3,337**	**3,437**	**15,604**
Amortisation and accumulated impairment:				
31 December 2015	-	1,282	2,807	4,089
Amortisation charge for the year	-	218	-	218
31 December 2016	-	**1,500**	**2,807**	**4,307**
Net book values:				
31 December 2016	**8,830**	**1,837**	**630**	**11,297**
31 December 2015	7,830	2,055	-	9,885

Company	Goodwill	Purchased Intangible Assets	Software	Total
	£000	£000	£000	£000
Cost:				
31 December 2015	7,830	3,337	2,807	13,974
31 December 2016	**7,830**	**3,337**	**2,807**	**13,974**
Amortisation and accumulated impairment:				
31 December 2015	-	1,282	2,807	4,089
Amortisation charge for the year	-	218	-	218
31 December 2016	-	1,500	2,807	4,307
Net book values:				
31 December 2016	**7,830**	**1,837**	-	**9,667**
31 December 2015	7,830	2,055	-	9,885

The net book value of purchased intangible assets include £1.5m (31 December 2015: 1.6m) Customer relationships, £0.2m (31 December 2015: £0.4m) Software licenses and Brands nil (31 December 2015: £0.1m)

On 1 April 2011, the goodwill and the purchased intangibles of the Group were transferred into the Company. This was following the transfer of the trading businesses of its subsidiaries into the Company, and reflected the value attributable to the goodwill and the purchased intangibles which is now held by the Company.

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years.

Impairment tests for goodwill

In addition to the long term growth rate and discount rate, the value in use calculation is based on key assumptions about the short and medium term revenue and cost growth. The values assigned to short and medium term revenue and cost growth assumptions are based on the 2017 budget and the Group's approved business plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions.

A pre-tax discount rate of 9.2 per cent, applied to the cash flow projections, is based on a number of factors including the UK risk free rate, the Company's estimated market risk premium and a premium to reflect the inherent risks of the business. In addition to the long term growth rate and discount rate, the value in use calculation is based on key assumptions about short and medium term revenue and cost growth. These assumptions reflect current trends, anticipated market developments, discussions with customers and suppliers and management's experience.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any cash generating unit (CGU). Value in use calculations for the CGUs are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates.

Management believes goodwill allocated to each CGU is unlikely to be materially impaired under reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2016. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the five years in the value in use calculations.

12. Investment in Subsidiary Undertakings

	Turquoise Trading Limited
	£'000
31 December 2015	165
Addition in the year	1,500
31 December 2016	**1,665**

On 11 July 2016, the Group acquired a 50% equity shareholding in SwapMatch Limited (SwapMatch) for a cash consideration of £1.0 million. Immediately following the acquisition, the Group made a £0.5 million cash investment in exchange for an additional 10% equity in SwapMatch. The investment was made to assist the business' capital requirement and technology development. The non-controlling interest did not participate in the share purchase, and as a result the Group's equity interest in SwapMatch increased to 60%.
The non-controlling interest has an option to sell the remaining 40% interest to the Group after a year, subject to mutual acceptance conditions, and as a result, a financial liability of £9.9m has been recorded in the Group balance sheet representing the fair value of the initial exercise price and associated earn out payments attached to the option. There have been no gains or losses recognized through the income statement in the current period.
The Group considers the option to be Level 3 in the hierarchy for determining the fair value, due to the significant observable inputs. The valuation is based on the tems of the option where the cash flows of the underlying business over the option period are discounted at the Group's pre tax cost of debt of 1.91%. The Group do not consider there to be any alternative assumptions that will be used in the valuation of the liability.
A key input into the valuation of the option are cash flows over a five year period from the date of acquisition and the discount rate. A 10% increase/decrease in the total cash flow over this period, applied uniformly to each year, would result in a £1.0m increase/decrease in the valuation of the group
If the discount rate had been 1 percentage point higher, with all other variables held constant, the valuation would have decreased by £0.37m. If the discount rate had been 1 percentage lower, with all other variables held constant, the valuation would have increased by £0.39m.
The option is recorded in Trade and other Payables and Other non-current liabilities on the balance sheet.

The main activity of SwapMatch is to provide a neutral platform allowing prime brokers to match and net off synthetic equity positions with other brokers. The provisional fair value of net assets acquired was nil and the Group recognised £1.0 million in goodwill; these fair values will be finalised within 12 months of the acquisition date. The goodwill represents the growth of future expected income streams from SwapMatch's customer base. The impairment of goodwill is not expected to be deductible for tax purposes.

A list of the Company's subsidiaries as at 31 December 2016 is given below. The entire share capital of subsidiaries is held within the Company.

Name of subsidiary undertaking	Country of incorporation and principal operations	Country of incorporation and principal operations Registered office address	Direct or indirect holding	Identity of each class of share held in the subsidiary undertaking	Percentage of class by its immediate direct parent	Ultimate Company percentage
Turquoise SwapMatch Limited	England and Wales	10 Paternoster Square, London, England and Wales, EC4M 7LS	Direct	Ordinary A	60	60
Turquoise Trading Limited	England and Wales	10 Paternoster Square, London, England and Wales, EC4M 7LS	Direct	Ordinary	100	100

13. Deferred Tax

Group and company

	Accelerated capital allowances	Amortisation of purchased intangibles	Tax losses and other temporary differences	Total
	£'000	£'000	£'000	£'000
31 December 2015	132	(381)	4,398	4,149
Tax (charged)/credited to income statement	(26)	44	1,589	1,607
Tax credited to equity:				
- allowance on share options/equity:	-	-	80	80
- deferred tax on losses	-	-	124	124
Impact of rate change	(3)	10	(391)	(384)
31 December 2016	**103**	**(327)**	**5,800**	**5,576**
31 December 2015	132	(381)	4,398	4,149

The deferred tax assets recognised are available against future profits.

The deferred tax asset of £5.8m (31 December 2015: £4.4m) in respect of tax losses and other temporary differences relates to trading losses in TGHL Group £5.7m (31 December 2015: £4.5m) and share based payments £0.1m (31 December 2015: £(0.1)m).

14. Trade and Other Receivables

	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Group		Company	
	£'000	£'000	£'000	£'000
Current				
Trade receivables, net	1,389	698	1,169	698
Amounts due from companies under common control	18,434	11,344	18,434	11,344
Amounts due from subsidiary undertakings	-	-	211	-
Corporation tax - Group and consortia relief receivable on surrender of tax losses	678	710	721	800
Other receivables	260	257	260	257
Prepayments and accrued income	1,370	1,259	1,306	1,259
Total trade and other receivables	22,131	14,268	22,101	14,358

Amounts due from companies under common control include a loan to London Stock Exchange Group Holdings Limited of £18.0m with interest charged at LIBOR plus 1.2%, maturing on 9 September 2020. All other amounts due from companies under common control are interest free and repayable on demand or before August 2020.

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values. Trade receivables not past due are not considered to be impaired.

Ageing of past due debtors for the Group is as follows:

	31 December 2016		31 December 2015	
	Impaired	Not impaired	Impaired	Not impaired
	£'000	£'000	£'000	£'000
0 to 3 months past due	33	860	15	444
Greater than 3 months past due	150	77	27	56
Total trade receivables past due	183	937	42	500

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£'000	£'000	£'000	£'000
Sterling	21,646	13,889	21,648	13,979
Euro	485	211	453	211
US Dollars	-	168	-	168
Total trade receivables	22,131	14,268	22,101	14,358

Movements on the Group and the Company's provision for impairment of trade debtors are as follows:

	31 December 2016	31 December 2015
	£'000	£'000
At the beginning of the year/period	42	6
Provision charged to the income statement	141	36
Receivables written off during the year as uncollectible	-	-
At the end of the year/period	183	42

15. Cash and Cash Equivalents

	Group		Company	
	31 December2016	31 December 2015	31 December 2016	31 December 2015
	£'000	£'000	£'000	£'000
Cash at bank	1,349	995	981	995
Short term deposits	11,000	14,939	11,000	14,939
Total	12,349	15,934	11,981	15,934

Cash and cash equivalents are held with authorised counterparties of a high credit standing, short term deposits and AAA rated money market funds. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between the book and fair values.

16. Trade and Other Payables

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£'000	£'000	£'000	£'000
Current				
Trade payables	886	304	886	304
Amounts owed to ultimate parent company and companies under common control	4,945	7,375	4,347	7,375
Amounts owed to subsidiary undertakings	-	-	1,052	1,008
Accrued expenditure and deferred income	1,276	1,877	1,276	1,876
Social security and other taxes	240	158	114	158
Other Payables	788	73	37	73
Total trade and other payables	8,135	9,787	7,712	10,794

Amounts owed to ultimate parent company, companies under common control and subsidiary undertakings are interest free and repayable on demand.

The carrying amounts of trade and other payables are reasonable approximations of fair values.

17. Ordinary Share Capital

	31 December 2016		31 December 2015	
	Number of shares '000	Share capital £'000	Number of shares '000	Share capital £'000
Issued, called up and fully paid				
Ordinary shares of £1 each	14,000	14,000	14,000	14,000

18. Net Cash Flow Generated from Operations

	Group		Company	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000	£'000	£'000
Profit before taxation	**8,124**	5,670	**8,276**	4,827
Amortisation of intangible assets	**218**	218	**218**	218
Finance income	**(295)**	(144)	**(295)**	(145)
Increase in trade and other receivables	**(7,877)**	(11,236)	**(7,801)**	(11,235)
(decrease)/Increase in trade and other payables	**(2,356)**	(587)	**(3,082)**	256
Cash generated by operations	**(2,186)**	(6,079)	**(2,684)**	(6,079)

19. Commitments and Contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Company and the Group were both nil (Year Ended 31 December 2015: nil).

20. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2016 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the LSEG's shares - the latter element is not applicable to executive directors. Vesting of these awards is dependent upon the LSEG total shareholder return ("TSR") performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report in the Annual Report of the London Stock Exchange Group plc for the year ended 31 December 2016 which does not form part of this report. Awards are granted at nil cost to employees.

The LSEG Remuneration Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. Vesting of awards is subject to achievement of TSR and financial performance targets. For initial grants under the LTIP, awards are subject to absolute TSR and adjusted earnings per share measures. Measures will normally be equally weighted but in any event, any total shareholder return element will represent at least 50 per cent of the award.

For each performance element, achievement of the threshold performance level will result in no more than 25 per cent of the maximum award paying out. For achievement of the maximum performance level, 100 per cent of the maximum pays out. Normally, there is straight-line vesting between these points.

The SAYE scheme provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	SAYE Scheme		LTIP	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
31 December 2015	2,642	12.25	90,483	-
Granted	-	-	21,272	-
Exercised	-	-	(37,346)	-
Lapsed/Forfeited	(155)	12.64	(11,177)	-
31 December 2016	**2,487**	**13.34**	**63,232**	**-**

The weighted average share price of London Stock Exchange Group plc shares during the year was £26.96 (year ended 31 December 2015: £24.89).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	31 December 2016		31 December 2015	
	Number outstanding	**Weighted average remaining contractual life years**	**Number outstanding**	**Weighted average remaining contractual life years**
SAYE				
Between £10 and £20	**2,487**	**0.3**	2,642	1.3
LTIP				
Nil	**63,232**	**1.3**	90,483	1.4
Total	**65,719**	**1.3**	93,125	1.3

The fair value of share awards and share options granted during the period was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Matching Shares	**Performance Shares**
	17 March 2016	**18 March 2016**
Grant date share price	£28.90	£28.92
Expected life	3 years	3 years
Exercise price	n.a.	n.a.
Dividend yield	1.00%	1.00%
Risk-free interest rate	0.60%	0.60%
Volatility	25%	25%
Fair value	-	-
Fair value TSR	£10.22	£10.15
Fair value EPS	£28.04	£28.06

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return ("TSR") pricing model which incorporates TSR performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

21. Transactions with Related Parties

Directors

During the current period and in the prior year, no contracts of significance were entered into by the Company in which the Directors had a material interest.

Key management compensation
Compensation for Directors of the Company and key management personnel who have authority for planning, directing and controlling the Group:

	31 December 2016	31 December 2015
	£'000	£'000
Emoluments received	668	866
Benefits	6	5
Value of contributions to group personal / money purchase schemes	31	60
Share based payments	497	69
Total expenses	**1,202**	**1,000**

Transactions with companies under common control (Group):

	Balance Sheet	Income Statement		
		Administrative expenses/Cost of sales		
	Trade Receivables / (Payables)	Loan Interest	Service Charges	Trade purchases
London Stock Exchange plc	£'000	£'000	£'000	£'000
31 December 2015	(7,317)	-	(8,026)	-
31 December 2016	**(1,756)**	**-**	**(1,183)**	**-**
Borsa Italiana SpA				
31 December 2015	-	-	(95)	-
31 December 2016	**(77)**	**-**	**(77)**	**-**
London Stock Exchange Group plc				
31 December 2015	(474)	-	(257)	-
31 December 2016	**(624)**	**-**	**(257)**	**-**
LSEGH Limited				
31 December 2015	11,061	61	-	-
31 December 2016	**18,109**	**247**	**-**	**-**
LSEG Business Services Limited				
31 December 2015	-	-	-	-
31 December 2016	**(1, 870)**	**-**	**(7,302)**	**-**
Gatelab SRL				
31 December 2015	-	-	-	-
31 December 2016	**(293)**	**-**		**-**

Transactions with companies under common control (Company):

	Balance Sheet	Income Statement		
		Administrative expenses/Cost of sales		
	Trade Receivables / (Payables)	Loan Interest	Service Charges	Trade purchases
London Stock Exchange plc	**£'000**	**£'000**	**£'000**	**£'000**
31 December 2015	(7,317)	-	(8,026)	-
31 December 2016	**(1,497)**	**-**	**(1,089)**	**-**
Borsa Italiana SpA				
31 December 2015	-	-	(95)	-
31 December 2016	**(77)**	**-**	**(85)**	**-**
London Stock Exchange Group				
31 December 2015	(474)	-	(257)	-
31 December 2016	**(624)**	**-**	**(257)**	**-**
LSEGH Limited				
31 December 2015	11,061	61	-	-
31 December 2016	**18,109**	**247**	**-**	**-**
LSEG Business Services Limited				
31 December 2015	-	-	-	-
31 December 2016	**(1,824)**	**-**	**(7,294)**	**-**
Turquoise Trading limited	(1,008)			
31 December 2015	**(1,048)**			
31 December 2016				
Turquoise Services Limited	-			
31 December 2015	-			
31 December 2016				
Swapmatch Limited	-			
31 December 2015				
31 December 2016	**208**		**211**	

22. Ultimate Parent Company

As at 31 December 2016, the Company's ultimate parent undertaking and the parent that headed the largest and smallest group of undertakings for which consolidated financial statements were prepared was London Stock Exchange Group plc. The Company's immediate parent is London Stock Exchange Group Holdings (R) Limited. Both companies are incorporated in the United Kingdom. 51.36% of the issued share capital of the Company was beneficially owned by its ultimate parent undertaking.

A copy of the London Stock Exchange Group plc consolidated financial statements can be obtained from London Stock Exchange Group plc, 10 Paternoster Square, London EC4M 7LS.

23. Other Statutory Information

Auditors' remuneration payable to Ernst & Young LLP comprise the following:

	31 December 2016 £'000	31 December 2015 £'000
Audit of Group's and Company's financial statements	**50**	50
Audit of subsidiary companies	**25**	10
Other assurance services	**4**	4
	79	64

Related undertakings

A list of the Group's subsidiaries as at 31 December 2016 is given in note 12.