Turquoise Global Holdings Limited

Report and Financial Statements

For the year ended 31 December 2017

Company Registration Number: 07102717

TURQUOISE GLOBAL HOLDINGS LIMITED
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TURQUOISE GLOBAL HOLDINGS LIMITED
DIRECTORS AND OFFICERS

DIRECTORS AND OFFICERS

Sir A Yarrow
N Bertrand
R Barnes
R Leighton
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

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25 Churchill Place
Canary Wharf
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BANKERS

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TURQUOISE GLOBAL HOLDINGS LIMITED
STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

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 4,450 stocks of 19 major European and emerging markets as well as US stocks, International Order Book Depository Receipts (IOB), Exchange Traded Funds (ETFs), Equities Total Return Swaps (TRS), 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. In addition to LSEG, its shareholders currently include twelve of the leading investment banks. Turquoise Global Holdings Group ("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.

The Company is also the sole parent of Turquoise Global Holding US, Inc. ("TGHL US") since 11 July 2017. Turquoise Trading Limited ("TTL) was voluntarily dissolve on 9 January 2018. Moreover, on 10 November 2017, the Company acquired the remaining 40% of Turquoise Swapmatch Limited ("TSML"); this business was then hived up into the Company. The Turquoise Swapmatch™ service is now operated via the Company.

Turquoise operates two orders books, Turquoise Lit™ and Turquoise Plato™ (non-displayed). Turquoise Plato™ offers innovative MiFID II compliant trading mechanisms, including matching with size priority at the midpoint of the primary market best bid and offer price via choice of or combination of continuous and periodic random mechanisms. Turquoise Plato Uncross™ provides randomised uncrossings during the day and the award-wining Turquoise Plato Block Discovery™ matches undisclosed block indications that then execute in Turquoise Plato Uncross™.
In December 2017, Turquoise launched a new service, Turquoise Lit Auctions™. This is a pre-trade transparent and MiFID II compliant trading mechanism, allowing the users to access frequent transparent auctions to complement existing Turquoise Lit™ as well as Turquoise Plato™ trading mechanisms.

Turquoise Swapmatch™ is a neutral arranging mechanism for financial institution, to match block interests in equity total return swaps, in order to reduce their balance sheet exposure and associated funding costs.

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.

This report shows the Company and Group results for year to 31 December 2017, with the comparatives for the year ended 31 December 2016.

The Group recognised a turnover of £35.4m for the year ended 31 December 2017 (£41.8m for the year ended 31 December 2016) and its net assets were £39.4m as at 31 December 2017 (31 December 2016: £33.8m). Profit on ordinary activities after taxation was £5.3m (£9.3m for the year ended 31 December 2016)

Value traded in both Turquoise Lit™ and Turquoise Plato™ books combined value traded for the year ended 31 December 2017 of €993 billion (of which €810bn for Turquoise Lit™ and €183bn Turquoise Plato™), which represents -28% in Total Value traded versus 2016, a record year, driven by lower volatility compared with 2016 that featured macro issues contributing to higher volatilities in Q1 and surprise EU Referendum result in June.

Whilst combined Turquoise Lit™ and Turquoise Plato™ share of European trading for the year ending 31 December 2017 was 8.7% (vs. 11.7% in 2016), Turquoise Plato™ share of European dark trading reached an all time-high 17.7% versus 16% in 2016.

Turquoise Plato™ saw significant growth in 2017, setting a new monthly record of €18 billion traded in November 2017 and becoming number 1 non-displayed broker neutral venue for UK equities by 2017 value traded.

Turquoise Plato Block Discovery™ the multi-award winning MiFID II compliant mechanism for executing larger anonymous block orders above Large-In-Scale thresholds as determined by ESMA, saw strong growth in the year with €54.5 billion value traded, (2016: €7.8 billion). Since its October 2014 launch to the end of December 2017, members used Turquoise Plato Block Discovery™ to match more than €63 billion of which more than 90% by value traded followed the September 2016 announcement of the Plato Partnership Cooperation Agreement. Turquoise won further recognition in 2017 for outstanding Block Trading from TheTRADE's Leaders in Trading Award 2017. The total value traded in the multi-award-wining Turquoise Plato Block Discovery™ increased by 603% in 2017 vs 2016 reaching €54.5 billion.

The operating profit for the year ended 31 December 2017 was £6.0m (year ended 31 December 2016: £7.8m).

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. 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.

To mitigate the risk related to implementation of MiFID2 and its expected constraint of trading of Turquoise Plato™ where orders are below Large In Scale (LIS) for securities are captured by ESMA's Volume Cap Mechanism, Turquoise launched in December 2017 its new service Turquoise Lit Auctions™ which can service orders also below LIS. Turquoise will continue to accept all orders in all securities which are equal or greater than Large In Scale under the LIS waiver into the Turquoise Plato order book and Turquoise Plato Block Discovery. Turquoise will reject orders that are sub Large in Scale for the capped-out stocks.

The Group intends to control its costs, 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.

PRINCIPAL RISKS AND UNCERTAINTIES

London Stock Exchange Group plc ("LSEG Group") has implemented a Risk Management Framework which ensures that the management and assessment of risk remains a fundamental component of LSEG Group's strategic decision making process.

The LSEG Board is responsible for the LSEG Group's Risk Management Framework and maintaining an appropriate system of internal controls. The system of internal controls is designed to facilitate the management of the LSEG Group and its businesses within the LSEG Board's risk appetite rather than eliminate the risk of failure to achieve the LSEG Group's objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations. Executive management is accountable for risk identification, evaluation, mitigation, monitoring and reporting in accordance with the framework. A divisional internal control and Risk Management self-certification process is also performed semi-annually to support this process.

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 Group's risk and control structure and 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 19 to 20.

The Group's principal risks are considered to arise from clients and competition, the continuing changing regulatory environment and the macro economic environment (unfavourable tax regimes, impact of Brexit on ability to conduct business with European Union ("EU") members, or the changing regulatory environment, may reduce the attractiveness of London as a major financial centre) and increasing security threats (both physical and cyber).

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 to it in order to conduct business with EU members. 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 should these rights not be replaced by rights that persist outside EU membership. Furthermore, implementation of MiFID2 is expected to constrain trading of Turquoise Plato™ where orders are below Large in Scale for securities captured by ESMA's Volume Cap Mechanism.

By order of the Board

Robert Barnes
Chief Executive Officer
28 March 2018

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

TURQUOISE GLOBAL HOLDINGS LIMITED
DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

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 2016: 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:

Sir A Yarrow	Chairman	(appointed 22 June 2017)
D Lester	Chairman	(resigned 22 June 2017)
N Bertrand	Non Executive Director	
R Barnes	Chief Executive Officer	
R Leighton	Independent Non Executive Director	
C Wright	Non Executive Director	
G Wadhera	Non Executive Director	(resigned 17 February 2017)
N Rathi	Non Executive Director	
S McGoldrick	Non Executive Director	
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 Group's Consolidated and the Company's 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 and the Company 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 and Company'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 and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 twelve 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 2017.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors of the Company 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 Company'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 Company'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
28 March 2018

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

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

Opinion

We have audited the financial statements of Turquoise Global Holdings Limited ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Group Income Statement, the Group and Parent Company Balance Sheet, Group and Parent Company statement of cash flows, the Group and Parent Company statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. 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.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 7 and 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

Gary Adams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 March 2018

TURQUOISE GLOBAL HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	4	35,404	41,849
Cost of sales		(14,312)	(22,020)
Gross profit		21,092	19,829
Expenses			
Administrative expenses	5	(15,079)	(12,000)
Operating profit		6,013	7,829
Analysed as:			
Operating profit before amortisation of purchased intangible assets		6,283	8,047
Amortisation of purchased intangible assets	5, 11	(270)	(218)
Operating profit		6,013	7,829
Finance income	8	345	295
Profit before taxation		6,358	8,124
Taxation	9	(1,041)	1,234
Profit for the financial year		5,317	9,358
Profit for the year attributable to equity holders		5,297	9,438
Profit/(loss) for the year attributable to non-controlling interests		20	(80)
		5,317	9,358

There are no other items of income or expenditure other than those included within the income statement for the year ended 31 December 2017 and year ended 31 December 2016.

The transactions in the current and prior years were derived from continuing operations.

The notes on pages 15 to 36 form an integral part of these financial statements.

TURQUOISE GLOBAL HOLDINGS LIMITED
BALANCE SHEETS
At 31 December 2017

		Group		Company	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	11	12,709	11,297	12,709	9,667
Investment in subsidiary undertakings	12	-	-	886	1,665
Deferred tax assets	13	4,836	5,576	4,836	5,576
		17,545	16,873	18,431	16,908
Current assets					
Trade and other receivables	14	27,834	22,131	27,819	22,101
Cash and cash equivalents	15	20,777	12,349	20,499	11,981
		48,611	34,480	48,318	34,082
Total assets		66,156	51,353	66,749	50,990
Liabilities					
Current liabilities					
Trade and other payables	16	18,429	8,135	18,850	7,712
Current Tax		65	183	65	-
		18,494	8,318	18,915	7,712
Non-current liabilities					
Other non-current liabilities	12	8,218	9,144	8,218	-
		8,218	9,144	8,218	-
Total liabilities		26,712	17,462	27,133	7,712
Net assets		39,444	33,891	39,616	43,278
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		(11,471)	(16,944)	(11,299)	(7,637)
Total shareholders' funds		39,444	33,971	39,616	43,278
Non-controlling interests		-	(80)	-	-
Total equity		39,444	33,891	39,616	43,278

The Company recorded a loss for the year of £4.9 million (2016: £9.3 million profit).The notes on pages 15 to 36 form an integral part of these financial statements.
The financial statements on pages 11 to 36 were approved by the Board on 28 March 2018 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 2017

		Group		Company	
		Year ended 2017	Year ended 2016	Year ended 2017	Year ended 2016
	Notes	£'000	£'000	£'000	£'000
Cash flow from operating activities					
Cash generated/(absorbed) by operations	18	11,171	(2,186)	10,850	(2,684)
Interest received		322	231	322	231
Corporation tax paid		(183)	-	-	-
Net cash inflow from operating activities		11,310	(1,955)	11,172	(2,453)
Cash flow from investing activities					
Acquisition of subsidiary	12	-	(1,000)	(281)	(1,000)
Capital contribution to subsidiary		-	-	-	(500)
Purchase of intangible assets	11	(1,682)	(630)	(1,226)	-
Cash acquired from subsidiary		-	-	53	-
Net cash inflow from investing activities		(1,682)	(1,630)	(1,454)	(1,500)
Cash flow from financing activities					
Purchase of non-controlling interest		(1,200)	-	(1,200)	-
Net cash inflow from financing activities		(1,200)	-	(1,200)	-
Increase/(decrease) in cash and cash equivalents		8,428	(3,585)	8,518	(3,953)
Cash and cash equivalents at beginning of the year		12,349	15,934	11,981	15,934
Cash and cash equivalents at end of the year	15	20,777	12,349	20,499	11,981

The notes on pages 15 to 36 form an integral part of these financial statements.

TURQUOISE GLOBAL HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
Year ended 31 December 2017

	Attributable to equity holders						
Group	Ordinary share capital £'000	Share premium £'000	Retained losses £'000	Other reserves £'000	Total attributable to equity holders £'000	Non-controlling interest	Total equity £'000
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	-	-	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**
Profit for the year	**-**	**-**	**5,297**	**-**	**5,297**	**20**	**5,317**
Purchase of non-controlling interest	-	-	**(60)**	-	**(60)**	**60**	-
Tax in relation to employee share scheme	-	-	**236**	-	**236**	-	**236**
Employee share scheme credits	-	-	**406**	-	**406**	-	**406**
Employee share scheme recharges	-	-	**(406)**	-	**(406)**	-	**(406)**
31 December 2017	**14,000**	**6,581**	**(11,471)**	**30,334**	**39,444**	**-**	**39,444**

	Attributable to equity owners of the Company				
Company	Ordinary share capital **£'000**	Share premium **£'000**	Retained Losses **£'000**	Other reserves **£'000**	Total equity **£'000**
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
Loss for the year	-	-	**(4,898)**	-	**(4,898)**
Acquisition of subsidiary	-	-	**1,000**	-	**1,000**
Tax in relation to employee share scheme and losses	-	-	**236**	-	**236**
Employee share scheme credits	-	-	**406**		**406**
Employee share scheme recharges	-	-	**(406)**	-	**(406)**
31 December 2017	**14,000**	**6,581**	**(11,299)**	**30,334**	**39,616**

Other reserves comprise the following:

Capital contribution reserve of £21.4m (31 December 2016: £21.4m), a potentially 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 2016: £8.9m), is a potentially distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

The notes on pages 15 to 36 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 amendments were endorsed by the EU during the year and have been adopted in these financial statements:

- Amendment to IAS 7, 'Statement of cash flows' on changes in liabilities arising from financing activities
- Amendment to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses

The adoption of these standards did not have a material impact on the results of the Group; however additional disclosure in relation to cash flows arising from financing activities is now provided in note 18.

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 2017 or they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective. The impact on the Group's financial statements of the 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 IFRS 2, 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	1 January 2018
Amendments to IAS 40, 'Transfers of Investment Property'	1 January 2018
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	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 16, 'Leases'	1 January 2019
IFRIC 23, 'Uncertainty over Income Tax Treatments'	1 January 2019

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 for the year ending 31 December 2018 and as a result the Group 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 Group's 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. The Group has assessed the impact the new standard will have on the Group's future financially reported position and performance and concluded the implementation of IFRS 15 will not have a significant impact on the results of the Group.

IFRS 9 'Financial instruments' is effective for the year ending 31 December 2018 and will simplify the classification of financial assets for measurement purposes. The implementation of IFRS 9 will not have a significant impact on the results of the Group.

IFRS 16 'Leases' is effective for the year ending 31 December 2019 and will require all leases to be recognised on the balance sheet. Currently, IAS 17 'Leases' only requires leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. In broad terms, the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments set out in note 19.

Based on LSEG Group assessment the implementation of the amendments to IFRS 4 and IAS40 will have no impact on the results of the TGHL Group.

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 balance sheet.

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.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then the amounts potentially due are recognised at their fair value at the balance sheet date.

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

Revenue 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. Revenue is recognised in the period when the service or supply is provided. Equity revenue is derived from the provision of electronic execution services for secondary trading of pan-European equities and comprises of two discrete order books: Turquoise Integrated Order Book Trading (Lit) and Turquoise Plato™ (Midpoint Dark Order Trading). The sources of revenue from Turquoise Swapmatch include tracking the daily notional value of all client total return swaps matched via the platform and charging an arrangement fee based on the daily aggregate notional balance of each participant's total return swaps.

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

1.6 Finance Income

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

1.7 Current and non-current classification

Current assets include cash and cash equivalents, and assets expected to be realised within one year from the reporting period, or intended for trade or consumption and realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

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 - two 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 - two to 25 years (the majority of material assets are amortised over a life not exceeding five 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 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

Income tax on the profit for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in Other comprehensive income or directly in equity. In this case, the tax is also recognised in Other comprehensive income or directly in equity, respectively.

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 country where the Group and the Company operates and generates 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. Deferred 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 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 initially recognised at their fair value, which is usually the original invoiced amount, less any provisions 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 the US 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 2017, the Group has considered movements in the euro and the US dollar over the year to 31 December 2017 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 2017, 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 2017 and on equity at the 31 December 2017 is set out, with comparatives, in the table below:

		31 December 2017		31 December 2016	
		Profit after tax impact increase/ (decrease) £'000	Equity Impact increase/ (decrease) £'000	Profit after tax impact increase/ (decrease) £'000	Equity Impact increase/ (decrease) £'000
Euro	Sterling Weaken	32.6	32.6	148.3	148.3
	Sterling Strengthen	(29.7)	(29.7)	(163.2)	(163.2)
US dollar	Sterling Weaken	4.4	4.4	14.9	14.9
	Sterling Strengthen	(4.0)	(4.0)	(16.4)	(16.4)

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 LSEG 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. For the period ended 31 December 2017, 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 £202k higher (31 December 2016: £146k 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, means that 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 current financial liabilities into relevant maturity groupings because all liabilities are expected to be paid, based upon their contractual maturity date, within one year.
Non-current liabilities are payable between 2-5 years.

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 FCA. As at 31 December 2017 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 arranging deals in investments. As an FCA authorised limited activity firm, the Company is subject to FCA Handbook organisational, prudential, behavioral, 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 2017 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;
- 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 2017 is as follows:

- 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 2017	Year ended December 2016
	£'000	£'000
Integrated trading (Lit)	21,285	30,070
Mid-point trading (Dark)	9,645	7,792
Data charges and other	4,474	3,987
Total Revenue	35,404	41,849

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 2017	Year ended 31 December 2016
		£'000	£'000
Employee costs	6	2,818	1,953
Property costs		71	61
IT costs		9,442	7,556
VAT recovery		327	210
Professional fees		302	373
Outsourcing fees		2,002	1,528
Amortisation of purchased intangibles	11	270	218
Other costs		(153)	101
Total		15,079	12,000

6. Employee Costs

Employee costs comprise the following:

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Salaries and other short term benefits	2,221	1,703
Social security costs	490	186
Other pension costs	107	64
Total	2,818	1,953

Share based recharges of £406k for the year ended 31 December 2017 (year ended 31 December 2016: £375k) are included within salaries and short term benefits.

	Year ended 31 December 2017	Year ended 31 December 2016
Monthly average number of employees in the Group was:	6	5
Number of employees in the Group at year end	6	5

7. Directors' Remuneration

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Remuneration received	398	360
Benefits	3	3
Value of contributions to group personal/money purchase schemes	16	15
Share based payments	376	415
Total	793	793

During the year, two (year ended 31 December 2016: two) Directors had retirement benefits accruing under Group Personal Pension schemes.

The emoluments of Directors disclosed above includes the following amounts for the highest paid Director:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Remuneration received	308	295
Benefits	3	3
Value of contributions to group personal/money purchase schemes	16	15
Share based payments	376	415
Total	703	728

The highest paid Director exercised share options of London Stock Exchange Group plc during the year. Two Directors have exercised share options of London Stock Exchange Group plc during the year.

8. Finance Income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Bank deposit and other interest income	35	47
Interest on loan to company under common control	310	248
Total	345	295

9. Taxation

The standard UK corporation tax rate was 19.25% for the year ended 31 December 2017 (20% for the year ended December 2016).

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Taxation charged/(credited) to the income statement			
Current tax:			
UK Corporation tax for the year		**195**	-
Adjustment in respect of previous years		**-**	(11)
		195	(11)
Deferred taxation:	13		
Deferred tax for the year		**1,008**	(1,463)
Adjustment in respect of previous years		**(178)**	(144)
Impact of change in rate		**16**	384
Taxation charge/(credit)		**1,041**	(1,234)

Taxation on items not credited/(charged) to the income statement		
Current tax credit:		
- Tax Allowance on share options/ awards in excess of expense recognised	**130**	-
Deferred tax:		
- Tax Allowance on share options/ awards in excess of expense recognised	**108**	204
Impact of change in rate	**(2)**	-
Taxation credit/(debit)	**236**	204

Factors affecting the tax credit for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19.25% (20% for the year ended 31 December 2016) as explained below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before taxation	**6,358**	8,124
Profit multiplied by standard rate of corporation tax in the UK	**1,224**	1,626
Expenses not deductible/(income not taxable)	**(21)**	4
Adjustment in respect of previous years	**(178)**	(155)
Adjustment arising from change in UK tax rate	**16**	384
Unrecognised deferred tax on current year unutilised losses	**-**	29
Deferred tax previously not recognised	**-**	(3,122)
Taxation charge/(credit)	**1,041**	(1,234)

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 2017 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 2016: nil).

11. Intangible Assets

Group	Goodwill	Purchased Intangible Assets	Software	Total
	£000	£000	£000	£000
Cost:				
31 December 2016	8,830	3,337	3,437	15,604
Additions in the year	-		1,682	1,682
31 December 2017	**8,830**	**3,337**	**5,119**	**17,286**
Accumulated amortisation and impairment:				
31 December 2016	-	1,500	2,807	4,307
Amortisation charge for the year	-	218	52	270
31 December 2017	**-**	**1,718**	**2,859**	**4,577**
Net book values:				
31 December 2017	**8,830**	**1,619**	**2,260**	**12,709**
31 December 2016	8,830	1,837	630	11,297

Company	Goodwill	Purchased Intangible Assets	Software	Total
	£000	£000	£000	£000
Cost:				
31 December 2016	7,830	3,337	2,807	13,974
Additions in the year	1,000	-	1,226	2,226
Transfer from subsidiary	-	-	1,086	1,086
31 December 2017	**8,830**	**3,337**	**5,119**	**17,286**
Accumulated amortisation and impairment:				
31 December 2016	-	1,500	2,807	4,307
Amortisation charge for the year	-	218	52	270
31 December 2017	-	1,718	2,859	4,577
Net book values:				
31 December 2017	**8,830**	**1,619**	**2,260**	**12,709**
31 December 2016	7,830	1,837	-	9,667

The net book value of purchased intangible assets include £1.4m (31 December 2016: £1.5m) Customer relationships, £0.2m (31 December 2016: £0.2m), Software licences and Brands nil (31 December 2016: nil).

On 1 December 2017, the trading business of Swapmatch, a subsidiary of the Group, was transferred into the Company. The fair value attributable to this transactions was recognised in the Company and resulted in £1.0 million of Goodwill and £1.1 million of software intangible assets being transferred to the Company.

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 2018 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 CGU 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 2017. 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

Company	£'000
31 December 2016	1,665
Acquisition of Swapmatch	10,035
Acquisition of Turquoise Global Holdings US, Inc.	281
Impairment of Turquoise Trading Limited	(165)
Impairment of Turquoise Swapmatch Limited	(10,930)
31 December 2017	**886**

On 10 November 2017, the Company purchased the remaining 40% equity interest in Swapmatch that it did not already own, which resulted in the Company increasing its ownership of Swapmatch to 100% which increased the value of the Company's investment by £10.0 million. Cash consideration paid on the exercise date was £1.2 million. As at 31 December 2017, the Company holds a deferred consideration financial liability associated with the transaction of £8.2 million (2016: £9.9m), which is presented in Other non-current liabilities on the balance sheet. During the year £0.5 million fair value gain (2016: nil) in relation to the deferred consideration financial liability, was recognised through the income statement and is presented with other costs.

Subsequently, on 1 December 2017 the trading business of Swapmatch, was transferred into the Company and resulted in an impairment of the Company's investment in the Swapmatch legal entity of £11.0 million.

The Group classifies the deferred consideration payable as Level 3 in the hierarchy for determining the fair value, due to the significant inputs used in the valuation that are not based on observable data. The valuation of the deferred consideration is set out in the terms of the option agreement, where the cash flow forecasts of the underlying business over the deferred consideration payment period are discounted at the Group's pre-tax cost of debt 1.51% (2016: 1.91%). The key inputs into the valuation of the deferred consideration are cash flow forecasts over a five year period from the date of acquisition and the discount rate. 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 deferred consideration 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 £0.9m increase/decrease in the valuation of the financial liability.

If the discount rate had been 1 percentage point higher, with all other variables held constant, the valuation would have decreased by £0.3m. If the discount rate had been 1 percentage lower, with all other variables held constant, the valuation would have increased by £0.3m.

A list of the Company's subsidiaries as at 31 December 2017 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	100	100
Turquoise Trading Limited	England and Wales	10 Paternoster Square, London, England and Wales, EC4M 7LS	Direct	Ordinary	100	100
Turquoise Global Holdings US, Inc	United States	14 Wall Street, Suite 4G, New York, NY10005, United States	Direct	Ordinary	100	100

13. Deferred Tax

The movements in deferred tax assets and liabilities during the year are shown below:

Group and company

	Accelerated capital allowances	Amortisation of purchased intangibles	Tax losses and other temporary differences	Total
	£'000	£'000	£'000	£'000
31 December 2016	103	(327)	5,800	5,576
Tax credited/(charged) to income statement	(21)	42	(851)	(830)
Impact of rate change	2	-	(18)	(16)
Tax credited/(charged) to equity:				
- allowance on share options/equity:	-	-	108	108
Impact of rate change	-	-	(2)	(2)
31 December 2017	**84**	**(285)**	**5,037**	**4,836**
Assets at 31 December 2017	84	-	5,037	5,121
Liabilities at 31 December 2017	-	(285)	-	(285)
Net assets/(liabilities) at 31 December 2017	**84**	**(285)**	**5,037**	**4,836**
Assets at 31 December 2016	103	-	5,800	5,903
Liabilities at 31 December 2016	-	(327)	-	(327)
Net assets/(liabilities) at 31 December 2016	103	(327)	5,800	5,576

The deferred tax assets recognised are recoverable against future taxable profits and are due after more than one year.

The deferred tax asset of £5.0m (31 December 2016: £5.8m) in respect of tax losses and other temporary differences relates to trading losses in TGHL Group £4.8m (31 December 2016: £5.7m) and share based payments £0.2m (31 December 2016: £0.1m).

14. Trade and Other Receivables

	Group 31 December 2017	Group 31 December 2016	Company 31 December 2017	Company 31 December 2016
	£'000	£'000	£'000	£'000
Current				
Trade receivables	2,429	1,572	2,429	1,340
Less: Provision for impairment of receivables	(62)	(183)	(62)	(171)
Trade receivables- net	2,367	1,389	2,367	1,169
Amounts due from companies under common control	23,912	18,434	23,897	18,434
Amounts due from subsidiary undertakings	-	-	-	211
Amounts due from ultimate parent	43	-	43	-
Corporation tax - Group and consortia relief receivable on surrender of tax losses	-	678	-	721
Other receivables	5	260	5	260
Prepayments and accrued income	1,507	1,370	1,507	1,306
Total trade and other receivables	27,834	22,131	27,819	22,101

Amounts due from companies under common control include a loan to London Stock Exchange Group Holdings Limited of £22.4m 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.

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

	31 December 2017 Impaired	31 December 2017 Not impaired	31 December 2016 Impaired	31 December 2016 Not impaired
	£'000	£'000	£'000	£'000
0 to 3 months past due	8	359	33	860
Greater than 3 months past due	54	1,068	150	77
Total trade receivables past due	62	1,427	183	937

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

	Group 31 December 2017	Group 31 December 2016	Company 31 December 2017	Company 31 December 2016
	£'000	£'000	£'000	£'000
Sterling	27,300	21,646	27,414	21,648
Euro	519	485	399	453
US Dollars	15	-	6	-
Total trade receivables	27,834	22,131	27,819	22,101

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

	31 December 2017	31 December 2016
	£'000	£'000
At the beginning of the year/period	183	42
Provision charged to the income statement	13	141
Amounts written off as not recoverable	(134)	-
At the end of the year/period	62	183

15. Cash and Cash Equivalents

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£'000	£'000	£'000	£'000
Cash at bank	977	1,349	699	981
Short term deposits	19,800	11,000	19,800	11,000
Total	20,777	12,349	20,499	11,981

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 2017	31 December 2016	31 December 2017	31 December 2016
	£'000	£'000	£'000	£'000
Current				
Trade payables	864	886	864	886
Amounts owed to ultimate parent company and companies under common control	14,831	4,945	14,749	4,347
Amounts owed to subsidiary undertakings	-	-	503	1,052
Accrued expenditure and deferred income	2,421	1,276	2,421	1,276
Social security and other taxes	273	240	273	114
Other Payables	40	788	40	37
Total trade and other payables	18,429	8,135	18,850	7,712

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 2017		31 December 2016	
	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 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000	£'000	£'000
Profit before taxation	**6,358**	8,124	**(3,858)**	8,276
Amortisation of intangible assets	**270**	218	**270**	218
Fair value gain on deferred consideration	**(466)**	-	**-**	-
Impairment of subsidiary	**-**	-	**11,095**	-
Finance income	**(345)**	(295)	**(345)**	(295)
Increase in trade and other receivables	**(5,680)**	(7,877)	**(5,385)**	(7,801)
(decrease)/Increase in trade and other payables	**11,034**	(2,356)	**9,073**	(3,082)
Cash generated by operations	**11,171**	(2,186)	**10,850**	(2,684))

19. Commitments and Contingencies

Contracted capital commitments and other contracted commitments and contingencies not provided for in the financial statements of the Company and the Group were both nil (Year Ended 31 December 2016: 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 LSEG shares - the latter element is not applicable to executive directors of LSEG Group. Vesting of these awards is dependent upon 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 2017, which does not form part of this report.

The Group's Remuneration Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders whilst 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 2016	2,487	13.34	63,232	-
Granted	1,676	31.11	20,259	-
Exercised	(3,122)	13.75	(22,542)	-
Lapsed/Forfeited	-	-	(2,369)	-
Transferred in	1,075	17.44		
31 December 2017	**2,116**	**28,89**	**58,580**	**-**

The weighted average share price of London Stock Exchange Group plc shares during the year was £35.32 (year ended 31 December 2016: £26.96).

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

	31 December 2017		31 December 2016	
	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
Between £20 and £30	**440**	**0.10**	-	-
More than £30	**1,676**	**2.40**	-	-
LTIP				
Nil	**58,580**	**1.3**	63,232	1.3
Total	**60,696**	**1.3**	65,719	1.4

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:

	Performance Shares	Matching Shares	Restricted Shares
	3 April 2017	**10 April 2017**	**03 October 2017**
Grant date share price	£31.91	£32.27	£38.75
Expected life	3 years	3 years	3 years
Exercise price	n.a.	n.a.	31.11
Dividend yield	1.35%	1.34%	1.18%
Risk-free interest rate	0.16%	0.16%	0.67%
Volatility	25.6%	25.5%	25.5%
Fair value	-	-	£10.21
Fair value TSR	£11.87	£12.29	n.a
Fair value EPS	£30.64	£31.00	n.a

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 2017	31 December 2016
	£'000	£'000
Emoluments received	711	668
Benefits	6	6
Value of contributions to group personal / money purchase schemes	30	31
Share based payments	507	497
Total expenses	**1,254**	1,202

Transactions with companies under common control (Group):

	Balance Sheet	Income Statement		
	Trade and other Receivables / (Payables)	Administrative expenses/Cost of sales		
		Loan Interest	Service Charges	Trade purchases
London Stock Exchange plc	£'000	£'000	£'000	£'000
31 December 2016	(1,756)	-	(1,183)	-
31 December 2017	**(3,499)**	-	**(1,538)**	-
Borsa Italiana SpA				
31 December 2016	(77)	-	(77)	-
31 December 2017	**24**	-	**(169)**	-
London Stock Exchange Group plc				
31 December 2016	(624)	-	(257)	-
31 December 2017	**(211)**	-	**(162)**	-
LSEGH Limited				
31 December 2016	18,109	248	-	-
31 December 2017	**22,519**	**310**	-	-
LSEG Business Services Limited				
31 December 2016	(1,870)	-	(7,302)	-
31 December 2017	**(9,427)**	-	**(9,142)**	-
Gatelab SRL				
31 December 2016	(293)	-	-	-
31 December 2017	**(53)**	-	**(53))**	-

LSEGH Inc				
31 December 2016	-	-	-	-
31 December 2017	**(67)**	**-**	**(67)**	**-**
EXACTPRO Systems, LLC				
31 December 2016	-	-	-	-
31 December 2017	**(128)**	**-**	**(128)**	**-**
Millennium IT Software (Private) Limited				
31 December 2016	-	-	-	-
31 December 2017	**(37)**	**-**	**(37)**	**-**

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 2016	(1,497)	-	(1,089)	-
31 December 2017	**(3,499)**	**-**	**(1,300)**	**-**
Borsa Italiana SpA				
31 December 2016	(77)	-	(85)	-
31 December 2017	**24**	**-**	**(169)**	**-**
London Stock Exchange Group				
31 December 2016	(624)	-	(257)	-
31 December 2017	**(211)**	**-**	**(162)**	**-**
LSEGH Limited				
31 December 2016	18,109	248	-	-
31 December 2017	**22,519**	**310**	**-**	**-**
LSEG Business Services Limited				
31 December 2016	(1,824)	-	(7,294)	-
31 December 2017	**(9,427)**	**-**	**(9,069)**	**-**
Turquoise Trading limited				
31 December 2016	(1,048)		-	-
31 December 2017	**-**		**-**	**-**
Turquoise Swapmatch Limited	-			
31 December 2016	**208**		**211**	
31 December 2017	**503**		**-**	
Gatelab SRL				
31 December 2016	-	-	-	-
31 December 2017	**(53)**	**-**	**(53)**	**-**
EXACTPRO Systems, LLC				
31 December 2016	-	-	-	-
31 December 2017	**(128)**	**-**	**(128)**	**-**
Millennium IT Software (Private) Limited				
31 December 2016	-	-	-	-
31 December 2017	**(37)**	**-**	**(37)**	**-**

Included within outstanding Trade and Other Receivables/(Payables) balances above, are amounts which represent disbursements made by other LSEG group companies, on behalf of the Company, and due to their nature, would not be recorded in the income statement.

22. Ultimate Parent Company

As at 31 December 2017, 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 2017	31 December 2016
	£'000	£'000
Audit of Group's and Company's financial statements	**80**	50
Audit of subsidiary companies	**8**	25
Other assurance services	**7**	4
	95	79

Related undertakings

A list of the Group's subsidiaries as at 31 December 2017 is given in note 12.