SwapAgent Limited

Report and Financial Statements

For the year ended 31 December 2021

Company Registration Number 10430326

SWAPAGENT LIMITED

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DIRECTORS AND OFFICERS

James Hudis (Chairman)	
Dennis McLaughlin	Resigned 9 April 2021
Matthew Couch	Resigned 30 November 2021
Nathan Ondyak (Head of SwapAgent)	
Raminder Boparai	Appointed 16 September 2021
Bruce Kenworthy	Appointed 15 December 2021

COMPANY SECRETARY

Simon Tutton

REGISTERED OFFICE

10 Paternoster Square
London
EC4M 7LS

INDEPENDENT AUDITORS

Ernst & Young LLP
25, Churchill Place
London
E14 5EY

SwapAgent Limited (the "Company") is a wholly owned subsidiary of LCH Group Holdings Limited (the "parent" or "LCH" or "LCH Group") and is a member of the LCH Group of companies. The Company's ultimate parent is London Stock Exchange Group plc ("LSEG").

SWAPAGENT LIMITED
STRATEGIC REPORT

The Directors present their strategic report for SwapAgent Limited (the "Company") for the year ended 31 December 2021.

BUSINESS MODEL

SwapAgent is a service designed to simplify the processing, margining and settlement of non-cleared derivatives. SwapAgent Limited benefits from LCH's expertise in serving and managing risk for the cleared rates and FX derivatives market, providing market participants with a number of solutions designed to materially improve standardisation, efficiency and simplicity in the non-cleared derivatives market without requiring novation to a central counterparty.

SwapAgent Limited provides these solutions by extending the clearing infrastructure to the bilateral market without requiring novation to a central counterparty. Thus, while trades managed by SwapAgent remain fully bilateral, they follow a similar operational process as cleared trades, including centralised trade processing, valuation, margining, risk calculation and optimisation services.

As a result, SwapAgent can extend many of the efficiencies that customers have become accustomed to in the cleared market, to the non-cleared market.

STRATEGIC OBJECTIVES

The Company's strategic objectives are as follows:

- provide robust risk management services to members and clients;
- deliver world class processing services;
- partner with the markets we serve;
- strengthen markets to improve stability and resilience.

The strategy for achieving these objectives is to maintain a sound risk management approach across all products and to work closely with market participants to develop and deliver new services.

PERFORMANCE

SwapAgent is a service designed to standardise and provide efficiencies to the non-cleared derivatives market by utilising the LCH Group clearing infrastructure. In 2021, membership increased from 16 to 19 members during the year and the service registered $3.7 trillion in notional at the end of 2021, up from $2.0 trillion in 2020. In September, the service processed its first SONIA (Sterling Overnight Interbank Average Rate)/SOFR (Secured Overnight Financing Rate) cross-currency basis swap, highlighting SwapAgent's commitment to reference rates reform. The service also facilitated the transition of non-cleared derivatives to €STR (EURO Short Term Rate) and SOFR discounting.

The Company made a loss before tax of £0.27 million in 2021 (2020: loss £3.45 million). Total income was up 6% to £15.09 million. Operating expenses including depreciation, amortisation and impairment were down 15% to £13.91 million.

The directors are satisfied with the progress of the Company so far and expect the number of members and trades to increase in the near future.

FUTURE DEVELOPMENTS

In 2022 and beyond, the Company will continue to target the expansion of service to additional members, regions and customer profiles, while extending its service further to provide funding optimisation services.

SECTION 172 (1) STATEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our workforce, our customers and our suppliers. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. We review financial and operational performance, customer-related matters and legal matters at every board meeting. We also review other areas over the course of the financial year including, the Company's business strategy; key risks (including risks relating to operational risk and cyber risk), the Company's risk appetite, operational resilience and workforce matters. This is done through the consideration and discussion of reports which are sent in advance of each board meeting and through presentations to the board.

The Company's key stakeholders are its customers and its workforce. Our suppliers are also important stakeholders of the Company. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The board recognises that building strong relationships with our stakeholders will help to deliver the Company's strategy in line with our long-term values and operate the business in a sustainable way. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Company's parent, LCH Group Holdings Limited (and its subsidiaries) (together "LCH Group") and its ultimate parent London Stock Exchange Group plc (LSEG), means that sometimes our stakeholder engagement will take place at an operational or LCH Group or LSEG level. For details on some of the engagement that takes place with the Company's stakeholders at a LCH Group level please see the LCH Group Holdings Limited financial statements for the financial period ended 31 December 2021. For details on some of the engagement that takes place with the Company's stakeholders at a LSEG level please see the London Stock Exchange Group plc annual report for the financial year ended 31 December 2021.

During the period, we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk and the outcomes of specific pieces of engagement. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the Company.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us.

Annual review of budget and business plan
The Board carries out a review of the Company's budget on an annual basis. This includes approving the business plan for the following three years. In 2021 the Board's review included an evaluation of the progress the Company had made against the 2021 strategic priorities and the Company's long-term strategic goals. The review also focused on investment decisions around the Company's control environment, internally driven resilience activity including, but not limited to, end-of-life systems and IT upgrades.

This review is carried out in parallel with the overall LSEG divisional budget process. All financials are aligned to the divisional numbers presented to the LSEG board annually in December.

In making its decision to approve the business plan and future strategy of the Company, the Board also considered amongst other things, its impact on the long-term position of the Company and its reputation as well as feedback from engagement exercises with the workforce and dialogues with customers.

Customers
The Board received updates on engagement exercises conducted with customers and clients to understand their concerns and priorities, including on benchmark reform. Our engagement with customers takes a variety of different forms, we engage with customers through working groups, conferences and round table events. We also engage with our customers through our social media platforms, which we use to provide regular updates on our products and their performance.

We monitor customer feedback to help us establish our customers' views on the Company's products and services as ways we can improve our offering. We believe that aligning our strategy, services and products to the needs and interests of our customers is central to supporting long-term value creation, enabling innovation.

Workforce
The main workforce engagement initiatives take place at an LCH Group or LSEG level and these includes formal and informal meetings, an annual engagement survey and town hall meetings. In 2021 there was a phased return to office working for staff and/or hybrid working as appropriate, with Management encouraged to consider matters such as employees' safety, mental health and wellbeing, as well as the most effective way of working for each team.

For details on some of the engagement that takes place with the Company's workforce at an LSEG level, please see the "Corporate Governance" and "Supporting our Sustainability" sections of the London Stock Exchange Group plc Annual Report for the financial period ended 31 December 2021.

Suppliers
Our Company relies on external and internal suppliers for certain services which are required to maintain the efficiency and resilience of the Company's operations.

The Company's management team holds regular meetings with its suppliers, which allow for open discussions and encourage a partnership approach, in order to identify and mitigate any risks to the key service provisions of the Company. At those meetings, service level agreements, KPIs are discussed and feedback is exchanged. We believe that having solid long-term relationships with our suppliers is essential to continue to provide our solutions to customers and maintain operational resiliency.

Benchmark Reform
During 2021 industry-wide efforts to transition to new interest rate benchmarks continued, with the Company seeking to support such transitions based on market and customer priorities. The Board, with the support of its Risk Committee, closely monitored the delivery and deployment of product extensions and fallback capabilities following consultation with its customers. To ensure the timely delivery of customer priorities the Board sought confirmation from Management that; sufficient resources were or would be made available; if required appropriate a re-prioritisation of the wider change agenda would be undertaken and contingency arrangements were in place should there be a delay.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks and other risks such as operational, legal, and reputational risk. The Company manages these risks through various control mechanisms and its approach to risk management is to be prudent yet responsive to changes in the risk environment.

Overall responsibility for risk management rests with the LCH Group board. Day-to-day responsibility is delegated to the group chief risk officer, who ensures effective delegation to the executives in the operating subsidiaries on the basis of risk policies that are calibrated to the board's risk appetite and are discussed and agreed by the group's risk committees and boards. The application of these policies is undertaken by the business functions as the first line of defence and by the group risk management team forming the second line of independent assurance, who control and manage the exposures arising from the various clearing activities. Risk policies are harmonised across the group. The continued appropriateness of risk policies and key risk data are regularly reviewed by the group and the board risk sub-committees, and audits of processes within risk management are undertaken periodically.

The Company is subject to a variety of foreseeable and unforeseeable risks and uncertainties, which may have an impact on the Company'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 Company's risk control structure is based on the '3 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 group board committees on risk exposure.
- The Third line (Internal Audit) provides independent assurance to the board and other key stakeholders over the effectiveness of the systems of controls and the risk management framework.

The Company's principal risks are considered to arise from clients and competition (with client alignment paramount to the successful operation and growth of our business), 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).

SWAPAGENT LIMITED
STRATEGIC REPORT

The Company's principal operational risks arise from ensuring it maintains secure and stable technology performing to high levels of availability. The Company is reliant upon secure premises to protect its employees and physical assets as well as appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure.

By order of the board:

James Andrew Hudis
Chairman
SwapAgent Limited
17 June 2022

The directors of SwapAgent Limited, registered in England and Wales with company number 10430326, present their report to the shareholder, together with the audited financial statements for the year ended 31 December 2021.

DIRECTORS

The current directors and changes made during the year ended 31 December 2021 and subsequently, are detailed on page 1.

INDEMNITY OF DIRECTORS

Directors are entitled to be indemnified by the Company against all costs, charges, losses and liabilities incurred by them in the proper exercise of their duties. Directors who have resigned during the year may also benefit from the same indemnity arrangement.

TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

Details of transactions with related parties are set out in note 16. There were no transactions other than those disclosed in note 4, with directors during the year.

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIVIDENDS

The directors have not recommended a dividend for the year ended 31 December 2021 (2020: nil).

STAFF

It is the policy of the Company as a whole to ensure that no staff members or job applicants face discrimination on the grounds of ethnic origin, colour, religion, gender, sexual orientation, age or disability. Should an employee become disabled during his or her career with the Company every effort will be made to ensure continuing employment.

Staff involvement is encouraged through regular meetings and information is shared with staff through web-based communication.

The Company recognises its responsibilities to provide a safe working environment for its staff and measures are in place to ensure that the appropriate health and safety at work regulations are strictly observed in all workplaces. The Company currently has no direct employees.

EMPLOYEE AND STAKEHOLDER ENGAGEMENT

For details of the Company's employee and stakeholder engagement, please see the section 172(1) statement in the strategic report.

FUTURE DEVELOPMENTS

The future developments for the Company are discussed in detail in the strategic report. The directors have considered the Russia-Ukraine conflict and do not anticipate any impact on the Company operations and performance as a result. Further, the directors do not envisage any other changes to the nature of the business in the foreseeable future.

GOING CONCERN

LCH Group has formally confirmed it will continue to provide financial support for the ongoing operations of the Company for at least 12 months from the date of approval of the financial statements and that it does not intend to call amounts outstanding or recall amounts due to be paid, under the loan agreement within that period, so long as the Company remains a part of the group. Furthermore, the directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in performance, which show that the Company has sufficient financial resources. This has been done using the Company's Medium Term Financial Plan ("MTFP"), sensitivity analysis and stress testing possible scenarios. The impact of the Covid-19 pandemic has been considered as part of the going concern assessment. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the Company has 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, the Company continues to adopt the going concern basis in preparing these financial statements.

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 steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted within the provisions of section 418(2) of the Companies Act 2006.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

By order of the board:

James Andrew Hudis
Chairman
SwapAgent Limited
17 June 2022

OPINION

We have audited the financial statements of SwapAgent Limited (the "Company") for the year ended 31 December 2021 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework" and tax legislation (governed by HM Revenue and Customs).
- We understood how making enquiries of senior management, including senior management of the ultimate parent company, including the Chief Financial Officer, the General Counsel, the Chief Risk Officer, the Head of Compliance and the Head of Internal Audit. We also reviewed minutes of the Board and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override to be a fraud risk. We considered the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing and inquiries of senior management, internal audit and those responsible for legal, risk and compliance at the Company. We then corroborated our enquiries through review of board minutes, the whistleblowing log and applicable Company policies.

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.

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.

Ernst & Young LLP

Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 June 2022

SWAPAGENT LIMITED
INCOME STATEMENT
Year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue		**14,287**	12,628
Other income		**798**	1,613
Total income		**15,085**	14,241
Cost of sales		**(1,342)**	(1,189)
Gross profit		**13,743**	13,052
Operating expenses before depreciation, amortisation and impairment	3	**(10,106)**	(9,773)
Earnings before interest, tax, depreciation, amortisation and impairment		**3,637**	3,279
Depreciation, amortisation and impairment	3	**(3,805)**	(6,515)
Operating (loss)/profit		**(168)**	(3,236)
Finance expense	5	**(101)**	(213)
(Loss)/profit before taxation		**(269)**	(3,449)
Taxation	6	**49**	658
(Loss)/profit for the financial year		**(220)**	(2,791)

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

The notes on pages 17 to 30 form an integral part of these financial statements.

SWAPAGENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	2021 £'000	2020 £'000
(Loss)/profit for the financial year	**(220)**	(2,791)
Other comprehensive income, net of tax	-	-
Total comprehensive (loss)/income for the year, net of tax	**(220)**	(2,791)

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

The notes on pages 17 to 30 form an integral part of these financial statements.

SWAPAGENT LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	7	**14,443**	13,255
Property, plant & equipment	9	**-**	-
Deferred tax assets	6	**43**	44
Trade and other receivables	10	**66**	132
Total non-current assets		**14,552**	13,431
Current assets			
Trade and other receivables	10	**5,361**	9,759
Current tax receivables		**78**	78
Group relief receivables		**690**	640
Cash and cash equivalents		**4,468**	751
Total current assets		**10,597**	11,228
Total assets		**25,149**	24,659
Current liabilities			
Trade and other payables	11	**(6,946)**	(7,985)
Borrowings	12	**(13,685)**	(11,936)
Total current liabilities		**(20,631)**	(19,921)
Net assets		**4,518**	4,738
Capital and reserves			
Called up share capital	13	**2,000**	2,000
Retained earnings		**2,518**	2,738
Total equity		**4,518**	4,738

The notes on pages 17 to 30 form an integral part of these financial statements.

The financial statements on pages 13 to 30 were approved by the Board on 17 June 2022 and signed on its behalf by:

James Andrew Hudis
Chairman
SwapAgent Limited
17 June 2022

Nathan Ondyak
Head of SwapAgent
SwapAgent Limited
17 June 2022

SWAPAGENT LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	Called up share capital	Retained earnings	Total
	£'000	**£'000**	**£'000**
1 January 2020	2,000	5,529	7,529
Loss for the financial year	-	**(2,791)**	**(2,791)**
Total comprehensive loss	-	**(2,791)**	**(2,791)**
31 December 2020	**2,000**	**2,738**	**4,738**
Loss for the financial year	-	**(220)**	**(220)**
Total comprehensive profit/ (loss)	-	**(220)**	**(220)**
31 December 2021	**2,000**	**2,518**	**4,518**

The notes on pages 17 to 30 form an integral part of these financial statements.

1. Basis of Preparation and Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006 (the "Act"). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Accounting Standards ("IFRS") in conformity with the requirement of the Companies Act 2006.

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related regulations.

The following disclosure exemptions under FRS 101 have been considered and applied where deemed to be applicable:

- IAS 7 *Statement of Cash Flows* and related notes;
- Reduced IFRS 2 disclosure for share-based payment arrangements in a subsidiary's financial statements;
- IAS 8 the listing of new or revised standards that have not been adopted (and information about their likely impact) may be omitted;
- Reduced IAS 36 disclosure of impairment reviews;
- Reduced IFRS 7 disclosure for financial instruments;
- Reduced IFRS 13 disclosure relating to fair value measurement;
- IAS 24 related party disclosures for intra-group transactions and disclosure of key management compensation;
- IAS 1 the requirement to present comparatives in roll-forward reconciliations for movements on share capital, property plant and equipment, intangible assets and investment property;
- IAS 1.134-1.136 disclosure on capital management;
- Reduced disclosure for IFRS 15 *Revenue from Contracts with Customers*; and
- Reduced disclosure for IFRS 16 *Leases*.

During the year, the following amendments to standards became effective:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
- Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform – Phase 2

The adoption of these standards and amendments did not have a material impact on the results of the Company.

These financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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

Going concern

LCH Group has formally confirmed it will continue to provide financial support for the ongoing operations of the Company for at least 12 months from the date of approval of the financial statements and that it does not intend to call amounts outstanding or recall amounts due to be paid, under the loan agreement within that period, so long as the Company remains a part of the group. Furthermore, the directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in performance, which show that the Company has sufficient financial resources. This has been done using the Company's Medium Term Financial Plan ("MTFP"), sensitivity analysis and stress testing possible scenarios. The impact of the Covid-19 pandemic has been considered as part of the going concern assessment. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the Company has 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, the Company continues to adopt the going concern basis in preparing these financial statements.

Accounting Policies

Income Statement

Foreign currencies
These financial statements are presented in Pounds Sterling, which is the Company's presentation and functional currency.

Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. 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.

Revenue recognition
The measurement and timing of recognition of revenue is based on the principles of IFRS 15 Revenue from Contract with Customers. Fee income is recognised when the performance obligation in the contract has been performed, either at a 'point in time' for transaction related fees or 'over time' for fixed annual fees. The transaction price is calculated in accordance with the Company's fee scales net of all applicable sales taxes.

Revenue sharing arrangements - revenue share costs/income
Revenue share costs relate to revenue share arrangements with members where the revenue share is not limited to the amount of revenues receivable from the specific members and includes specific expenses. As such this has been classified within cost of sales as it arises, rather than as a deduction from revenue. Due to the nature of the arrangement, this may be an amount due to the company in start-up, in which case this revenue share income is recognised as revenue.

Cost of sales
Items of expense that are directly attributable to creating a product or provide a service that directly generates revenue or has the ability to generate revenue are classified as cost of sales.

Employee benefits
The Company has no employees, but instead receives employee services from another group company. These fees are recorded within operating expenses and include charges for salaries and benefits, bonuses, share-based payments, and pension contributions.

Contractors who fulfil roles similar to employees are paid directly by the Company, and these costs are disclosed as staff costs.

Impairment of intangible assets and property, plant and equipment
Intangible assets in the course of development are subject to an annual impairment review or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Other intangible assets and property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset may not be fully recoverable.

For the purpose of impairment testing assets are allocated to cash generating units monitored by management, usually at statutory company level. The impairment review involves a comparison of the carrying amount of the asset allocated to the related cash generating units, with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of less the costs associated with the sale.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs.

Finance income and expense
Finance income and expense comprise interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the period.

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 statement of financial position date in the country where 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 statement of financial position 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.

Statement of Financial Position

Intangible assets
Intangible assets are initially recognised at cost and are capitalised on the statement of financial position.

An internally generated intangible asset arising from the Company's business development is created if the asset can be identified, its cost measured reliably and it is probable that it will generate future economic benefits. Amortisation is charged from the date the developed product, service, process, or system is available for use. Self-developed software is generally amortised on a straight line basis over periods between 3 and 5 years, occasionally it will be longer if applicable. Licenses for software acquired are amortised over 7 years.

Property, plant and equipment
Property, plant and equipment is initially recognised at cost and capitalised in the statement of financial position and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on current prices, of each asset over its expected useful life as follows:

- leasehold refurbishment over the term of the lease (up to a maximum of 10 years)
- computer equipment and purchased software over 3 years
- office equipment and other fixed assets between 3 and 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Financial instruments
Financial assets and liabilities are initially recognised on their settlement date. The Company classifies its financial instruments as fair value through profit or loss ("FVPL") or amortised cost. The classification depends on the Company's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' ("SPPI").

Initial recognition:

- *Financial assets at amortised cost* are financial assets that are held in order to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. The Company's cash and cash equivalents and trade and other receivables fall within this category.

- *Financial assets at FVPL* include all other financial assets not classified as amortised cost.

- *Financial liabilities at FVPL* are liabilities that must be held at fair value. This includes derivatives, equity and debt instruments.

- *Financial liabilities at amortised cost* are all financial liabilities that are not included within financial liabilities at FVPL. This comprises the Company's trade and other payables balances and borrowings.

Subsequent measurement:
The Company adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss ("ECL") is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

- *Financial assets at amortised cost* - the ECL for trade and other receivables and cash and cash equivalents is calculated using IFRS 9's simplified approach using lifetime ECL. The allowance is based on the Company's historic experience of collection rates, adjusted for forward looking factors specific to each counterparty and the economic environment at large to create an expected loss matrix.

  The ECL on other financial assets held at amortised cost is measured using the general approach. The Company calculates an allowance based on the 12-month ECL at each reporting date until there is a significant increase in the financial instrument's credit risk, at which point the Company will calculate a loss allowance based on the lifetime ECL. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due.

- *Financial assets at FVPL* - no ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Trade and other receivables
Trade receivables are initially recognised at fair value, which is the original invoiced amount to the customers and subsequently measured at amortised cost, less any allowance for expected credit losses ("ECL"). The ECLs for trade and other receivables are calculated using IFRS 9's simplified approach of lifetime ECL. The simplified approach is based on historic experience of collection rates, adjusted for forward looking factors specific to each counterparty and the economic environment at large to create an expected loss matrix. The carrying amount of the asset is reduced through the use of an allowance account for ECL 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.

Cash and cash equivalents
Cash and cash equivalents comprise deposits held at call with banks, short-term deposits with a maturity of 3 months or less 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.

Trade and other payables
Trade payables 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 classified as 'trade and other payables' within current liabilities, if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as 'other non-current payables' within non-current liabilities.

Provisions

Provisions are recognised for current obligations arising as consequences of past events where it is probable that a transfer of economic benefits will be necessary to settle the obligation and it can be reliably estimated. All provisions, except for those arising under pension liabilities, are undiscounted.

Borrowings

Borrowings relate to loans from other companies within the group. Interest is charged at variable rates as stated within the relevant group loan agreement as set out by management. Borrowings are repayable either on demand or on dates stipulated within the relevant group loan agreement. Borrowings are included within current liabilities.

Share capital

The share capital of the Company consists of only 1 class of ordinary shares and these are classified as equity. Other capital reserves are described in note 13. Other instruments are classified as liabilities if there is an obligation to transfer economic benefits and if not they are included in shareholder's funds. The finance cost recognised in the income statement in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Dividend distributions

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

2. 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 2021 are as follows:

- the measurement and impairment of intangible assets: intangible assets are assessed when an indication of impairment arises. This requires the estimation of future cash flows and choosing a suitable discount rate (see note 9); and
- the measurement of the provision for corporation taxes: the Company recognises liabilities for the estimated tax charge at the period end. Where the final tax liability is different from that estimate such differences are reflected in the period in which such determination is made. Income tax provisions are recognised on the basis that the relevant tax authorities are fully aware of any situations giving rise to uncertainty.

There were no principal judgements applied by management for the year ended 31 December 2021.

3. Operating Expenses

The following items are included in operating expenses (total operating expenses include non-underlying items):

	Note	2021 £'000	2020 £'000
Staff costs	4	**3,858**	3,585
Foreign exchange gain		**(221)**	(458)
Other operating expenses		**6,469**	6,646
Operating expenses before depreciation, amortisation and impairment		**10,106**	9,773

Other operating expenses include professional fees recharged from other group companies.

Depreciation, amortisation and impairment	Notes	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	9	**-**	-
Amortisation of intangible assets	7	**3,805**	6,515
Impairment of intangible assets	7, 8	**-**	-
		3,805	6,515

Auditor's remuneration	2021 £'000	2020 £'000
Audit fees	**69**	69
Non-audit services	**-**	-
	69	69

4. Staff Costs

Staff and Directors	2021 £'000	2020 £'000
Total staff costs, including temporary staff	**3,858**	3,585
Average monthly number of staff	**28**	25

The Company has no direct employees. Employee services are provided by another company under common control and are treated as professional services. Staff costs include costs of contract staff who are not on the payroll of the group but fulfil a similar role to employees. These amounts are paid by the Company.

Directors' remuneration	2021 £'000	2020 £'000
Remuneration	**1,012**	1,020

Directors who are also Directors of other group companies do not receive remuneration for their services to the Company. Other Directors' remuneration is recharged to the Company by way of a management charge and is included above. The recharge includes all related costs including any share-based award costs. The highest paid Director participates in a share-based award scheme.

The costs above include deferred bonuses, other LTIP awards and share-based payment costs when they vest or become payable.

The highest paid Director received total remuneration of £880,358 (2020: £903,873) in the year.

5. Finance Income and Expense

	2021 £'000	2020 £'000
Finance expense		
Interest paid on intercompany short-term loan	**(101)**	(213)
Net finance expense	**(101)**	(213)

6. Taxation

The standard UK corporation tax rate was 19% for the year ended 31 December 2021 (year ended 31 December 2020: 19%).

Taxation credited/(charged) to the income statement	**2021 £'000**	2020 £'000
Current tax		
UK corporation tax for the year	**57**	640
Adjustment in respect of previous years	**(7)**	-
	50	640
Deferred tax		
Deferred tax relating to the origination and reversal of temporary differences	**(7)**	14
Deferred tax effect of future rate changes	**10**	4
Adjustment in respect of previous years	**(4)**	-
	(1)	18
Tax credit/(charge) reported in the statement of comprehensive income	**49**	658

Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (year ended 31 December 2020: 19%) as explained below:

	2021 £'000	2020 £'000
(Loss)/profit before taxation	**(269)**	(3,449)
Loss/(profit) multiplied by standard rate of corporation tax in the UK	**51**	655
Expenses disallowed and income not taxable	**(1)**	(1)
Adjustment in respect of previous years	**(11)**	-
Adjustment in respect of change of rate	**10**	4
Taxation credit/(charge)	**49**	658
Effective corporation tax rate	**18%**	19%

An increase in the UK Corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Deferred tax	Statement of financial position		Income statement	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Accelerated capital allowance	**43**	44	**(1)**	18
Deferred tax charge				
Deferred tax asset	**43**	44	**(1)**	18

	2021	2020
	£'000	£'000
Net deferred tax liability at 1 January	**44**	26
Deferred tax charge/(credit)	**(1)**	18
Net deferred tax asset at 31 December	**43**	44

7. Intangible Assets

	2021	**2020**
Internally developed software	**£'000**	**£'000**
Cost		
Balance as at 1 January	31,464	**25,768**
Additions	4,993	5,693
Asset transfer	-	3
Balance as at 31 December	**36,457**	**31,464**
Accumulated amortisation		
Balance as at 1 January	18,209	11,694
Amortisation charge for the year	3,805	6,515
Balance as at 31 December	**22,014**	**18,209**
Net book values		
31 December	**14,443**	**13,255**

The portion of capitalised internally developed software costs disclosed above that relates to software not currently brought into use amounted to £3.8million (2020: £5.0million). No amortisation has been charged during the year against these assets, but instead they are tested for impairment (see note 8).

8. Impairment Testing of Intangible Assets

The Company carries out annual impairment testing on software not currently brought into use in December of each year, or more often if circumstances show that an impairment is likely.

For intangible assets, impairment is assessed by reviewing the carrying value of the asset against its recoverable amount which is determined by value-in-use calculations for the relevant cash-generating unit ("CGU") using discounted cashflow projections.

Assumptions

The key assumptions used in the valuations relate to discounted cashflow projections prepared by management covering a 5 year period. The projections are based on the Company's budget for 2022 and the Company approved plan for the 2 financial years following the last financial year in the budget. Cashflows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates.

Management has based its value-in-use calculations for each CGU on key assumptions about short- and medium-term revenue and cost growth, long-term economic growth rates (used to determine terminal values) and pre-tax discount rates, as follows:

i. The values assigned to short- and medium-term revenue and cost growth are based on the 2021 budget and the Company approved 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 Company's long-term strategic objectives to determine appropriate short- and medium-term growth assumptions.
ii. Long-term growth rates of 3.5% (2020: 3.0%) represent management's internal forecasts based on external estimates of GDP and inflation.
iii. The pre-tax discount rate of 10.6% (2020: 10.8%) is based on a number of factors including the risk-free rate, the Company's estimated market risk premium and a premium to reflect inherent risks.

Impairment results

Having completed the tests as described above, a discounted cashflow test for self-developed software found that no assets were impaired (2020: nil). No self-developed software not yet in use was found to be impaired (2020: nil).

9. Property, Plant and Equipment

	Computer equipment £'000	Total £'000
Cost		
31 December 2020	577	577
Additions	-	-
Asset transfer	-	-
31 December 2021	**577**	**577**
Accumulated depreciation		
31 December 2020	577	577
Depreciation charge for the year	-	-
31 December 2021	**577**	**577**
Net book values		
31 December 2021	-	-
31 December 2020	-	-

Computer equipment has been fully depreciated.

10. Trade and Other Receivables

	2021 £'000	2020 £'000
Non-current		
Prepayments	**66**	132
	66	132
Current		
Amounts due from companies under common control	**4,553**	9,084
Prepayments	**132**	216
Other receivables	**676**	459
	5,361	9,759

The carrying values of trade and other receivables are a reasonable approximation of fair value. No trade and other receivables are considered to be impaired. Amounts due from companies under common control are interest free and repayable on demand. The balance includes revenue share receivables and can fluctuate depending on timing of invoicing and settlement.

11. Trade and Other Payables

	2021	2020
	£'000	£'000
Trade payables	**436**	302
Other taxation and social security	**628**	372
Accruals	**2,299**	2,013
Amounts due to companies under common control	**3,559**	5,275
Other payables	**24**	23
	6,946	7,985

The carrying values of trade and other payables are a reasonable approximation of fair value. Amounts due to companies under common control are interest free and repayable on demand.

12. Borrowings

	2021	2020
	£'000	£'000
Short-term loan from parent	**13,685**	11,936

A new loan agreement between the Company and its parent was signed in November 2021. The loan is a revolving credit facility valid for 5 years and is repayable on demand. Interest is charged at €STR +1%.

13. Share Capital

The Company has 2,000,001 fully paid-up ordinary shares of £1 each in issue as at 31 December 2021 (2020: 2,000,001 shares). 1 share was issued on incorporation. A further 2,000,000 shares were issued on 27 April 2017 at par to the parent.
All the Company's shares are owned by LCH Group Holdings Limited.

14. Commitments and Contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Company were nil (2020: nil) and nil (2020: nil), respectively.

15. Subsequent Events

There were no significant events after the reporting period.

16. Related Party Transactions

Ultimate parent and immediate parent
London Stock Exchange Group plc is the ultimate parent of the Company and the largest group that prepares consolidated accounts. LCH Group Holdings Limited is the immediate parent company and the smallest group that prepares consolidated accounts.

Copies of the consolidated financial statements for LCH Group Holdings Limited for the year ended 31 December 2021 are available from the company secretary at the registered office. Copies of the consolidated financial statements of London Stock Exchange Group plc for the year ended 31 December 2021 are available from the company secretary at 10 Paternoster Square, London EC4M 7LS.

Other group companies
Sales to and purchases from other group companies are at arm's length and at normal market rates. Outstanding balances at year end are unsecured and are settled in cash. For the year ended 31 December 2021 the Company has not raised any provisions for doubtful debts relating to amounts owed by other group companies.