LMAX Group

Annual Report 2018
and consolidated financial statements

A unique, globally diversified FX business

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Introduction: about the LMAX Group

Delivering a transparent, neutral, global marketplace for all FX participants.

The LMAX Group is a global, diversified financial technology company and the leading independent operator of multiple institutional execution venues for electronic FX and crypto currency trading.

Leading the transformation of the global FX marketplace to transparent, fair, precise and consistent execution, the LMAX Group has been widely recognised for industry innovation and award-winning proprietary technology.

The Group's portfolio includes LMAX Exchange (institutional FX exchange and FCA regulated MTF), LMAX Global (FCA regulated broker) and LMAX Digital (GFSC regulated institutional spot crypto currency exchange).

Servicing funds, banks, brokerages, asset managers and proprietary trading firms, the Group builds and runs its own high performance, ultra-low latency global exchange software, which includes matching engines based in London, New York and Tokyo.

LMAX | Exchange

The institutional exchange for global FX

LMAX Exchange is the leading institutional exchange for electronic FX trading and an FCA regulated MTF. Operating a central limit order book, LMAX Exchange offers streaming firm liquidity from top tier banks and non-bank institutions, transparent price discovery, no 'last look' execution and full control over trading costs.

LMAX | Global

Regulated brokers for global FX

LMAX Global operates an FCA regulated broker in the UK for the electronic trading of FX, metals and commodities. LMAX Global offers brokers and professional traders the ability to trade on the LMAX Exchange central limit order book with tight spreads on streaming, firm limit order liquidity from top tier banks and proprietary trading firms.

LMAX | Digital

The institutional spot crypto currency exchange

LMAX Digital is a regulated institutional spot crypto currency exchange. Based on proven, proprietary technology from LMAX Exchange, LMAX Digital allows global institutions to acquire, trade and hold the most liquid digital assets - BTC, ETH, LTC, BCH and XRP safely and securely.

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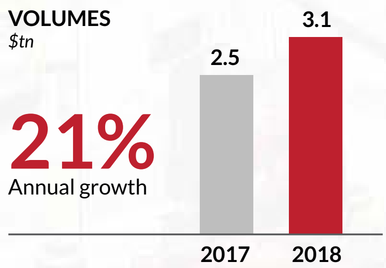
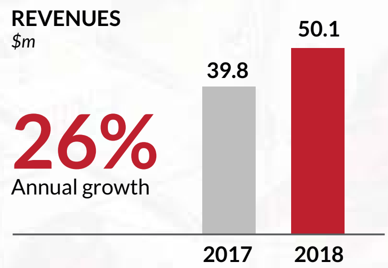
PRAXES MEDICAL
LMAX

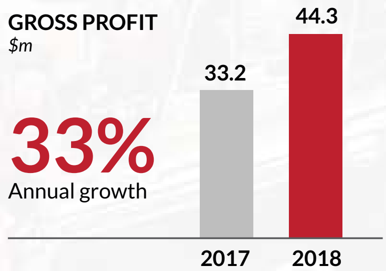
Highlights

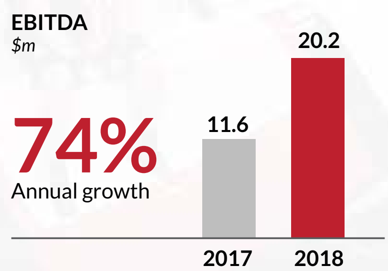
2018 financial highlights

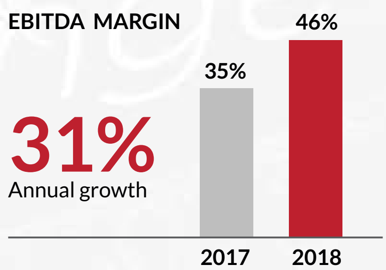
Shown in US$

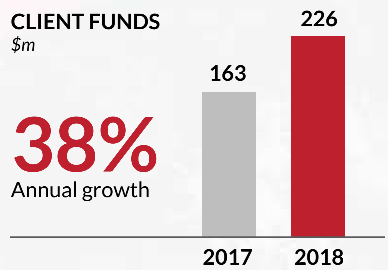












- **Gross revenues of US$50.1m, up 26% from 2017**
- **Gross profit of US$44.3m, up 33% from 2017**
- **Statutory EBITDA of US$20.2m, up 74% from 2017**
- **Operating profit of US$12.7m, up 117% from 2017**
- **EBITDA margin of 46%**
- **Client funds held of $226m, up 38% from 2017**
- **Total trading volume across exchanges in excess US$3 trillion, up 21%**
- **Continued growth of international exchanges**

  Trading volumes on New York (NY4) up 267% from 2017

  Trading volumes on Tokyo (TY3) up 60 % from 2017

CEO's statement

Overview

David Mercer, CEO

LMAX Exchange Group Limited ("the Group" or "LMAX") has grown rapidly in recent years and has established three core regulated businesses – LMAX Exchange, LMAX Global and LMAX Digital, developing a strong global footprint with businesses in the UK, Eurozone, US and AsiaPac. In the years ahead, we intend to further develop these businesses and focus on delivering the opportunities and efficiencies of operating as an integrated Group, to benefit our customers and to drive sustainable long-term growth.

Last year our industry was swept by consolidation and changes in market structure. Against this background, we emerged as the sole remaining independent exchange for global FX trading. Clients clearly value our independent status and distinctive business model focused on providing consistent, best-in-class service.

LMAX successfully managed through a difficult trading environment, that also saw FX volatility on major currencies fall to multi-year lows, with annual growth across all KPI's.

LMAX KPI's (USD)	2017	2018	Growth
Volumes (bn)	2.5	**3.1**	**21%**
Client Funds (m)	163	**226**	**38%**
Revenue (m)	40	**50**	**26%**
Gross Profit (m)	33	**44**	**33%**
EBITDA (m)	12	**20**	**74%**

Along with the strong results achieved, we also managed to pursue strategic initiatives. In February 2018, the Group completed a leveraged buyout, bringing 95% of LMAX Exchange Group under management ownership. This transaction confirms the Company's independent status at a time of rapid industry consolidation among OTC FX execution venues, which has seen large exchange groups expand into the asset class.

Another notable achievement was the launch of LMAX Digital, our institutional exchange, solely for crypto currency trading. This was created to fill a gap in this market by providing institutions with a trading platform they can trust, with deep liquidity, security of funds, and high performance, proven technology. This is not a case of joining in with the crypto currency fad, we firmly believe that blockchain technology will revolutionise capital markets in decades to come, though it might be some years before crypto assets are readily accepted and traded by the world's biggest institutions. Furthermore, LMAX Digital diversifies our overall product offering, something which is especially important at times of sporadic FX volatility when investors seek alternative asset classes.

During the year, we managed to navigate the complexities of the risk of a no-deal Brexit in a way that put our clients' interests first, as well as supporting financial stability of the market as a whole. We have also ensured that the impact of this scenario on the business is kept to a minimum with the recent acquisition of a regulated broker in Cyprus.

CEO's statement

As our Asia and US-based businesses continue to thrive, it is clear that Southern Europe and the Middle East should be the next areas of focus for us in terms of growth. This deal ensures that following the Brexit outcome our services will remain unaffected, whilst giving us the ability to serve clients in new established markets.

Strategic goals

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

LMAX | Exchange

The Exchange business continues to be of core importance to the Group and, due to the scale of the attainable market, presents the biggest opportunity for future volume growth. We remain confident on the growth prospects, especially in North America. The volumes in our New York based matching engine (NY4) have grown by an impressive 267% during the course of 2018. Clients are responding positively to our offering and clearly value our independent status and distinctive business model focused on providing consistent, best-in-class service.

LMAX | Global

With its global reach and multi-asset capabilities, LMAX Global continues to expand and now holds $250m of client funds across 5,000 live accounts, including broker-dealers, funds, and professional traders. We are particularly pleased about the outstanding contribution from our Asia Pacific business, where we grew revenues by 47%. With clients in 100 different countries and 11 offices worldwide, we remain in expansion mode and have built out our multi-hub offering to maximise growth potential.

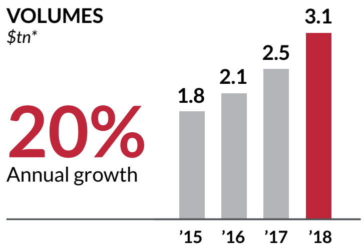
LMAX | Digital

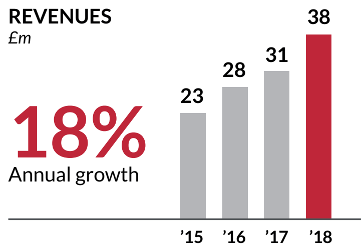
Our most recent business was launched in Q2 of 2018 on the back of strong demand by our institutional FX clients and our fifth exchange has demonstrated the same exemplary standards of exchange trading that LMAX has become renowned for. With 175 institutional accounts opened already, it is the fastest growing exchange within the Group, breaking even within five months of launch and is well placed for further growth with the anticipated entry of institutional investors and global clearing banks into the crypto currency industry. Being one of only eight firms to be awarded a Distributed Ledger Technology (DLT) license by the Gibraltar Financial Services Commission, we aim to play a crucial role in bringing crypto currencies into wider circulation, helping them to become part of mainstream capital markets and believe that blockchain technology will fundamentally revolutionise capital markets particularly in the realm of settlement, payments and reconciliation.

CEO's statement

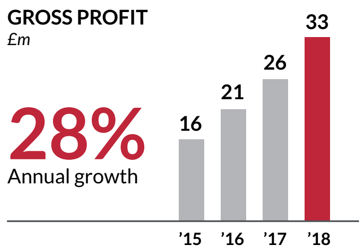
Group performance - compound annual growth

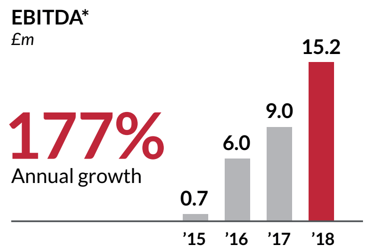
Shown in presentation currency





*market convention to report in USD





Future outlook

As we progress into 2019, we will be placing increased focus on growing business within our global institutional client segment. Following a number of senior high calibre hires in our distribution teams, notably in EMEA and Asia Pacific, we are well positioned to service these clients by demonstrating the quality of our robust, low-latency, transparent execution and lower overall cost of trading.

We will build on this momentum by investing in our business to expand and deepen our client relationships across the globe, whilst continuing to deliver an optimal experience for the 300-plus funds, banks, asset managers and brokers that we serve amongst our global client base.

We will continue to monitor industry developments and are mindful of the macroeconomic, technological and regulatory evolution. We are committed to continuing to invest in technology and strive to deliver operational excellence, while investing for growth across our core businesses. We will also further invest in our market-leading proprietary technology, which is the key enabler of the company's business model, building on the US$100m of investments to date to ensure the primacy of our execution venues as we expand the strength and breadth of our distribution capabilities in key growth markets.

On behalf of the Board:

David Mercer, Director and CEO
8 January 2020

EBITDA of £15.2m (US$20.2m) is arrived at by adding back depreciation of £0.9m (US$1.3m), amortisation of £2.7m (US$3.6m), foreign exchange losses of £1.2m (US$1.6m), legal costs relating to the Group reorganisation of £0.4m (US$0.5m) and general provisions of £0.3m (US$0.5m) for the year to operating profit of £9.6m (US$12.7m).

Principle risks

Risk Profile

Risk management is central to the long-term success of the Group and to the resilience of our operations. In the second half of 2017 and early 2018 the Group successfully modified its systems, processes and controls to adapt to changes in the regulatory environment including MiFID II. The Group continues to support its key markets and deliver stable and resilient services that meet our clients' needs.

LMAX has well-established processes for identifying and managing risks. The Board sets the Risk Appetite and monitors how well risks within each business are mitigated and controlled. The emphasis of risk management within the Group is to support a sustainable business model with the capacity to manage all the risks it faces, and able to continue to offer its services under sustained financial market volatility and stressed conditions.

The level of revenue in any period is driven by the volume of trading undertaken by its clients which in turn is predominantly driven by market volatility. Revenue is largely earned through commission charged on client trades and financing on client positions held overnight.

The Group faces liquidity and capital adequacy risk through its business model. It encounters operational risks, including those arising through technology, people, process and external events. It also faces conduct risk relating to how it deals with its clients and with the markets. LMAX operates in a dynamic competitive environment, and faces risks relating to market conditions and its competitive position.

LMAX operates in a number of geographic regions which affects how it is able to market and provide its services to clients. The regulations relating to the products and markets in which the business operates are continually evolving. The Group welcomes any movement by regulators to improve client outcomes, and also recognises some changes adversely impact its or the activities of its clients as the industry adapts.

Reputation with clients

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

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

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

Principle risks

LMAX Global has three main categories of clients: institutional, professional and a small number of direct retail. We offer clients the opportunity to be classified as professional traders in the EU and UK, under MiFID categorisations. However, we require them to demonstrate compliance with a set of rigorous eligibility criteria to ensure that they are suitably qualified for this designation. LMAX Global in the main provides services to institutions, including asset managers, hedge funds, STP brokers and broker-dealers providing direct access to major hedging counterparties.

We ensure that commitment to our customers is embedded in our culture and strategic initiatives, and we regularly seek and review feedback from our clients. This enables us to develop our products and services specifically to meet the needs of a global client base. Central to the commitment to our customers is the transparency and quality of our order execution. LMAX Global is an advocate of no-last look trading and processes 100% of client trades automatically, never requoting prices. Should a significantly better price become available for customers during the dealing process, our innovative price-improvement technology enables customers to receive that better price during trade execution.

In addition to dealing directly with clients, LMAX Global services clients introduced through third parties who do not have their own front-end offering and want to take advantage of our award-winning technology and expertise. They introduce their clients to us, and we provide execution services and back-end support. The introducer manages the client relationship. We carefully assess the risk and potential returns from introducers, and only partner with reputable institutions that are committed to the same rigorous standards of regulatory compliance as ourselves, and whom fit our risk profile.

Impact of the economic environment

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

The Group performs regular analysis to monitor the markets and the potential impacts of market price movements on the business. Activities include Key Risk Indicator tracking, stress testing, and hedging.

Particular consideration has been given to the potential impact to the Group of the UK no longer having access to the single market with the loss of the rights to passport services in other EU member states. The Group will monitor progress of the political negotiations between the UK and the EU and will be ready to act if required to ensure we can continue to operate across the EU.

Regulatory developments

The Company, and the industry as a whole, has faced significant change in the UK and EU when ESMA announced measures, pursuant to its new product intervention powers under Article 40 of MiFIR, to address investor protection risks. These measures apply only to retail clients. In accordance with MiFIR, ESMA can introduce temporary intervention measures on a three-monthly basis, and before the end of the three months ESMA will consider the need to extend the intervention measures for a further three months. The FCA expects to consult on whether to apply

Principle risks

these measures on a permanent basis. The Company is working on the basis that the temporary restrictions will become permanent in the UK and across the EU.

Credit risk

LMAX Global is exposed to credit risk as a result of placing collateral with prime brokers and therefore losses may occur due to the default of the prime broker. The selection of good credit quality CCP and non-CCP counterparties are fundamental, as too is the ongoing periodic assessments.

Concentration risk is monitored daily to ensure that pre-defined thresholds limits are not exceeded, with corrective action taken immediately to prevent this.

Credit risk also relates to its customers and counterparties being unable to meet their obligations to LMAX Global either in part or in full. This is minimised through prudent levels of margin being required to cover exposures, which is dynamically monitored through the trading platform.

LMAX Group makes a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default.

IT security

As an online business, the integrity, security, stability and operational robustness of IT systems are critical for ongoing performance. Technology failures may impact our clients and the orderly running of markets on our Exchange, potentially leading to a loss of trading volumes. Ensuring that appropriate protections are in place to detect and prevent any intrusion such that all systems are safeguarded against hackers, email viruses, attacks and other forms of cybercrime is essential. Any failure in these measures could significantly impact the Company's reputation and hence financial performance. As part of the systems infrastructure, management regularly review system security and regularly conducted external cyber audits.

We follow security standards (ISO27001) to ensure these risks are managed and treated appropriately. We spend a significant amount of resource and investment deploying processes, procedures and technologies to mitigate the impact of cyber and other IT related risks.

Future outlook

LMAX Global has delivered a sustainable brokerage business for a number of years by offering clients the ability to trade on the LMAX Exchange central limit order book, offering tighter spreads on streaming firm liquidity from top tier banks and proprietary trading firms. The business is well positioned to mitigate the impact of regulatory change and to continue to deliver sustainable growth.

LMAX Global welcomes greater clarity around the nature and extent of such change affecting the FX and CFD industry, such as the recent measures imposed by ESMA relating to the provision of CFDs to retail clients in the UK and EU. These developments are commensurate with the Company's vision of transforming global FX trading and driving change in the industry in order to encourage a fairer and more transparent market place. The Company will continue to invest in technology and strategies that help to deliver future growth.

Principle risks

Proposed dividend

The directors do not recommend the payment of a dividend for 2018 (2017: nil).

Directors

The directors who held office during the year and at the date of this report was as follows:

David Mercer (appointed 21 December 2017); Edmond Warner (appointed 16 July 2019); Edward Wray (appointed 16 July 2019); Grant Pomeroy (appointed 16 July 2019).

Employees

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

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

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

Auditor

PricewaterhouseCoopers LLP were appointed as the auditors of the Group on 14th May 2018, (pursuant to the shareholder special resolution) the auditors will be deemed to be reappointed and therefore will continue in office.

Disclosure of information to auditor

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

On behalf of the Board:

David Mercer, Director and CEO
8 January 2020

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to
- any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Independent auditors' report to the members of LMAX Exchange Group Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, LMAX Exchange Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the group and parent company statements of financial position as at 31 December 2018; the group and parent company statements of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

The Group holds crypto currency balances on the consolidated statement of financial position amounting to £10.3m as at 31 December 2018 on behalf of customers and for its own use. The crypto currency market is in its early stages and accordingly there is a lack of reliable infrastructure in place across the market to read transactions and balances available in the block chain public domain. Currently management uses open source tools to read the block chain network. Although the approach is largely consistent across the market, we were unable to obtain sufficient appropriate audit evidence supporting the existence of these assets as at 31 December 2018 as we were unable to assess the reliability of these open source tools. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

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

Independence

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

Independent auditors' report to the members of LMAX Exchange Group Limited

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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

Independent auditors' report to the members of LMAX Exchange Group Limited

liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

In respect solely of the limitation on our work relating to matters, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records have been kept by the company.

Under the Companies (Jersey) Law 1991 we are also required to report to you if, in our opinion:

- proper 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.

We have no exceptions to report arising from this responsibility.

Lawrence Wilkinson

Lawrence Wilkinson
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
London,
8 January 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2018	Note	2018	2017 *(Restated)
		£'000	£'000
Revenue	2.1	**37,539**	30,839
Cost of sales	2.2	**(4,310)**	(3,971)
Gross profit		**33,229**	26,868
Administrative expenses	2.3	**(23,655)**	(21,256)
Operating profit		**9,574**	5,612
Financial income		**236**	436
Financial expenses		**(1,134)**	(14)
Profit before tax		**8,676**	6,034
Taxation	3	**(1,442)**	(903)
Profit for the year		**7,234**	5,131
Other comprehensive income/(expense)		**35**	(239)
Profit and total comprehensive income for the year		**7,269**	4,892
Total comprehensive expense/income attributable to:			
Equity holders of the parent		**6,734**	3,107
Non-controlling interest		**535**	1,785

The results shown above are derived wholly from continuing operations.
The accompanying notes on pages 27 to 51 form an integral part of these financial statements.
*Prior year restatement is detailed in note 2.8 on page 35 of these financial statements.

Consolidated statement of financial position

As at 31 December 2018	Note	2018	2017 *(Restated)
		£'000	£'000
Non-current assets			
Intangible assets	5	**4,496**	3,732
Property, plant and equipment	6	**2,342**	1,372
Current assets			
Cash and cash equivalents	9	**50,659**	29,760
Trade and other receivables	7	**43,495**	27,154
Other assets	8	**10,352**	-
Deferred tax asset	3.1	**-**	27
Total assets		**111,344**	62,045
Non-current liabilities			
Trade and other payables	10	**(15,390)**	-
Current liabilities			
Trade and other payables	10	**(92,890)**	(44,486)
Deferred tax liabilities	3.1	**(220)**	-
Total liabilities		**(108,500)**	(44,486)
Net assets		**2,844**	17,559
Equity			
Share capital		**1,000**	971
Share premium		**-**	1,177
Demerger reserve		**(8,575)**	-
Other equity		**132**	-
Foreign currency translation reserve		**111**	80
Retained earnings		**6,703**	7,530
Equity attributable to equity holders of the parent		**(629)**	9,758
Non-controlling interest		**3,473**	7,801
Total equity		**2,844**	17,559

The accompanying notes on pages 27 to 51 form an integral part of these financial statements. These consolidated financial statements were approved by the Board on 8 January 2020 and were signed on behalf of the Board by:

David Mercer, Director and CEO
8 January 2020

*Prior year restatement is detailed in note 2.8 on page 35 of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share capital	Share premium	Foreign currency translation reserve	Demerger Reserve	Other equity	Retained earnings	Total parent equity	Non controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017 (Restated)**	**971**	**1,177**	**232**	**-**	**-**	**4,271**	**6,651**	**6,016**	**12,667**
Profit for the year Restated	-	-	-	-	-	3,259	3,259	1,872	5,131
Other comprehensive income	-	-	(152)	-	-	-	(152)	(87)	(239)
Total comprehensive income for the year	**-**	**-**	**(152)**	**-**	**-**	**3,259**	**3,107**	**1,785**	**4,892**
Balance at 31 December 2017 (Restated)**	**971**	**1,177**	**80**	**-**	**-**	**7,530**	**9,758**	**7,801**	**17,559**
Balance at 1 January 2018	**971**	**1,177**	**80**	**-**	**-**	**7,530**	**9,758**	**7,801**	**17,559**
LMAX Exchange Group - new hold co. incorporation	1,000	-	-	(1000)	-	-	-	-	-
Group reorganisation*	(1000)	(1,491)	-	2,491	-	-	-	-	-
Transfer of reserves*	-	-	-	7,530	-	(7,530)	-	-	-
Acquisition of MI*	-	-	-	(17,596)	-		(17,596)	(4,863)	(22,459)
Profit for the year	-	-	-	-	-	6,703	6,703	531	7,234
Other comprehensive income	-	-	31	-	-	-	31	4	35
Total comprehensive income for the year	**-**	**-**	**31**	**-**	**-**	**6,703**	**6,734**	**535**	**7,269**
Issue of share option	-	-	-	-	392	-	392	-	392
Equity-settled share based payment transactions	29	314	-	-	(260)	-	83	-	83
Total distributions to owners	**29**	**314**	**-**	**-**	**132**	**-**	**475**	**-**	**475**
Balance at 31 December 2018	**1,000**	**-**	**111**	**(8,575)**	**132**	**6,703**	**(629)**	**3,473**	**2,844**

Dividend paid in the year was £nil.
The accompanying notes on pages 27 to 51 form an integral part of these financial statements.
*For movement in retained earnings please refer to note 4 for more details.
**Prior year restatement is detailed in note 2.8 on page 35 of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2018	2018	2017 *(Restated)
	£'000	£'000
Cash flows from operating activities		
Operating profit	**9,574**	5,612
Adjustments for:	**-**	-
Depreciation	**941**	1,152
Amortisation	**2,728**	2,732
Gain on sale of employee shares	**(236)**	-
(Increase) in trade and other receivables	**(16,341)**	(10,156)
(Increase) in inventories	**(10,352)**	-
Increase in trade and other payables	**45,535**	922
Tax paid	**(686)**	(363)
Net cash from operating activities	**31,163**	(101)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,911)**	(1,101)
Acquisition of intangibles and capitalised expenses	**(3,492)**	(2,301)
Financial income	**236**	436
Net cash used in investing activities	**(5,167)**	(2,966)
Cash flows from financing activities		
Net movement in borrowings	**17,750**	-
Finance expense	**(1,134)**	(14)
Increase in other reserves	**515**	-
Acquisition of minority interest	**(22,376)**	-
Net cash used in financing activities	**(5,245)**	(14)
Net increase in cash and cash equivalents	**20,751**	(3,081)
Cash and cash equivalents at beginning of year	**29,760**	33,080
Effect of exchange rate fluctuations on cash held	**148**	(239)
Cash and cash equivalents at end of year	**50,659**	29,760

The accompanying notes on pages 27 to 51 form an integral part of these financial statements.
*Prior year restatement is detailed in note 2.8 on page 35 of these financial statements.

Notes to consolidated financial statements

1. Accounting policies

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

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

Going concern

The Directors have considered all available information about the future events when considering the Group's going concern. The Directors have reviewed profit and cash flow forecasts for at least 12 months following the date of the signing of these financial statements. These forecasts take into account future expected revenues, costs, liquidity and statutory capital requirements of the subsidiaries.

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

Basis of preparation

The Group financial statements have been prepared under the historical cost accounting except where required otherwise by the adopted IFRS.

The preparation of financial statements requires judgements, estimates and assumptions to be made that affect the application of policies, assets and liabilities, and revenues and expenses. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Any revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgement made by management in the application of the accounting standards that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed where applicable. The areas involving significant estimates or judgement include the carrying value & useful economic life estimates of non-current assets, the recoverability of current assets and liabilities and namely:

Notes to consolidated financial statements

- Impairment for expected credit losses - note 7.1
- Estimation of current tax payable and current tax expense – note 3
- Estimated useful economic life of intangible asset - note 5
- Valuation of crypto currencies- note 13.6

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018. The accounting policies of the Company and its subsidiaries are consistent with each other aside from the basis of preparation.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiaries with reporting currencies different to British Pound are converted using the following rates:

- Assets and liabilities are translated using the rate exchange at the balance sheet date
- Items of income and expense are translated at an average rate for the accounting period

Gains or losses recognised from translation are included in the Statement of Other Comprehensive Income and is included in the foreign currency translation reserve.

Changes in accounting policies

From 1 January 2018 the Group adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. The consequential amendments to IFRS 7 disclosures have only been applied in the current year.

The adoption of IFRS 9 has resulted in no significant changes in the Group's accounting policies for recognition, classification, measurement and impairment of financial assets and liabilities hence the impact has been immaterial.

Intangible assets, amortisation, research and development

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring it into use. The costs are amortised over their estimated useful economic life or the life of the software licence contract which is three to five years.

The Group undertakes continuous development of its MTF exchange, broker and mobile application software. The development activity involves planning and designing for the production of new and substantially improved features for the MTF exchange and broker. To the extent it is technically and commercially feasible and there is an intention to complete, each development, labour and expenses directly attributable to new and improved features are capitalised as an intangible asset.

Other development expenditure and research activities are expensed as incurred. The capitalised cost of developed software is amortised over a three year period. There were no impairment losses recognised on developed software.

Notes to consolidated financial statements

Property, plant and equipment and depreciation

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

Leasehold	Shorter of the term of the lease or the useful economic life of the asset
Computer equipment and software	33% straight line
Fixtures and fittings	20% straight line

Impairment of intangible and tangible assets

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

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

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

Trade and other receivables

Trade and other receivables are measured initially at fair value. In accordance with IFRS 9 paragraph B5.5.35, subsequent to initial recognition, the amortised cost is measured by calculating the expected credit losses (ECL) on trade receivables through the use of a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

Inventories - crypto currencies

Inventory represents crypto currencies controlled by the Group.

The Group operates a crypto currency exchange which provides a trading venue for its clients to trade hence the Group controls the crypto assets held on its clients' trading account.

In the absence of guidance on how crypto currency assets should be recognised and disclosed in accordance with IFRS as adopted by the EU, the Group has recognised the crypto currencies as inventories as the economic nature is deemed to be in line with certain commodities under IAS 2.3(b). Crypto currencies are in the financial statements as inventories. These are initially measured at cost and subsequently measured at fair value with the movement in the fair value recognised in the income statement.

Notes to consolidated financial statements

Trade and other payables

Trade payable represents balances with counterparties and clients where the combination of cash held on account and the valuation of their trading position results in an amount payable by the Group. Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

The client liability in relation to open contract for difference ("CFD") products is valued at fair value and thus the gain and loss on these CFD positions is recorded in the income statement as per the guidance under IFRS 9.

Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand. The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority and other regulatory bodies. Such monies are classified as either 'transfer of title funds' or 'segregated client funds' in accordance with the relevant regulatory requirements.

Segregated client funds comprise individual client funds held in segregated client money accounts which hold statutory trust status, restricting the Group's ability to control the monies. These monies are not recognised on the balance sheet. The return received on managing segregated client funds is included in Finance income.

Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement, by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. Title transfers funds are included in cash and cash equivalents and Collateral receivables. The corresponding liability for title of transfer funds is included in trade and other payables.

Capital reorganisation

Guidance under IFRS 3 suggest that the consolidated financial statements of LMAX Exchange Group Limited ("new company") should reflect the pre-combination carrying values of the subsidiaries acquired from Hamsard 3297 Limited, with comparatives being presented for all prior periods. This is due to fact that there is no substantive economic change in the group structure before and after the capital reorganisation. The shareholders of the new Company before and after the transaction remain the same and continue to have the same proportion of shareholdings. For details of the capital reorganisation, see note 4.

Acquisition of shares from minority interest

The new Company acquired the remaining shares in LMAX Broker and LMAX Limited from The Sporting Exchange Limited (part of the Betfair Group) as detailed in note 4. As per guidance under IAS 27 this has been accounted for as a transaction with the shareholders of the Group whereby any excess of consideration paid over the net assets acquired is adjusted to the equity of the controlling shareholders.

Revenue

Revenue is measured as the consideration received from customers for trading commissions, funding revenue and service fee revenue. Commissions are recognised on the date the trade is

Notes to consolidated financial statements

executed, funding revenue is recognised on the close of trading day and is based on the customer's open positions and service fee revenues are recognised once charged to the customers' accounts.

The proprietary trading revenue is recognised on the close of trading day, represents realised and unrealised Profit and loss made on proprietary trading positions.

Interest income comprises of interest receivable on funds held in bank accounts. Finance income is recognised as it accrues, using the effective interest method.

Cost of sales

Commission and any transaction clearing fees paid relating to the customer trades is recorded within the Cost of sales. Cost relating to introducing broker fees is recorded in the same period as the underlying trading commission and funding revenue.

Employee and other short-term benefits

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

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

Research and development grant

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

Foreign currencies

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

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

Finance and operating leases

Total payments made under operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The liability is shown within trade and other payables.

Notes to consolidated financial statements

Financial income per Statement of Comprehensive Income

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

Financing income comprise interest receivable on funds held in bank accounts. Finance income is recognised as it accrues, using the effective interest method.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Related party transactions

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

Notes to consolidated financial statements

2. Profit before tax

2.1 Revenue breakdown

	2018	2017 *(Restated)
	£'000	£'000
Commissions	**18,356**	15,575
Funding revenue	**16,567**	13,162
Others	**2,616**	2,102
Total Revenue	**37,539**	30,839

2.2 Cost of sales is stated after charging:

	2018	2017 *(Restated)
	£'000	£'000
Clearing and trading fees	**1,541**	1,273
Introducing broker fees	**1,933**	2,063
Expected credit loss	**372**	48
Other variable costs	**464**	587
Total cost of sales	**4,310**	3,971

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

	Note	2018	2017 *(Restated)
		£'000	£'000
Total salary expenses	**2.4**	**12,990**	10,551
Social security expenses		**1,283**	1,149
Other Pension costs		**190**	148
- of which capitalised as development software		**(3,117)**	(2,265)
Depreciation of tangible assets		**941**	1,153
Amortisation of intangible assets		**2,728**	2,732
Other operating lease rentals – buildings	**2.5**	**824**	704
Legal and Professional		**877**	824
Foreign exchange losses		**1197**	81
Research & development tax grant		**(1,590)**	(688)
Other costs		**7,332**	6,867
Total administrative expenses		**23,655**	21,256

Notes to consolidated financial statements

2. Profit before tax (cont.)

2.4 The average monthly number of persons employed by the Group (including directors) analysed by category is as follows:

	2018	2017
	No.	No.
Corporate and administration	28	23
Product development	43	35
Operations	23	21
Sales and marketing	29	23
Total	**123**	102

2.5 Non-cancellable operating lease rentals for leased properties are payable as follows:

	2018	2017
	£'000	£'000
Less than one year	657	411
Between one and five years	1,798	-
More than five years	2,172	-
Total	**4,627**	411

2.6 The sole director for the period received no remuneration for his role as a director of the company. He received £1.5m (2017: £0.8m) as a director of Group subsidiaries from LMAX Limited.

2.7. Remuneration paid to the auditors is as follows:

	2018	2017
	£'000	£'000
Fees payable to the Company's auditors for the audit:		
- the audit of the Company's annual accounts	**60**	10
- of financial statements of subsidiaries' pursuant to legislation	**114**	75
- assurance services for subsidiaries	**66**	63
Total	**240**	148

Notes to consolidated financial statements

2. Profit before tax (cont.)

2.8 Prior year restatement	2017 As originally presented	IAS 37 adjustment	2017 *(Restated)
	£'000	£'000	£'000
Revenue	30,839	-	30,839
Cost of sales	(5,049)	1,078	(3,971)
Gross profit	**25,790**	**1,078**	**26,868**
Administrative expenses	(21,256)	-	(21,256)
Operating profit	**4,534**	**1,078**	**5,612**
Financial income	436	-	436
Financial expenses	(14)	-	(14)
Profit before tax	**4,956**	**1,078**	**6,034**
Taxation	(903)	-	(903)
Profit for the year	**4,053**	**1,078**	**5,131**
Foreign currency translation differences-foreign entities	(239)		(239)
Equity holders of the parent	3,814	1,078	4,892

*The prior period balances have been restated to adjust for an error in the recognition of a provision for future operating losses in LMAX Limited. This is in line with the restated disclosed in the standalone financial statements of LMAX Limited.

Notes to consolidated financial statements

3. Taxation

	Note	2018	2017
Current tax:		£'000	£'000
UK corporation tax charge on profits for the year		**1,588**	399
Adjustment in respect of prior year period		**(393)**	(2)
Total current tax		**1,195**	397
Deferred tax:			
Deferred tax - origination and reversal of timing differences		**244**	515
Prior year adjustments		**3**	(9)
Total deferred tax	**3.1**	**247**	506
Tax per income statement	3.2	**1,442**	903

3.1 The deferred tax credit for the year has been recognised on all timing differences between the carrying value treatment of assets and liabilities and the associated tax allowances. Deferred tax was recorded using the rate substantively enacted rate at the balance sheet date of 19.0%. The deferred tax credit has been a result of:

	2018	2017
Deferred tax (assets)/liabilities:	£'000	£'000
Provision at the start of the period	**(27)**	(532)
Charge to the profit and loss account	**247**	505
Total deferred tax charge	**220**	(27)

3.2 A significant part of the deferred tax assets and liabilities are based in the UK jurisdiction. The current tax charge for the year is than the standard corporation tax in the UK of 19.0%. The differences are explained below:

Factors affecting total tax charge on the current period	**2018**	2017
	£'000	£'000
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before tax for the period - continuing activities	**8,676**	6,034
At standard rate of corporation tax in the UK of 19.00%	**1,648**	1,161
Effects of:		
Non taxable income	**-**	(298)
Expenses not deductible for tax purposes	**38**	26
Prior year adjustment	**(206)**	(12)
Deferred tax - changes in taxes	**(38)**	25
Rounding	**-**	1
Tax charge for the period	**1,442**	903

Notes to consolidated financial statements

4. Capital re-organisation

On 03 January 2018, the brokerage business of LMAX Limited was demerged into a newly incorporated and regulated entity called LMAX Broker Limited. As part of the capital reduction demerger the share premium and reserves of LMAX Limited were converted to Distributable reserves, permitted under section 641(1)(a) Companies Act 2006. Pursuant to the capital reduction LMAX Limited transferred the brokerage business to LMAX Broker Limited in exchange for the issue of shares by LMAX Broker Limited to the ultimate shareholders, and as a result £12m of LMAX Limited's reserves were transferred as issue of capital in LMAX Broker Limited. Hamsard 3297 Limited "Hamsard" remained the 63.65% majority shareholder of the two entities and its subsidiaries ("LMAX Group").

LMAX Exchange Group Limited "LEG" (a Jersey incorporated entity) was established on 21 December 2017 as the new group holding company. LEG was dormant, until 1 February 2018 when LEG acquired the entire share capital of Hamsard in exchange for the issue of shares in LEG to each of the ultimate shareholders of Hamsard. The Hamsard shareholders were issued shares in the same class and proportion as their shareholding in Hamsard so the shareholdings of LEG following completion of the share for share exchange were identical of the shareholdings of Hamsard immediately prior to the share for share exchange. On consolidation the £1m share capital in Hamsard offsets the same capital in LEG and the share premium and reserves are transferred to the Distributable reserve as part of the subsequent wind down of Hamsard instructed on 18 December 2018.

At the same time, LEG acquired the 63.65% of the shares in the LMAX Group from Hamsard 3297 Limited at market value. The transaction gave rise to a significant intercompany payable from LEG to Hamsard 3297 Limited which was only eliminated as part of the winding down process of Hamsard.

On 1 February 2018, LEG also obtained third party funding to acquire 31.35% minority shareholding of the LMAX Group from The Sporting Exchange Limited (part of the Betfair Group) making LEG 95% majority shareholder of the LMAX Group. As a result, £4.9m of net assets were transferred from minority interest to the Group's reserve as shown within the Statement of changes in Equity and the difference between the total consideration and net assets acquired has been recognised against the demerger reserve.

Notes to consolidated financial statements

5. Intangible assets

	Purchased Software	Developed Software	Total Intangible Assets
	£'000	£'000	£'000
Cost			
Balance at 31 December 2017	**181**	**12,664**	**12,845**
Additions	375	3,117	3,492
Balance at 31 December 2018	**556**	**15,781**	**16,337**
Accumulated amortisation			
Balance at 31 December 2017 (Restated)	**(100)**	**(9,013)**	**(9,113)**
Amortisation for the year	(95)	(2,633)	(2,728)
Balance at 31 December 2018	**(195)**	**(11,646)**	**(11,841)**
Carrying value			
at 31 December 2017	81	3,651	3,732
at 31 December 2018	**361**	**4,135**	**4,496**

Notes to consolidated financial statements

6. Property, plant and equipment

	Leasehold improvements	Computer equipment	Fixtures, furniture and fittings	Total property, plant, and equipment
	£'000	£'000	£'000	£'000
Cost				
Balance at 01 January 2017	**398**	**7,232**	**149**	**7,779**
Additions	26	1,075	-	1,101
Balance at 31 December 2017	**424**	**8,307**	**149**	**8,880**
Accumulated depreciation				
Balance at 01 January 2017	**(398)**	**(5,851)**	**(108)**	**(6,357)**
Depreciation for the year	(8)	(1,128)	(16)	(1,152)
Balance at 31 December 2017	**(406)**	**(6,979)**	**(124)**	**(7,509)**
Cost				
Balance at 01 January 2018	**424**	**8,307**	**149**	**8,880**
Additions	-	1,855	57	1,912
Disposals	-	(4,474)	-	(4,474)
Balance at 31 December 2018	**424**	**5,688**	**206**	**6,318**
Accumulated depreciation				
Balance at 01 January 2018	**(406)**	**(6,979)**	**(124)**	**(7,509)**
Depreciation for the year	(17)	(906)	(18)	(941)
Disposals	**-**	4,474	-	4,474
Balance at 31 December 2018	**(423)**	**(3,411)**	**(142)**	**(3,976)**
Carrying value				
at 31 December 2017	18	1,328	25	1,371
at 31 December 2018	**1**	**2,277**	**64**	**2,342**

Notes to consolidated financial statements

7. Trade and other receivables

		2018	2017
		£'000	£'000
Trade debtors	7.1	**856**	551
Other debtors	7.2	**1,564**	573
Research & development tax grant		**-**	335
Collateral requirement for trade clearing	7.3	**40,127**	24,726
Prepayments and accrued income		**948**	969
Total		**43,495**	27,154

Classification:		
Non-current	**-**	-
Current	**43,495**	27,154
Total	**43,495**	27,154

7.1 The aging of trade receivables at the year end date is as follows:

31 December 2018	Current	1-30 Days past due	31-60 Days past due	61-90 Days past due	90 Days past due or more	Total
Expected loss rate	0.3%	1.6%	3.6%	6.6%	10.6%	
Gross Carrying amount - trade receivables (£'000)	818	(13)	19	12	20	856
Loss allowance	**2**	**-**	**1**	**1**	**2**	**6**

The loss allowance as at 31 December 2018 (on adoption of IFRS 9) was determined as above for trade receivables. For details of movement in allowance for impairment in refer to note 13.1 for details.

7.2. Other debtors have no fixed terms of repayment, are interest free and have no security provided.

7.3. Collateral comprise of balances held with the prime brokers at the period end.

Notes to consolidated financial statements

8. Inventories

	2018	2017
	£'000	£'000
Other assets - market value of crypto currencies held by the Group	10,352	-

Total crypto currencies balance held by the Group includes £9.1m held on behalf of clients of LMAX Digital.

9. Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and cash equivalents	50,659	29,760

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

The Group holds client funds in segregated client trust bank accounts. The group does not recognise these bank accounts or the related client liability on the balance sheet. At the end of the year, total funds held in these accounts was £83.6m.

Below is an analysis of the change in net funds:

	Cash and cash equivalents	Collateral*	Transfer of title funds	Net funds
	£'000	£'000	£'000	£'000
Opening balance at 1 January 2018	29,760	24,726	(39,507)	14,979
Net cash movement	20,899	25,753	(43,424)	3,228
Balance at 31 December 2018	**50,659**	**50,479**	**(82,931)**	**18,207**

*Collateral balance includes the balances held with the Prime Brokers and other assets.

Notes to consolidated financial statements

10. Trade and other payables

	Note	2018	2017 (Restated)
		£'000	£'000
Transfer of title funds	10.1	**82,931**	39,507
Loan	10.2	**17,750**	-
Accruals and deferred income		**5,583**	4,595
Finance leases	10.3	**1,037**	70
Trade creditors		**642**	122
Taxation and social security		**314**	192
Derivative contracts		**23**	-
Total		**108,280**	44,486
Classification:			
Non-current		**15,390**	-
Current		**92,890**	44,486
Total		**108,280**	44,486

10.1

Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement, by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. These funds would be immediately transferable back to the client on request. No interest is payable to the client for these funds.

10.2

The loan includes a revolving credit of £5m and a term debt of £12.75m. The remaining term of the debt is 3 years and 1 month.

10.3

The Group's computer equipment suppliers have provided financing arrangements for equipment purchase directly from them. The terms of the financing arrangements have been recorded as financing leases with the corresponding asset capitalised in property, plant and equipment. The financing arrangements have terms of three years, are repayable on a quarterly basis and have effective interest rates of 0.8% to 4.8%.

Notes to consolidated financial statements

11. Related party transactions

Internal controls are in place to ensure that any related party transactions including directors or their connected persons are carried out on an arm's length basis and are properly recorded.

Identified related parties

Identified related parties include:

- Director of the company
- Directors of subsidiaries. These directors received no fees from their directorships, but were paid salaries for services rendered to the subsidiaries in accordance with their employment contracts
- Supplier, Mobile Trading Partners LLP, of which David Mercer is a member
- Client Directa S.I.M.p.A, due to their 5% shareholding in LMAX Limited and LMAX Broker Limited during the period
- Group companies including: subsidiaries listed in note 2 to the Company accounts

	2018	2017
Key management personal compensation	£'000	£'000
Short-term employee benefits	**1,450**	795
Total	**1,450**	795

Balances		
Amounts due from shareholder of LMAX Exchange Group Limited	**114**	-
Amount due from shareholder of Hamsard 3297 Limited*	-	122
Transactions		
Mobile Trading Partners LLC mobile application development	**461**	279

*Previous holding company

12. Post balance sheet event

15 January 2019, LMAX Hong Kong Limited notified the Hong Kong Securities and Futures Commission ("SFC") of its intention to deregulate in advance of winding down the entity.

On 15 April 2019 LMAX Digital Broker Limited received the full Distributed Ledger Technology ("DLT") licence from the Gibraltar Financial Services Commission ("GFSC") to operate the crypto currency exchange.

Following the Cyprus Securities and Exchange Commission's ("CySec") approval, on 1 July 2019 LMAX Broker Limited became 100% owners of a regulated Cypriot entity, LMAX Broker Europe Limited (previously known as CB Capital Limited).

On 1 July 2019, LMAX Exchange Group Limited purchased 4.5% minority shareholding previously held by Directa S.I.M.p.A and associates, making it 99.5% shareholder of LMAX Limited, LMAX Broker Limited and its subsidiaries.

Notes to consolidated financial statements

13. Financial instruments

13.1 Credit risk

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

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

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

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

	2018	2017 (restated)
	£'000	£'000
Balance as at 01 January	**1,192**	1,282
Provision recognised during the year	**1,325**	-
Provision released during the year	**(1,192)**	-
Amounts written off	**(1,144)**	(90)
Other movements*	**165**	-
Total	**346**	1,192

The allowance for impairment and movement in bad debt provision is based on expected credit loss model as required under IFRS9. For further information on restated balances, please see note 2.8.

Other movement includes foreign exchange movement on the provision provided during the year.

Notes to consolidated financial statements

13.2 Liquidity risk

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

At 31 December 2018	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivatives						
Trade payables	642	-	-	-	642	642
Taxation and social security	314	-	-	-	314	314
Transfer of title funds	82,931	-	-	-	82,931	82,931
Finance leases liabilities	198	198	397	244	1,037	1,037
Loan	1,500	1,500	3,000	11,750	17,750	17,750
Accruals and deferred income	5,583	-	-	-	5,583	5,583
Total non-derivatives	**91,168**	**1,698**	**3,397**	**11,994**	**108,257**	**108,257**
Derivatives						
Derivative contracts	23	-	-	-	23	23
Total	**23**	**-**	**-**	**-**	**23**	**23**
At 31 December 2017						
Non-derivatives						
Trade payables	122	-	-	-	122	122
Taxation and social security	192	-	-	-	192	192
Transfer of title funds	39,507	-	-	-	39,507	39,507
Finance leases liabilities	70	-	-	-	70	70
Accruals and deferred income	5,673	-	-	-	5,673	5,673
Total non-derivatives	**45,564**	**-**	**-**	**-**	**45,564**	**45,564**
Derivatives						
Derivative contracts	-	-	-	-	-	-
Total	-	-	-	-	-	-

Notes to consolidated financial statements

13.3 Interest rate risk

The Group has an interest-bearing borrowing of £17.8m. This includes a revolving credit facility of £5m and term debt of £12.75m. The weighted average rate of interest is 6%. The remaining term of the debt is 3 years and 1 month from the reporting period end date.

Sensitivity Analysis: The group is exposed to interest rate risk on all interest rate sensitive instruments which includes financial assets and liabilities. The interest rate risk profile of the Group's financial assets and liabilities at the end of each year was as follows:

Financial assets:	**2018**	2017
	£'000	£'000
Cash and cash equivalents	**50,659**	29,760
Collateral balances held at Prime Brokers	**40,127**	24,726
Financial liabilities:		
Borrowings	**(17,750)**	-
Total	**73,036**	54,486

Interest rate sensitivity analysis has been performed on the floating rate financial instruments by considering a 25 basis points (0.25%) interest rate decrease on the financial assets and a 25 basis points increase on the financial liabilities held at the period end date.

£'000

Non-current	**Cash and cash equivalents**	**Client collateral balances**	**Borrowings**
Impact:	(127)	(100)	(44)

As shown in the table above, in the adverse circumstance of interest rate decrease on the cash holdings and an increase in the interest rate on interest bearing borrowings the group would have the net outflow of £271k.

13.4 Price risk

As at the end of the reporting period one of the Group's subsidiary LMAX Bullion Limited held some open metal and commodities contracts under its proprietary trading business valued at fair value through the income statement. The Group is thus exposed to the risk that the fair value of these financial instruments (see note 13.2) will fluctuate due to the changes in market prices of the underlying instrument. The sensitivity analysis was conducted based on a 5% decrease in price, and the impact was not deemed to be material.

Notes to consolidated financial statements

13.5 Foreign currency risk

The financial assets and liabilities of the Group are held predominantly in British Pounds, US Dollars, Euros, Japanese Yen, Australian Dollars and Hong Kong Dollars. Cash and collateral balances are actively monitored and converted so as to maintain as best as possible a net neural position in all non-British Pound currencies. Where this cannot be achieved forward exchange contracts are entered into to limit foreign currency risk. The currency exposures of financial assets and liabilities are as follows.

	TOTAL	GBP	USD	EUR	JPY	AUD	SGD	HKD	Other
	£'000	£'000	£'000	£'000	£'000	£'000			
Cash and cash equivalents	50,659	6,876	30,930	2,488	4,930	2,984	285	507	1,659
Crypto currencies held	10,352	-	10,352	-	-	-	-	--	
Collateral requirement for trade clearing	40,127	4,600	30,882	4,645	-	-	-	-	-
Trade debtors	856	27	842	(13)	-	-	-	-	-
Transfer of title funds	(83,562)	(5,530)	(63,109)	(11,783)	(492)	(1,977)	-	(1)	(670)
Trade creditors	(642)	(473)	(152)	(8)	(23)	10	19	(6)	(9)
Net exposure	**17,790**	**5,500**	**9,745**	**(4,671)**	**4,415**	**1,017**	**304**	**500**	**980**

The derivative contracts are forward exchange contracts which mature within three months of the balance sheet date. The fair value of these contracts was nil at the year end.

Sensitivity analysis	**Impact on post tax profit**	
	2018	2017
	£'000	£'000
USD value appreciates 5%	464	337
USD value depreciates 5%	(513)	(373)
EUR value appreciates 5%	(223)	89
EUR value depreciates 5%	245	(98)
JPY value appreciates 5%	210	(8)
JPY value depreciates 5%	(233)	9

As shown in the table above, the group is primarily exposed to changes in USD EUR and JPY against GBP. The sensitivity of profit or loss to changes in the currencies arises mainly from cash and cash equivalents.

Notes to consolidated financial statements

13.6 Fair value

At the end of the reporting period the Group holds financial instruments held at amortised cost and fair value. The financial instruments carried at amortised cost are not materially different from their fair value as at 31 December 2018. The financial instruments held by the Group valued at fair value are shown below based on the fair value hierarchy levels 1 to 3 on the degree to which fair value is observable.

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
-Inventories 13.6a (i)	-	10,352	-	10,352
Financial liabilities				
-Trade payable 13.6a(ii)		(7,590)		(7,590)
	-	2,762	-	2,762

At 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
-Inventories	-	-	-	-
Financial liabilities				
- Trade payable	-	-	-	-
	-	-	-	-

13.6a (i) The inventories above; as also presented in Note 8 relates to the unsecured crypto assets held by the Group's subsidiary LMAX Digital Exchange Limited. These crypto assets include £7.6m on behalf of clients', £1.7m under economically hedged positions against crypto CFD's and balance £1.1m on account of proprietary trading.

13.6a (ii) The trade payable as presented in Note 10 includes £16.2m due by LMAX Digital Exchange Limited to its clients; of which trade payable of £7.6m presented above relates to clients' crypto assets holdings valued at fair value and balance £8.6m relates to clients' trade positions denominated in USD.

The balances are stated at fair value with any movement posted through the income statement. The fair value is determined based on the end of day exit prices which are derived from the end of day executed trades on the LMAX Trading platform, an active platform where transactions take place with sufficient frequency and volume. A high number of the transactions on the platform are limit orders placed by market makers, thus quoted prices reflect only executed trades and are considered to be the exit prices. Fair value is derived based on observable market data; however, these are adjusted where relevant to reflect a sufficient level of activity and volume in the calculation of the closing price. These balances are accordingly classified as Level 2

Notes to consolidated financial statements

financial instruments under IFRS, however as these adjustments are not significant to the entire measurement, they are not classified as level 3 in the fair value hierarchy.

13.6a(i) shows the value of crypto currency assets held by the Group and had been fair values through the income statement.

13.6a(ii) shows the total client liabilities due to clients of LMAX Digital Exchange Limited relating to the crypto currency inventory stated in 13.6a(i).

The Group's exposure to the risk of fair value changes on the financial instruments held under economically hedged positions is evaluated as not material and the risk on proprietary trading is assessed below based on the sensitivity analysis performed considering a 10% decrease in the market prices of crypto assets and open crypto CFD positions.

Sensitivity analysis:

	Year ended 31st Dec 2018 (£'000)
	On proprietary trading
Impact:	(26)

13.7 Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern. In addition, the Group is required to maintain regulatory capital at subsidiary level which depends on the jurisdiction in which it is incorporated and operates. In each case the approach is to hold an appropriate surplus over the local minimum.

The highest capital requirements arise from the two UK regulated entities where minimum capital is determined in accordance with the Financial Conduct Authority through the requirements of CRD IV, as well as the newly created entity in Gibraltar which was regulated as a full Distributed Ledger Technology ("DLT") licence from the GFSC to operate the crypto currency exchange in April 2019 and the CySec regulated entity acquired in July 2019 (see note 12 for details).

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

14. Developments in reporting standards and implementations

Standards and interpretations affecting the reported results or the financial position

The following standards and interpretations have applied for the first time to the financial reporting periods commencing on or after 1 January 2018:

Notes to consolidated financial statements

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement is effective for periods beginning on or after 1 January 2018 and was endorsed by the EU in 2016.

Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses based on unbiased forward-looking information, replacing the existing incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred. The IFRS 9 impairment model is applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, the IAS 39 Available for Sale assets model is not fully aligned to the model for amortised cost assets.

IFRS 9 requires the recognition of lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition 12 month expected credit losses are recognised, being the expected credit losses from default events that are possible within 12 months after the reporting date.

Expected credit losses are the unbiased probability of default weighted average credit losses determined by evaluating a range of possible outcomes and forecast future economic conditions. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the effective interest rate.

Under IFRS 9, impairment is recognised earlier than is the case under IAS 39 because it requires expected losses to be recognised before the loss event arises. Measurement involves increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is not considered practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

The group has assessed the impact of IFRS 9 on the financial statements and concluded the results in note 7.1.

IFRS 15 – Revenue from contracts with customers

IFRS 15 is effective for periods commencing on or after 1 January 2018. The standard was endorsed by the EU during 2016.

Notes to consolidated financial statements

Net funding and commission revenue

Group revenue is mainly derived from Commission and Funding charges on the individual client trades. Under IFRS 15, the group made an assessment as to whether the work performed to earn such fees constitutes the transfer of services and, therefore, fulfils any performance obligation(s). If so, then these fees can be recognised when charged; if not, then the fees can only be recognised in the period the services are provided. The group has not identified a material impact on the consolidated financial statements.

Future new standard and interpretations

IFRS 16 – Leases

IFRS 16 will replace IAS 17 Leases and is effective for periods commencing on or after 01 January 2019. The standard has not yet been endorsed by the EU and the group does not plan to adopt this standard early. Adoption of the standard is not expected to have a significant impact.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases. The group will be required to recognise all leases with a term of more than 12 months as a right-of-use lease asset on its balance sheet; the group will also recognise a financial liability representing its obligation to make future lease payments.

Although the group has not quantified the impact of adopting the standard, it has conducted an initial assessment of the potential impact based on its existing lease contracts, all of which will be classified as operating leases.

15. Registered address and country of domicile

LMAX Exchange Group Limited is a private company limited by shares, incorporated and domiciled in Jersey.

Registered office:

LMAX Exchange Group Limited
50 La Colomberie,
St Helier,
Jersey,
JE2 4QB

Principle place of business:

c/o LMAX Limited
Yellow Building,
1A Nicholas Road,
London, UK
W11 4AN

LMAX Exchange Group Limited
company financial statements

Period ended 31 December 2018

Company statement of comprehensive income

For the year ended 31 December 2018	Note	2018
		£'000
Administrative expenses		**(108)**
Operating loss		**(108)**
Financial income	2	**43,491**
Financial expenses		**(1,104)**
Profit before tax		**42,279**
Taxation		-
Profit for the year		**42,279**
Other comprehensive (expense)/income		-
Total comprehensive income for the year		**42,279**
Total comprehensive expense/(income) attributable to:		
Equity holders of the parent		**42,279**
Non-controlling interest		-

The results shown above are derived wholly from continuing operations.

There was no current or deferred tax charge for the company during the current year. (The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.00% due to surrendered losses under group relief).

The notes on pages 57 to 60 form an integral part of these financial statements.

Company statement of financial position

For the year ended 31 December 2018	Note	**2018**
		£'000
Non-current assets		
Investments	3	**67,019**
Current assets		
Trade and other receivables	4	**114**
Cash and cash equivalents	5	**20**
Total assets		**67,153**
Non-current liabilities		
Trade and other payables	6	**(14,750)**
Current liabilities		
Trade and other payables	6	**(9,124)**
Total liabilities		**(23,874)**
Net assets		**43,279**
Equity		
Share capital	7	**1,000**
Retained earnings		**42,279**
Equity attributable to equity holders of the parent		**43,279**
Non-controlling interest		**-**
Total equity		**43,279**

The notes on pages 57 to 60 form an integral part of these financial statements.

These financial statements were approved by the Board on 8 January 2020 and were signed on behalf of the Board by:

David Mercer, Director and CEO
8 January 2020

Company statement of changes in equity

For the year ended 31 December 2018	**Share capital**	**Retained earnings**	**Total parent equity**	**Total equity**
	£'000	£'000	£'000	£'000
Total comprehensive income for the year	-	42,279	42,279	42,279
Total comprehensive income for the year	**-**	**42,279**	**42,279**	**42,279**
Issue of shares	1,000	-	1,000	1,000
Total distributions to owners	**1,000**	**-**	**1,000**	**1,000**
Balance at 31 December 2018	**1,000**	**42,279**	**43,279**	**43,279**

Company statement of cash flows

For the year ended 31 December 2018	**2018**
Cash flows from operating activities	£'000
Operating loss	**(108)**
(Increase) in trade and other receivables	**(114)**
Increase in trade and other payables	**23,874**
Net cash from operating activities	**23,652**
Cash flows from investing activities	
Investment in subsidiaries	**(67,019)**
Financial income	**44,491**
Net cash used in investing activities	**(22,528)**
Cash flows from financing activities	
Issued shares	**1,000**
Finance expense	**(2,104)**
Net cash used in financing activities	**(1,104)**
Net increase in cash and cash equivalents	**20**
Cash and cash equivalents at end of year	**20**

The notes on pages 57 to 60 form an integral part of these financial statements.

Company notes to the financial statements

1. Accounting policies

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

The accounting policies are consistent with the Group accounting policies set out on pages 19 to 22. Accounting policies specific to the company are as follows.

Investment in subsidiaries

Investments in subsidiaries have been accounted for at cost.

2. Financial income

Financial income is derived from the intercompany balance due to Hamsard 3297 Limited (old holding company), which was eliminated on wind down of the entity. Hamsard 3297 Limited was a subsidiary of the Group in the reporting period, hence the financial income has been eliminated on consolidation. The balance also includes £1M of investment write down in Hamsard 3297 Limited.

3. Investments in subsidiaries

	2018
	£'000
Investment in LMAX Limited and LMAX Broker Limited	**67,019**

The Company holds 569,123 of 599,077 shares in LMAX Limited representing 95% shareholding.

The Company also holds 569,123 of 599,077 shares in LMAX Broker Limited representing 95% shareholding and 100 of 100 shares in LMAX Digital Group Limited (incorporated on 15 Mar 2018) representing 100% shareholding.

LMAX Limited, LMAX Broker Limited and LMAX Digital Group Limited have subsidiaries which are also subsidiaries of the company.

All the Group's subsidiaries are shown on the next page. The ordinary shares held % shown is the effective shareholding which the company holds in the underlying subsidiary.

Company notes to the financial statements

Subsidiary	Country of Incorporation	Principal activity	Ordinary shares held No.	Ordinary shares held %
LMAX Limited	England	Financial exchange platform	569,123	95
LMAX Broker Limited	England	Dormant	569,123	95
LMAX Bullion Limited	Hong Kong	Bullion broker	1,000	100
LMAX Hong Kong Limited	Hong Kong	Foreign exchange broker	32,000,000	95
LMAX Japan Co. Limited	Japan	Sales presence	1	100
LMAX New Zealand Limited	New Zealand	Software development	1,000	100
LMAX PTE. Limited	Singapore	Sales presence	1	100
LMAX USA Incorporated	Delaware, USA	Development of US market	1,000	100
LMAX Digital Group Limited	Jersey	Holding company	100	100
LMAX Digital Exchange Limited	Jersey	Digital currency exchange platform	10,000	100
LMAX Digital Broker Limited	Gibraltar	Digital currency exchange broker	1,000	100
LMAX Markets Inc	Cayman Islands	Dormant	50,000	100

4. Trade and other receivables

	2018
	£'000
Amounts due from shareholder	**114**
Inter-group receivables	**-**
Total	**114**

Trade and other receivables have no fixed terms of repayments, are interest free and have no security provided.

Company notes to the financial statements

5. Cash and cash equivalents

	2018
	£'000
Cash and cash equivalents	**20**

Cash and cash equivalents comprise of bank balances held by the Company.

6. Trade and other payables

	2018
	£'000
Accruals and deferred income	**18,111**
Inter-group payables	**5,763**
Total	**23,874**
Classification:	
Non-current	**14,750**
Current	**9,124**
Total	**23,874**

The inter-group payable is due to the Group's subsidiaries and has no fixed terms of repayment, is interest free and no security has been provided.

7. Share capital

	2018
	£'000
Allotted and called up	
100,000,000 Ordinary shares of £0.01 each	**1,000**

100% ordinary shares are held by management team and directors.

Company notes to the financial statements

8. Related parties

Related parties of the company are the same as those of the Group. There were no intercompany transactions affecting profit or loss. Balances with related parties of the company are as follows:

	Note	2018
		£'000
Amounts due from shareholder		**114**
Amounts due from Affinity Trust		**(2)**
Amounts due to Group companies	8.1	**(5,761)**

Related party balances have no fixed terms of repayments, are interest free and have no security provided.

8.1 Amounts due to Group companies

	2018
	£'000
Balances	
Amounts due to group companies:	
- LMAX Exchange Limited	**(466)**
- LMAX Broker Limited	**(5,295)**
Total	**(5,761)**

9. Post balance sheet events

In addition to the post balance events disclosed in Note 12 of the Group financial statements, LMAX Broker Limited declared a £9m dividend to LMAX Exchange Group Limited on 31 March 2019 which settled the intercompany payable between the two entities.

The Company also subscribed to an additional £1 share in LMAX Limited to increase its share capital by £4m.

LMAX Group

Annual report and consolidated financial statements - for the year ended 31 December 2018
PDF available for download at www.LMAX.com/AR2018

LMAX Group is a trading name of LMAX Exchange Group Limited - Jersey registration number 125453 the holding company of LMAX Limited, LMAX Broker Limited and LMAX Digital Broker Limited

LMAX Exchange is a trading name of LMAX Limited, which operates a multilateral trading facility, authorised and regulated by the Financial Conduct Authority (firm reference number 509778) and is a company registered in England and Wales (number 6505809)

LMAX Global is a trading name of LMAX Broker Limited which is authorised and regulated by the Financial Conduct Authority (firm reference number 783200) and is a company registered in England and Wales (number 10819525)

LMAX Digital is a trading name of LMAX Digital Broker Limited, authorised and regulated by the Gibraltar Financial Services Commission (license number FSC1342B) and is a company registered in Gibraltar (number 117528)

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