LMAX™ | Group

2019 Annual Report

and Consolidated Financial Statements

The global, diversified financial technology company

LMAX Exchange Group Limited (LMAX Group or the Company) is the holding company of LMAX Exchange, LMAX Global and LMAX Digital.

LMAX Group

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Introduction: about the LMAX Group

Delivering a transparent, neutral, global marketplace for all participants

The LMAX Group is a global, diversified financial technology company and a leading operator of institutional execution venues for electronic FX and cryptocurrency trading.

Our revolutionary, minimalist technology delivers one global marketplace through exchange infrastructure in London, New York and Tokyo, ensuring complete transparency, open access and a level playing field for all market participants.

As one of the fastest growing financial technology companies in the UK, we have a solid presence in all the major FX markets around the world, including Europe, North America and Asia-Pacific.

LMAX Group technology has also been consistently recognised in prestigious business and financial technology rankings, including the Deloitte Fast 50 and The Sunday Times Tech Track 100.

Our rapidly expanding global institutional and professional client base is a testament to our distinctive business model that delivers efficient market structure and transparent, precise, consistent execution to all market participants.

LMAX | Exchange

The institutional exchange for global FX

LMAX Exchange operates global institutional FX exchanges and an FCA regulated MTF. A central limit order book (CLOB) execution model offers streaming firm limit order liquidity from top tier banks and non-bank institutions, transparent price discovery, no 'last look' rejections and full control over trading strategy and costs.

LMAX | Global

The regulated brokers for global FX

LMAX Global is a leading regulated broker for FX, metals and commodities worldwide. Servicing retail brokers and professional traders, LMAX Global offers execution services and access to institutional firm limit order liquidity and tight spreads from the LMAX Exchange CLOB.

LMAX | Digital

The institutional spot cryptocurrency exchange

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

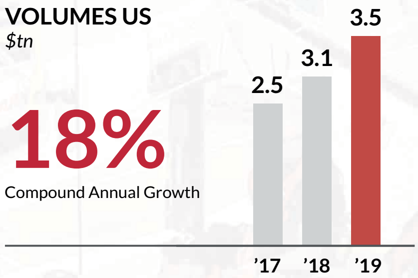
Contents

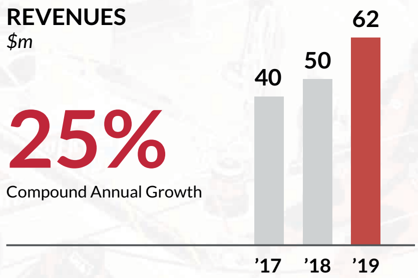
Contents

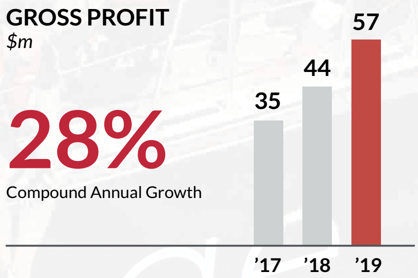

PRAXES MEDICAL
LMAX

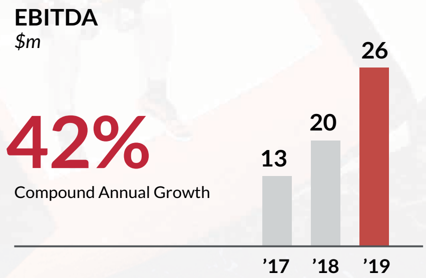
Highlights

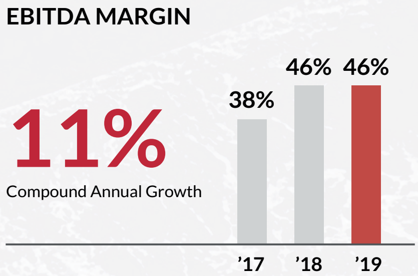
2019 financial highlights

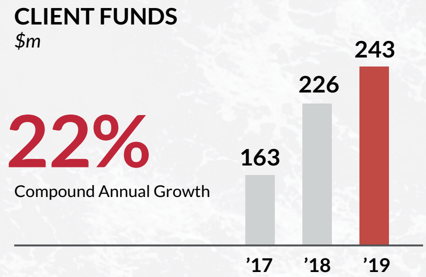












- Gross revenues of US$62m, 23% annual growth from 2018
- Gross profit of US$57m, 28% annual growth from 2018
- Statutory EBITDA of US$26m, 29% annual growth from 2018
- Operating profit of US$20m, 54% annual growth from 2018
- EBITDA margin of 46%, 1% improved from 2018
- Client funds held of $243m, 8% annual growth from 2018
- Trading volume across exchanges of US$3.5 trillion, 15% annual growth from 2018
- Continued growth of international exchanges

CEO's statement

Overview

David Mercer, CEO

During a period of consistent low level of volatility in 2019, where volumes at most major venues have declined and margins have contracted for monoline institutional transactional businesses, LMAX has delivered strong growth in both volumes and revenues while continuing to invest in its global distribution, market leading technology and best-in-class service for our clients.

We view this as a vote of confidence in our award-winning, robust proprietary technology and our ability to consistently deliver efficient market structure and transparent, precise, consistent execution — which has set us apart from the competition over a number of years.

2019 was the year that LMAX Group demonstrated the value and resilience of our unique global market access business model, servicing banks, funds, brokers, professional and retail traders. Access to 100% of the FX market doesn't just differentiate our business proposition, it's a source of diversified and consistent revenue streams. A diversified revenue mix ensures the resilience of our financial performance in all market cycles and has seen us lead the way for growth and profitability metrics within the industry.

LMAX Group 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 KPIs.

LMAX KPIs (USD)	2017	2018	2019	Growth
Volumes (bn)	2.5	3.1	3.5	18%
Client Funds (m)	163	226	243	22%
Revenue (m)	40	50	62	25%
Gross Profit (m)	35	44	57	28%
EBITDA (m)	13	20	26	42%

Along with the strong results achieved, we also managed to pursue strategic initiatives. Key business developments in 2019 include:

- Investment in overseas expansion: The Group has strengthened distribution capabilities in the EMEA region with the acquisition of a CySEC regulated broker LMAX Broker Europe Limited (formerly known as CB Capital) in Cyprus. The Group's global presence now includes 11 offices worldwide, servicing clients in over 100 countries.
- Achieved market leadership in spot cryptocurrency trading: LMAX Digital, our sixth exchange, is already the third largest spot cryptocurrency exchange globally and has delivered 81% quarter-on-quarter volume growth on average since launch.
- Continued investment in technology and people: Ongoing technology investment has focused on ensuring resilience, security and increased capacity of our exchanges. New strategic senior appointments have strengthened the institutional sales coverage in Asia Pacific and facilitated rapid expansion of LMAX Digital.

CEO's statement

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 extremely bullish on the growth prospects, especially in North America. Total volumes grew by an impressive 14% year on year, despite consistently low levels of volatility in 2019, which resulted in most major venues reporting declines. 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 services over 4,000 clients, including broker-dealers, funds, and professional traders. We are particularly pleased about the outstanding contribution from our EMEA and AsiaPac business, where revenue growth was achieved, despite challenging trading conditions and restrictive product intervention measures being introduced by the European Securities and Markets Authority (ESMA). 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, which was launched only in Q2 of 2018, has already achieved market leadership in spot crypto currency trading. LMAX Digital, the leading institutional digital asset exchange, is already the third largest spot cryptocurrency exchange globally and delivered 81% quarter-on-quarter volume growth since launch. 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 banks and funds. LMAX Digital was awarded a Distributed Ledger Technology (DLT) license by the Gibraltar Financial Services Commission (GFSC) in April 2019 and aims to play a crucial role in helping cryptocurrencies to become part of mainstream capital markets.

CEO's statement

Overview of Corporate Governance

LMAX Group recognises that its overall structure is subject to the direction of its shareholders, who are responsible for appointing Directors to the Board and authorising the Directors to delegate any of their powers or discretions.

The Board of Directors is responsible for agreeing the Company's strategy and for monitoring progress with the execution of the firm's strategy against agreed targets. The Board has overall responsibility for promoting the long-term sustainable success of the Company for the benefit of its members as a whole, providing leadership and direction, including in relation to culture, ethics and values, and ensuring effective engagement with and encouraging participation from shareholders and other stakeholders.

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

The Chief Executive Officer has delegated authority for:

- The development and execution of strategy
- Leadership and development of the Company's executive management team below Board level
- Day-to-day decision-making relating to, and management of, the affairs of the firm
- Delivering financial performance in line with the Company's agreed budget
- Organisational design of the Company's operations
- Client management, marketing and global sales

The Finance Director has delegated authority including financial management of the Company, the stewardship of Group assets, the safeguarding of client money and assets, financial reporting, capital and liquidity risk management and investor relations.

Below Board level, the Company operates a number of executive management committees. The CEO is supported by the senior executive management committee, comprising the Chief Executive Officer (CEO), Finance Director (FD), Chief Operating Officer (COO), Chief Technology Officer (CTO) other senior executives. It supports the CEO in the proper performance of his duties, including to optimise the execution of the Company's strategy agreed by the Board, and provides advice and support to executive management in the day-to-day running of the firms' operations.

The FD, in the proper performance of his duties, is supported by the Client Money and Assets Committee relating to oversight arrangements and operations in respect of the holding and safeguarding of LMAX Global client money and assets. The COO has delegated authority in respect of trading and operations and business change and also leads the Operational Risk Committee and the Control Functions Oversight Committee, which oversees the work of regulatory control function managers in the execution of their responsibilities.

CEO's statement

Future Outlook

We are extremely excited for the year ahead and expect our core FX business to continue its growth trajectory, reflecting the increasing demand from all client segments for firm limit-order liquidity and transparent, precise, consistent execution. We are entirely focused on our mission to build the leading global electronic FX and crypto trading businesses.

We see further opportunities to continue leveraging our technology to launch new exchanges, whether it's setting up more FX matching engines globally or building exchange infrastructure for trading other asset classes, just like we did with LMAX Digital.

Another strategic growth area for us is to capitalise on the potential of our market data offering. Our ability to gather firm limit order liquidity market data from all client segments, often not accessible through primary venues, puts us in a differentiated and advantageous position compared to other players. This will be a key growth story for us in the next decade.

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 investment 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
04 November 2020
Yellow Building, 1A Nicholas Road, London, W11 4AN

Principal risks

Risk Profile

Risk management is central to the long-term success of the Group and to the resilience of our operations. LMAX Group 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 to be able to continue to offer its services under sustained financial market volatility and stressed conditions.

The Company operates in a dynamic competitive environment, facing risks relating to market conditions and its competitive position. The level of revenue in any period is largely driven by commission and funding income, which is a factor of the volume of trading and position sizes held overnight by the Group's clients. The revenue mix is determined by trading conditions, where high market volatility usually results in increased levels of trading and commissions but reduced position sizes and funding income; conversely low market volatility usually has the opposite impact.

The Company pro-actively manages its liquidity and capital adequacy risk through ongoing stress testing and more formally through its regulatory reporting. The Operational Risk Committee assesses operational risks, including those arising through technology, people, process and external events. The Group faces conduct risk relating to how it deals with its clients and the markets it operates in, and manages this through investment in systems, people and training to ensure our management of conduct risk meets the very highest standards. This includes ensuring we further embed our client-first culture, while continuing to work closely with all our regulators to protect the integrity of the financial markets.

LMAX Group 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 advice by regulators to improve client outcomes, and also recognises some changes adversely impact it or the activities of its clients as the industry adapts.

Capital adequacy risk

Regulated entities of the Group are required to hold sufficient regulatory capital to cover their risk exposures, valued according to applicable rules, and manage capital adequacy risk through regulatory capital policies and seek to ensure that they hold sufficient capital to operate successfully and adhere to regulatory requirements.

The Group manages its capital resources with the objectives of facilitating business growth whilst complying with the regulated entities' capital resources requirement. LMAX Exchange and LMAX Global undertake an annual Internal Capital Adequacy Assessment Process (ICAAP), whilst LMAX Digital undertakes an annual Financial and Non-Financial Resources Assessment (FNRA), both of which assess a firm's capital requirements, including the application of a series of stress-testing scenarios, to its base financial projections. The assessments are reviewed and challenged by the Board.

Principal risks

Liquidity risk management

Liquidity risk is the risk that a firm is unable to meet its financial obligations as they fall due. LMAX Global manages this through the application of its Liquidity Risk Management Policy. During the year, LMAX Global was classified as an ILAS (Individual Liquidity Adequacy Standards) BIPRU firm and is regulated under the rules contained in BIPRU 12 of the FCA Handbook.

LMAX Global carries out an Individual Liquidity Adequacy Assessment (ILAA) each year and uses a number of measures for managing day-to-day liquidity risk, including the level of total liquid assets of its prime broker margin requirement and of same-day available cash.

The Group manages its liquidity centrally and ensures that it has sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions. These liquidity requirements must be met from the firm's own liquidity resources, as client money cannot be used for its operations.

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 has most of the world's 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 London, New York and Singapore. 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 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.

LMAX Global has three main categories of clients: institutional, professional and a small number of direct retail clients. 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 predominantly 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.

Principal risks

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 who fit our risk profile.

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 are 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 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 Global 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 Group's reputation and hence financial performance. As part of the systems infrastructure, management regularly reviews system security and conducts external Cyber audits.

The Group is pro-active in its monitoring of technological developments and opportunities such as artificial intelligence and blockchain in order to seek efficiencies or increase security, quality, and integrity.

Impact of the economic environment

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

Principal risks

Financial market volatility, measured by various indexes such as VIX, has been at historically low levels over the last five years. It is expected that an increase in the general level of financial market volatility would be beneficial to revenues, which are therefore partly dependent upon macroeconomic conditions. This was the case in Q1 of 2020 which saw unprecedented levels of market volatility as a result of macroeconomic uncertainty caused by the COVID-19 pandemic.

COVID-19

The novel strain of coronavirus (COVID-19) that first surfaced in China was declared as a pandemic by the World Health Organisation on March 11, 2020 impacting countries globally. The effects of the COVID 19 outbreak did not have any significant detrimental impact on the Group's performance in Q1 2020, which was robust. The Group's business continuity plan was put to test during this period, with 95% of employees successfully transitioning to working from home and no disruption to systems uptime and reliability. However global economic uncertainties remain, which may yet impact our business and customers. The Directors anticipate no downturn to business for the next year as a result of this pandemic, but the ambiguity of the current situation may result in some disruption to the Group's operations and financial conditions.

This is a non-adjusting post balance sheet event and an estimate of the future effect cannot be made at this point in time as the situation is rapidly evolving.

Brexit

Considering the potential impact of Brexit whereby the UK no longer has access to the single market, with the loss of the rights to passport services into other EU member states, the Group has established a regulated operational client facing subsidiary in Cyprus. This provides certainty that we will be able to offer regulated financial products in all EU member states following the UK's exit from the EU, regardless of a deal being agreed with the EU to continue serving clients in the region.

Future outlook

We are extremely excited for the year ahead and expect our core FX business to continue its growth trajectory, reflecting the increasing demand from all client segments for firm limit-order liquidity and transparent, precise, consistent execution. We are entirely focused on our mission to build the leading global electronic FX and crypto trading businesses.

We see further opportunities to continue leveraging our technology to launch new exchanges, whether it's setting up more FX matching engines globally or building exchange infrastructure for trading other asset classes, just like we did with LMAX Digital.

Another strategic growth area for us is to capitalise on the potential of our market data offering. Our ability to gather firm limit order liquidity market data from all client segments, often not accessible through primary venues, puts us in a differentiated and advantageous position compared to other players. This will be a key growth story for us in the next decade.

Principal risks

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

Furthermore, the directors anticipate no significant downturn to business for the next year as a result of the COVID-19 pandemic, but considering the ambiguity of the current situation, it may result in some disruption to business and have financial implications for some of our clients.

Proposed dividend

The directors do not recommend the payment of a dividend for 2019 (2018: nil).

Directors

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

- David Mercer
- Edmond Warner (appointed 16 July 2019)
- Edward Wray (appointed 16 July 2019)
- Grant Pomeroy (appointed 16 July 2019)

Employees

The Group 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 various factors affecting the performance of the Group; this was achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Principal risks

Independent Auditors

PricewaterhouseCoopers LLP were appointed as the auditors of the Group on 14 May 2018. Pursuant to Article 113(1) of the Jersey Companies Act 1991, the auditors will be deemed to be reappointed and therefore will continue in office.

Disclosure of information to auditors

The directors holding office at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and have taken all the steps that ought to have taken as 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
04 November 2020
Yellow Building, 1A Nicholas Road, London, W11 4AN

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements for each financial year which give a true and fair view, in accordance with applicable Jersey law and International Financial Reporting Standards, 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 those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the Annual report and the financial statements.

The directors are responsible for keeping proper accounting records that 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. They 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.

So far as the directors are aware, there is no relevant audit information of which the group and company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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

1. 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 2019 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 2019; the group and parent company income statements and 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.

2. Basis for qualified opinion

The group holds crypto currency balances on the consolidated statement of financial position amounting to £25m as at 31 December 2019 on behalf of customers and for its own use. The crypto currency market and the related infrastructure in place across the market to read transactions and balances available in the block chain public domain are in their early stages. 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 2019 as we were unable to assess the reliability of these open source tools. Furthermore, we were unable to verify the pairing of private keys with the public keys associated with the cryptocurrency balances and consequently unable to verify the ownership of these balances. Consequently, we were 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.

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

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.

3. Conclusions relating to going concern

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

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

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.

4. 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.

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

5. Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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 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.

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

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 adequate 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:

- 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.

Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 04 November 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019	Note	2019	2018
		£'000	£'000
Revenue	2.1	**48,590**	**37,539**
Cost of sales	2.2	**(4,326)**	**(4,310)**
Gross profit		**44,264**	**33,229**
Administrative expenses	2.3	**(28,917)**	**(23,655)**
Operating profit		**15,347**	**9,574**
Financial income		**-**	**236**
Financial expenses		**(1,152)**	**(1,134)**
Profit before tax		**14,195**	**8,676**
Taxation	3	**(1,719)**	**(1,442)**
Profit for the year		**12,476**	**7,234**
Other comprehensive (expense)/income			
Exchange differences on translation of foreign assets and liabilities		**(370)**	**35**
Profit and total comprehensive income for the year		**12,106**	**7,269**
Total comprehensive expense/income attributable to:			
Equity holders of the parent		**12,051**	**6,734**
Non-controlling interest		**55**	**535**

The results shown above are derived wholly from continuing operations.

The accompanying notes are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019	*Note*	2019	2018
		£'000	£'000
Non-current assets			
Goodwill	12	**318**	**-**
Intangible assets	5	**5,653**	**4,496**
Property, plant and equipment	6	**5,771**	**2,342**
Trade and other receivables	7	**318**	**-**
Current assets			
Cash and cash equivalents	9	**68,134**	**50,659**
Trade and other receivables	7	**53,949**	**43,495**
Inventories	8	**25,127**	**10,352**
Total assets		**159,270**	**111,344**
Non-current liabilities			
Trade and other payables	10	**(10,918)**	**(15,390)**
Deferred tax liabilities	3.1	**(366)**	**(220)**
Current liabilities			
Trade and other payables	10	**(135,308)**	**(92,890)**
Total liabilities		**(146,592)**	**(108,500)**
Net assets		**12,678**	**2,844**
Equity			
Share capital		**1,000**	**1,000**
Demerger reserve		**(8,615)**	**(8,575)**
Other equity		**1,026**	**132**
Foreign currency translation reserve		**(258)**	**111**
Retained earnings		**19,123**	**6,703**
Equity attributable to equity holders of the parent		**12,276**	**(629)**
Non-controlling interest		**402**	**3,473**
Total equity		**12,678**	**2,844**

The accompanying notes are an integral part of these financial statements.

These consolidated financial statements on pages 25-55 were approved by the Board on 04 November 2020 and were signed on behalf of the Board by:

David Mercer, Director
04 November 2020

Consolidated statement of changes in equity

For the year ended 31 December 2019

	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 2019	**1,000**	**-**	**111**	**(8,575)**	**132**	**6,703**	**(629)**	**3,473**	**2,844**
Profit for the year	-		-	-	-	12,420	12,420	56	12,476
Other comprehensive expense	-	-	(369)	-	-	-	(369)	(1)	(370)
Total comprehensive income for the year	**-**	**-**	**(369)**	**-**	**-**	**12,420**	**12,051**	**55**	**12,106**
Acquisition of MI*	-	-	-	(40)	-	-	(40)	(3,126)	(3,166)
Issue of shares	-	-	-	-	151	-	151	-	151
Premium on issue of shares	-	-	-	-	743	-	743	-	743
Balance at 31 December 2019	**1,000**	**-**	**(258)**	**(8,615)**	**1,026**	**19,123**	**12,276**	**402**	**12,678**
For the year ended 31 December 2018									
Balance at 1 January 2018	971	1,177	80	-	-	7,530	9,758	7,801	17,559
LMAX Exchange Group Limited (New Holding Company incorporated)	1,000	-	-	(1,000)	-	-	-	-	-
Group reorganisation	(1,000)	(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 (2018: nil). The accompanying notes are an integral part of these financial statements.

*Refer to Note 4 for details.

Consolidated statement of cash flows

For the year ended 31 December 2019	2018	2018
	£'000	£'000
Cash flows from operating activities		
Operating profit	**15,347**	9,574
Adjustments for:	**-**	-
Depreciation	**1,720**	941
Amortisation	**3,090**	2,728
Gain on sale of employee shares	**-**	(236)
Increase in trade and other receivables	**(10,772)**	(16,341)
Increase in inventories	**(14,775)**	(10,352)
Increase in trade and other payables	**40,828**	45,535
Tax paid	**(1,455)**	(686)
Net cash from operating activities	**33,983**	31,163
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(5,149)**	(1,911)
Acquisition of intangibles and capitalised expenses	**(4,247)**	(3,492)
Financial income	**-**	236
Net cash used in investing activities	**(9,396)**	(5,167)
Cash flows from financing activities		
Borrowings	**-**	20,000
Repayment of borrowings	**(3,000)**	(2,250)
Finance expense	**(1,152)**	(1,134)
Issue of shares	**151**	515
Acquisition of minority interest	**(3,166)**	(22,376)
Net cash used in financing activities	**(7,167)**	(5,245)
Net increase in cash and cash equivalents	**17,420**	20,751
Cash and cash equivalents at beginning of year	**50,659**	29,760
Effect of exchange rate fluctuations on cash held	**55**	148
Cash and cash equivalents at end of year	**68,134**	50,659

The accompanying notes are an integral part 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 Standards Interpretations Committee (IFRS IC) 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 anticipate no significant impact of the novel strain of coronavirus (COVID-19) on the business, however as the situation is still unclear and remains rapidly evolving an estimate of the future effect cannot be made at the point in time.

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 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 cryptocurrencies — 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 2019. 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 of 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.

Notes to consolidated financial statements

Intangible assets, amortisation, research and development

Intangible assets include software licences, developed software and intellectual property rights. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring it into use. The costs are amortised over their estimated useful economic life or the life of the software licence contract which is three to five years. Intellectual property acquired is amortised over the three year straight line basis.

The group has conducted sensitivity analysis around the estimated useful economic life of the intangible assets and assuming no significant change in nature and usage of the asset, if the current useful economic life was reduced or increased by 1 year, then the amortisation expense would increase by £1.5m or reduce by £1.3m respectively.

The Group undertakes continuous development of its MTF exchange and mobile application software. The development activity involves planning and designing for the production of new and substantially improved features for the MTF exchange. Labour and expenses directly attributable to new and improved features are capitalised as an intangible asset, to the extent:

- it is technically and commercially feasible and there is an intention to complete and ability to use or sell the asset.
- it can be reliability demonstrated that the software will generate future economic benefits.
- there are adequate technical, financial and other resources to complete the development and to put it in use.
- the expenditure attributable to the development of the intangible asset can be reliably measured.

Other development expenditure and research activities are expensed as incurred. The capitalised cost of developed software is amortised over a three year period.

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
- **Right to Use Office Building:** Straight line based on term of lease
- **Computer equipment and software:** 3-5 years straight line
- **Fixtures and fittings:** 5 years straight line

Notes to consolidated financial statements

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 and subsequently carried at amortised cost using effective interest rate method.

In accordance with IFRS 9, the amortised cost is further adjusted for impairment based on 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.

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 and such balances are recognised at fair value through statement of comprehensive income. The client liability in relation to being a custodian of client's crypto assets on the crypto trading platform is also valued at fair value and thus any the gain and loss is recorded in the statement of comprehensive income as per the guidance under IFRS9.

The other trade and other payables with counterparties are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Notes to consolidated financial statements

Inventory - Cryptocurrencies

Inventory represents cryptocurrencies controlled by the Group.

The Group operates a Cryptocurrency 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 cryptocurrency assets should be recognised and disclosed in accordance with IFRS as adopted by the EU, the Group has recognised the cryptocurrencies as inventory as the economic nature is deemed to be in line with certain commodities under IAS 2.3(b). Cryptocurrencies are measured at cost and subsequently at fair value less cost to sell. The fair value movement in cryptocurrencies held as inventories is reflected in the income statement. The corresponding liability for Cryptocurrencies is included in trade and other payables.

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.

Acquisition of shares from minority interest

The Company acquired 4.5% of the remaining shares in LMAX Broker Limited and LMAX Limited from a client. 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.

Derivatives

The group enters into derivative contracts purely for both hedging and trading purposes, majority of such derivatives are executed over the counter and valued using a combination of external prices and internal valuation techniques. Financial assets and liabilities are recognised when the company becomes a contractual party to these instruments. In accordance with "IFRS 9 Financial Instruments" these financial assets and liabilities are measured at Fair Value though Profit and loss (FVTPL). Any transactional cost directly attributable to the acquisition of these financial instruments are also recognised in the profit and loss statement. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal technique used in fair valuation of these derivatives is mark to market valuation based on the relevant closing prices derived from the LMAX trading platform.

Notes to consolidated financial statements

Revenue

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

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 and are included in the Consolidated Statement of Comprehensive Income.

Notes to consolidated financial statements

Leases

On 01 January 2019, the company adopted IFRS 16 'Leases'. IFRS 16 replaces IAS17 'Leases' and eliminates the classification of leases as either operating leases or finance leases and provides a single lease accounting model to recognise the Right to Use assets and lease liabilities for all applicable leases.

The Group has adopted IFRS16 on a modified retrospective basis and as such there shall be no restatement of comparatives within the financial statement.

The Group has adopted practical expedients of exempting leases with a short life (less than 12 months) or low value leases (less than US $5,000). As a result, the key leases to which the full requirement of IFRS 16 have been applied are – Lease of the Office Building & some computer equipment. Until last year the computer equipment was held under finance lease and thus based on retrospective modified transition approach under IFRS 16, the company shall continue to disclose the lease liability and Right to use asset at their respective previous carrying value (refer note 6). The lease liability on office building represents the present value of future lease payments for the full term, irrespective of any tenant break clause. The lease liability is presented under Trade and Other payables. The key judgement used in the lease liability calculation is the choice of discount rate which is reflection of the contractual interest rate applicable in case of non-payment or delayed payment of lease rentals, where such rate is unavailable group uses the incremental borrowing rate. For Right to use asset calculation, the company has elected the transitional option to set "Right to Use asset" equal to the related lease liability adjusted by the amounts accrued in respect of rent-free period.

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. Finance expenses also includes financing charge on leases disclosed in accordance with IFRS16.

Notes to consolidated financial statements

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

	2019	2018
	£'000	£'000
Commissions	**23,228**	**18,356**
Funding revenue	**18,773**	**16,567**
Others	**6,589**	**2,616**
Total Revenue	**48,590**	**37,539**

Other revenue includes Trading revenue of £3.5m, Service revenue worth £1.6m and Interest revenue of £1.5m.

2.2. Cost of sales is stated after charging:

	2019	2018
	£'000	£'000
Clearing and trading fees	**1,612**	**1,541**
Introducing broker fees	**1,604**	**1,933**
Expected credit loss	**146**	**372**
Other variable costs	**964**	**464**
Total cost of sales	**4,326**	**4,310**

2.3. Administrative expenses are stated after charging:

	Note	2019	2018
		£'000	£'000
Total salary expenses	**2.4**	**15,300**	**12,990**
Social security expenses		**1,337**	**1,283**
Other Pension costs		**289**	**190**
- of which capitalised as development software		**(3,502)**	**(3,117)**
Depreciation of tangible assets		**1,720**	**941**
Amortisation of intangible assets		**3,090**	**2,728**
Other operating lease rentals – buildings	**2.5**	**-**	**824**
Legal and Professional		**409**	**877**
Foreign exchange losses		**(1,312)**	**1,197**
Research & development tax grant		**(122)**	**(1,590)**
Other costs		**11,708**	**7,332**
Total administrative expenses		**28,917**	**23,655**

Notes to consolidated financial statements

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

	2019	2018
	No.	No.
Corporate and administration	33	28
Product development	43	43
Operations	30	23
Sales and marketing	30	29
Total	**136**	**123**

2.5. Lease commitments for leased properties payable are as follows:

	2019	2018
	£'000	£'000
Less than one year	959	657
Between one and five years	1,243	1,798
More than five years	2,597	2,172
Total	**4,799**	**4,627**

The figures for the year represent lease commitments for future periods held under trade and other payables as lease liability for the year accounted in accordance with IFRS16 "Leases". The above comparatives present minimum future operating lease commitments for FY2018.

2.5(a) Reconciliation of future operating lease commitments 2018 Vs Lease Liability per IFRS16:

	£'000
Undiscounted Operating lease commitments as stated in 2018	4,627
Less: VAT exclusion from lease liability	(675)
Less: Adjustment for discounting at 3.75%	(640)
Less: Short term leases exempted under IFRS 16	(100)
Add: Leases held as finance leases in 2018	1,037
Lease liability as at 1st Jan 2019	**4,249**
New Office building leases commitments during the year	1,180
Finance lease interest accrued during the year	161
Repayment of lease rentals during the year	(791)
Carrying value of lease liability as at 31st Dec 2019	**4,799**

Notes to consolidated financial statements

2.6. The highest paid director received total emoluments for the year of £1.25m (2018: £1.45m) as a director of Group.

	2019	2018
	£'000	£'000
Total directors' emoluments included in salary expenses	**1,581**	**1,450**

2.7. Remuneration paid to the auditors is as follows:

	2019	2018
	£'000	£'000
Fees payable to the Company's auditors for the audit:		
- the audit of the Company's annual financial statements	**150**	60
- of financial statements of subsidiaries' pursuant to legislation	**175**	114
- assurance services for subsidiaries	**60**	66
Total	**385**	**240**

Notes to consolidated financial statements

3. Taxation

	Note	2019	2018
Current tax:		£'000	£'000
UK corporation tax charge on profits for the year		**1,070**	1,588
Adjustment in respect of prior year period		**503**	(393)
Total current tax		**1,573**	1,195
Deferred tax:			
Deferred tax - origination and reversal of timing differences		**206**	244
Prior year adjustments		**(60)**	3
Total deferred tax	**3.1**	**146**	247
Tax per income statement	**3.2**	**1,719**	1,442

3.1. The deferred tax charge for the year has been recognised on all timing differences between the carrying value treatment of assets and liabilities and the associated tax allowances. Deferred tax was recorded using the rate substantively enacted rate at the balance sheet date of 17%. The deferred tax charge has been a result of:

	2019	2018
Deferred tax (assets)/liabilities:	£'000	£'000
Provision at the start of the period	**220**	(27)
Charge to the profit and loss account	**146**	247
Total deferred tax charge	**366**	220

3.2. The deferred tax assets and liabilities are based in the UK jurisdiction. The current tax charge for the year is lower than the standard corporation tax in the UK of 19% (2018: 19%).
The differences are explained below:

Factors Affecting Total Tax Charge on the Current Period	**2019**	**2018**
	£'000	£'000
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit for the year - continuing activities	**14,195**	8,676
At standard rate of corporation tax in the UK of 19.00% (2018: 19%)	**2,697**	1,648
Effects of:		
Non-taxable income	**(1,124)**	-
Enhanced R&D Expenditure	**(1,100)**	-
Expenses not deductible for tax purposes	**825**	38
Prior year adjustment	**443**	(206)
Deferred tax - changes in taxes	**(22)**	(38)
Tax charge for the year	**1,719**	1,442

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 in 2018, 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.

On 01 February 2018, LMAX Exchange Group Limited ("LEG") acquired the 63.65% of the shares in the LMAX Group from Hamsard 3297 Limited (former holding company) at market value. 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 at year end 31 December 2018.

Further on 01 July 2019, LEG also acquired 4.5% shareholding of the LMAX Limited and LMAX Broker Limited from minority shareholder, Directa S.I.M.p.A thereby making LEG 99.5% majority shareholder of the LMAX Group. As a result of this transaction £3.2m 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 in the demerger reserve.

Notes to consolidated financial statements

5. Intangible assets

	Intellectual property	Purchased Software	Developed Software	Total Intangible Assets
		£'000	£'000	£'000
Cost				
Balance at 1 January 2018	-	**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 1 January 2018	-	**(100)**	**(9,013)**	**(9,113)**
Amortisation for the year	-	(95)	(2,633)	(2,728)
Balance at 31 December 2018	-	**(195)**	**(11,646)**	**(11,841)**
Cost				
Balance at 1 January 2019	-	**556**	**15,781**	**16,337**
Additions	360	385	3,502	4,247
Balance at 31 December 2019	**360**	**941**	**19,283**	**20,584**
Accumulated amortisation				
Balance at 1 January 2019	-	**(195)**	**(11,646)**	**(11,841)**
Amortisation for the year	(50)	(270)	(2,770)	(3,090)
Balance at 31 December 2019	**(50)**	**(465)**	**(14,416)**	**(14,931)**
Carrying value				
at 31 December 2018	-	361	4,135	4,496
at 31 December 2019	**310**	**476**	**4,867**	**5,653**

Notes to consolidated financial statements

6. Property, plant and equipment

Cost	Right to use office building	Leasehold improvements £'000	Computer equipment £'000	Fixtures, furniture and fittings £'000	Total property, plant, and equipment £'000
Balance at 1 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 1 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)**
Cost					
Balance at 1 January 2019	-	**424**	**5,688**	**206**	**6,318**
Additions	4,247	258	592	52	5,149
Disposals	(305)	-	(78)	-	(383)
Balance at 31 December 2019	**3,942**	**682**	**6,202**	**258**	**11,084**
Accumulated depreciation					
Balance at 1 January 2019	-	**(423)**	**(3,411)**	**(142)**	**(3,976)**
Depreciation for the year	(492)	(4)	(1,190)	(34)	(1,720)
Disposals	305	-	78	-	383
Balance at 31 December 2019	**(187)**	**(427)**	**(4,523)**	**(176)**	**(5,313)**
Carrying value					
at 31 December 2018	-	1	2,277	64	2,342
at 31 December 2019	**3,755**	**255**	**1,679**	**82**	**5,771**

The computer equipment above for £1.7m includes right to use assets worth £770k.

Notes to consolidated financial statements

7. Trade and other receivables

		2019	2018
		£'000	£'000
Trade debtors	7.1	**1,108**	856
Other debtors	7.2	**2,431**	1,564
Collateral requirement for trade clearing	7.3	**49,158**	40,127
Derivative contracts	7.4	**555**	-
Prepayments and accrued income		**1,015**	948
Total		**54,267**	43,495
Classification:			
Non-current		**318**	-
Current		**53,949**	43,495
Total		**54,267**	43,495

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

31 December 2019	Current	1-30 Days past due	31-60 Days past due	61-90 Days past due	90 Days past due or more	Total
Expected loss rate	0.3%	1.6%	3.6%	6.6%	10.6%	
Gross Carrying amount - trade receivables (£'000)	620	181	86	55	166	1,108
Loss allowance	**2**	**3**	**3**	**4**	**18**	**30**

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 2019 and 1 January 2019 (on adoption of IFRS 9) was determined as above for both trade receivables. For details of movement in allowance for impairment in refer to note 14.1 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 year end.

7.4. The derivative contract asset disclosed above includes £169k forward contacts held as instruments for hedging the currency exposure and £386k held under trading activity performed by Group subsidiary, LMAX Bullion Limited.

Notes to consolidated financial statements

8. Inventories

	2019	2018
	£'000	£'000
Fair value less cost to sell of Cryptocurrencies held by the Group	**25,127**	10,352

Total cryptocurrencies balance held by the Group includes £17.7m (2018: £7.6m) held on behalf of clients of LMAX Digital Broker Limited.

9. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash and cash equivalents	**68,134**	50,659

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 £65.5m (2018: £83.6m).

Below is an analysis of the change in net funds as per management:

	Cash and cash equivalents	Collateral*	Transfer of title funds	Net funds
	£'000	£'000	£'000	£'000
Opening balance at 1 January 2019	50,659	50,479	(82,931)	18,207
Net cash movement	17,475	23,806	(36,562)	4,719
Balance at 31 December 2019	**68,134**	**74,285**	**(119,493)**	**22,926**

*Collateral balance includes the balances held with the prime brokers and inventories.

Notes to consolidated financial statements

10. Trade and other payables

	Note	2019	2018
		£'000	£'000
Transfer of title funds	10.1	**119,493**	82,931
Loan	10.2	**14,750**	17,750
Accruals and deferred income	10.4	**5,677**	5,583
Lease liability	10.3	**4,799**	1,037
Trade creditors		**588**	642
Taxation and social security		**566**	314
Other payables	10.5	**353**	-
Derivative contracts		**-**	23
Total		**146,226**	108,280
Classification:			
Non-current		**10,918**	15,390
Current		**135,308**	92,890
Total		**146,226**	108,280

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 £9.75m (2018: £12.75m). The remaining term of the debt is 2 years.

10.3. As a result of adoption of IFRS 16 the group has recognised lease liability against the right to use assets for office building. These include transition of leases previously held as operating lease and any new leases acquired by the group. The discount rate used to determine the financing charges is based on the interest rate for non-repayment implicit in the lease contract. From prior year the Group also holds some computer equipment which have been provided under financing arrangements. The terms of the financing arrangements previously recorded as financing leases with the corresponding asset capitalised in property, plant and equipment have been reclassed as lease liability having no change in calculation in accordance with the modified transition approach under IFRS16. 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%.

10.4. The accruals and deferred income above include deferred income representing contract liability accounted under IFRS 15, "Revenue from Contracts with Customers" worth £29k (2018: Nil). The contract liability has arisen post acquisition of business of Mobile Trading Partners LLP on account of services due to customers for development and support of mobile trading applications.

Notes to consolidated financial statements

10.5. The other payable represents deferred consideration payable to non-controlling shareholders worth £233k on account of acquisition of minority holding of 4.5% and £120k payable to Mobile Trading Partners LLP as a result of business acquisition.

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:

- Directors 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 year.
- Group companies including: subsidiaries listed in note 2 to the Company financial statements.

	2019	2018
Key management personal compensation	£'000	£'000
Short-term employee benefits	1,570	1,450
Post- employment benefits	11	-
Total	**1,581**	1,450

Balances		
Amounts due from shareholders of LMAX Exchange Group Limited	1,041	114
Transactions		
Mobile Trading Partners LLP mobile application development	-	461

Notes to consolidated financial statements

12. Business Acquisitions and reorganisation

On 01 July 2019 following the Cyprus Securities and Exchange Commission's ("CySec") approval LMAX Broker Limited became 100% owner of a regulated Cypriot entity, LMAX Broker Europe Limited (previously known as CB Capital Limited). CB Capital Limited was acquired for £1.0m in exchange of net assets worth £0.7m, therefore Goodwill of £0.3m has arisen as a result of this acquisition. Further on 27 September 2019 LMAX Exchange Group Limited acquired 1,244,750 shares of LMAX Broker Europe Limited from LMAX Broker Limited at net book value thereby becoming 100% shareholder of the Cypriot entity.

On 01 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.

On 20 March 2019 LMAX Exchange Group Limited invested £1m as share capital in LMAX Digital Group Limited and acquired further 999,920 shares.

Thereafter LMAX Digital Group Limited invested £1m (US$ 1.325m) in its wholly owned subsidiary LMAX Digital Broker Limited against issue of 999,000 shares.

On 01 August 2019, one of the group's subsidiary LMAX Limited acquired the business of Mobile Trading Partners LLP thereby acquiring intellectual property with regards to mobile application development activity worth £360k. This purchase consideration was settled partly in cash and partly against share options.

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. The approval to deregulate was subsequently approved in 2019 and the entity is no longer trading.

13. Post balance sheet event

Though the spread of novel coronavirus (COVID-19) has caused significant global disruptions to the world economy, the company anticipates no downturn to the business taking into consideration the company performance and robust Q1 2020 results, but the ambiguity of current situation may result in some disruption to the operations and financial conditions.

This is a non-adjusting post balance sheet event and an estimate of the future effect cannot be made at the point in time as the situation is rapidly evolving.

On 07 April 2020 the Group donated £250,000 to the Kensington + Chelsea Foundation's COVID-19 Crisis Response Appeal to help support the vulnerable people and community during these unprecedented times. The donation has supported Chelsea and Westminster Hospital by funding 60 tablets and stands, to enable COVID-19 patients to keep in touch with their loved ones while in intensive care, together with funding meals for 265 NHS workers at St. Charles Hospital in North Kensington.

Notes to consolidated financial statements

14. Financial instruments

14.1 Credit risk

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

	2019	2018
	£'000	£'000
Balance as at 01 January	**346**	1,192
Provision recognised during the year	**86**	1,325
Provision released during the year	**-**	(1,192)
Amounts written off	**(81)**	(1,144)
Other movements *	**-**	165
Balance as on 31 December	**351**	346

*Other movements in prior year include foreign exchange movement on the provision provided during the year.

Notes to consolidated financial statements

14.2 Liquidity risk

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

At 31 December 2019	Less than 6 months £'000	6-12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual cash flows £'000	Carrying amount liabilities £'000
Non-derivatives						
Trade payables	588	-	-	-	588	588
Taxation and social security	566	-	-	-	566	566
Transfer of title funds	119,493	-	-	-	119,493	119,493
Leases liabilities	695	581	1,665	3,485	6,426	4,799
Loan	1,875	2,250	10,625	-	14,750	14,750
Other payable	353	-	-	-	353	353
Accruals and deferred income	5,677	-	-	-	5,677	5,677
Total	**129,247**	**2,831**	**12,290**	**3,485**	**147,853**	**146,226**
At 31 December 2018						
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**
Derivative contracts	23	-	-	-	23	23
Total	**23**	**-**	**-**	**-**	**23**	**23**

Notes to consolidated financial statements

14.3 Interest rate risk

The Group has an interest-bearing borrowing of £14.75m. This includes a revolving credit facility of £5m and term debt of £9.75m. The weighted average rate of interest is 6%. The remaining term of the debt is 2 years 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 sensitive Group's financial assets and liabilities at the end of each year were as follows:

Financial Assets:	**2019**	**2018**
	£'000	£'000
Cash and cash equivalents	**68,134**	50,659
Collateral balances held at Prime Brokers	**49,158**	40,127
Financial Liabilities:		
Borrowings	**(14,750)**	(17,750)
Total	**102,542**	73,036

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. The impact expressed below has been calculated considering no change in the value of assets and liabilities over the next 12 months.

	Cash and cash equivalents	**Client collateral balances**	**Borrowings**
	£'000	**£'000**	**£'000**
Impact 2019	**(170)**	**(123)**	**(37)**
Impact 2018	(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 £330k (2018: £271k).

Notes to consolidated financial statements

14.4 Price Risk

As at the end of the reporting year one of the Group's subsidiary, LMAX Bullion Limited held some open metal, indices 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 will fluctuate due to the changes in market prices of the underlying instrument. For 2018 the price risk sensitivity was determined to be not material. For the reported year the below figures represents the sensitivity analysis based on a 10% decrease in prices of these open contracts:

		2019
Derivative Contracts	**Notional value Long/(short)**	**Estimated (loss)/gain had the prices weakened by 10%**
	£'000	**£'000**
Gold	15,767	(1,577)
Silver	(241)	24
Platinum	454	(45)
Indices	6,961	(696)

Notes to consolidated financial statements

14.5 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 £'000	GBP £'000	USD £'000	EUR £'000	JPY £'000	AUD £'000	SGD £'000	HKD £'000	Other £'000
Cash and cash equivalents	68,134	3,115	48,180	5,830	6,775	1,675	109	754	1,696
Cryptocurrencies held	25,127	-	25,127	-	-	-	-	--	
Collateral requirement for trade clearing	49,158	9,205	27,877	12,076	-	-	-	-	-
Trade debtors	1,108	-	1,063	45	-	-	-	-	-
Transfer of title funds	(119,493)	(4,153)	(93,940)	(15,503)	(2,956)	(2,385)	(14)	6	(548)
Trade creditors	(588)	(336)	(188)	(41)	(21)	10	2	(4)	(10)
Net exposure	**23,446**	**7,831**	**8,119**	**2,407**	**3,798**	**(700)**	**97**	**756**	**1,138**
Derivatives	**555**		**555**						
Net Exposure	**24,001**	**7,831**	**8,674**	**2,407**	**3,798**	**(700)**	**97**	**756**	**1,138**

The currency exposures of financial assets and liabilities as at 31st December 2018 were as follows.

	TOTAL £'000	GBP £'000	USD £'000	EUR £'000	JPY £'000	AUD £'000	SGD £'000	HKD £'000	Other £'000
Cash and cash equivalents	50,659	6,876	30,930	2,488	4,930	2,984	285	507	1,659
Cryptocurrencies 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	(82,931)	(5,530)	(63,109)	(11,783)	(492)	(1,977)	-	(1)	(39)
Trade creditors	(642)	(473)	(152)	(8)	(23)	10	19	(6)	(9)
Net exposure	**18,421**	**5,500**	**9,745**	**(4,671)**	**4,415**	**1,017**	**304**	**500**	**1,611**

Notes to consolidated financial statements

14.5 Foreign currency risk (continued)

Sensitivity Analysis	Impact on post tax profit	
	2019	**2018**
	£'000	£'000
USD value appreciates 5%	**413**	464
USD value depreciates 5%	**(457)**	(513)
EUR value appreciates 5%	**115**	(223)
EUR value depreciates 5%	**(127)**	245
JPY value appreciates 5%	**181**	210
JPY value depreciates 5%	**(200)**	(233)

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.

14.6 Fair value

At the end of the reporting year the Group is exposed to fair value risk on financial instruments and inventory. The carrying value of financial instruments carried at amortised cost are not materially different from their fair value as at 31 December 2019 and therefore the Group's fair value risk is assessed on inventory and financial liabilities corresponding to this inventory held at fair value through Statement of Comprehensive Income. The Group's financial instruments held at fair value and inventory held at fair value less cost to sell are shown below based on the fair value hierarchy levels 1 to 3 on the degree to which fair value is observable.

	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2019	£'000	£'000	£'000	£'000
Assets				
-Inventories 14.6a (i)	-	25,127	-	25,127
-Derivative Contracts	-	555	-	555
Liabilities	-			
-Trade payable 14.6a(ii)	-	(17,694)	-	(17,694)
Total	**-**	**7,988**	**-**	**7,988**

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Assets				
-Inventories	-	10,352	-	10,352
Liabilities				
- Trade payable		(7,590)		(7,590)
Total	**-**	**2,762**	**-**	**2,762**

Notes to consolidated financial statements

The Inventories; as also presented in Note 8 relates to the unsecured crypto assets held by the Group's subsidiary LMAX Digital Broker Limited. These crypto assets include £17.7m (2018: £7.6m) held on behalf of clients, £7.3m (2018: £1.7m) under economically hedged positions against crypto CFDs and £0.1m (2018: £1.1m) on account of proprietary trading.

The trade payable as presented in Note 10 includes £35.2m (2018: £16.2m) due to LMAX Digital Broker Limited's clients; of which trade payable of £17.6m (2018: £7.6m) presented above relates to clients' crypto assets holdings valued at fair value. The remaining £17.5m (2018: £8.6m) balance relates to margin held on clients' trading accounts denominated in fiat currencies and is therefore held at amortised cost.

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 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.

14.6a(i) shows the value of cryptocurrency assets held by the Group which have been fair valued through the income statement.

14.6a(ii) shows the total client liabilities due to clients of LMAX Digital Broker Limited relating to the cryptocurrency inventory stated in 14.6a(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. The Group's exposure to the risk of fair value changes on the financial instruments held under proprietary trading is measured in light of the recent market performance and thus a sensitivity analysis of 20% increase (2018: 10% decrease) in the prices of crypto assets held and open crypto CFD positions is presented below:

Sensitivity analysis on Proprietary trading:

	Year ended 31st Dec 2019 (£'000)	**Year ended 31st Dec 2018 (£'000)**
Impact:	**151**	(26)

14.7 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.

Notes to consolidated financial statements

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 Cryptocurrency 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.

15. 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 years commencing on or after 1 January 2019:

IFRS 16 – Leases

IFRS 16 will replace IAS 17 Leases and is effective for years commencing on or after 1 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. For details refer accounting policy on leases under note 1.

16. 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
W11 4AN

Company statement of comprehensive income

For the year ended 31 December 2019	Note	2019	2018
		£'000	£'000
Administrative expenses		**(605)**	(108)
Operating loss		**(605)**	(108)
Financial income	2	**9,000**	44,491
Financial expenses		**(1,001)**	(1,104)
Profit before tax		**7,394**	42,279
Taxation		**-**	-
Profit for the year		**7,394**	42,279
Other comprehensive (expense)/income		**-**	-
Profit and total comprehensive income for the year		**7,394**	42,279

The results shown above are derived wholly from continuing operations.

The notes on pages 60-65 form an integral part of these financial statements.

Company statement of financial position

As at 31 December 2019	Note	2019	2018
		£'000	£'000
Non-current assets			
Investments	3	**76,457**	67,019
Property, plant and equipment	4	**3,842**	-
Trade and other receivables	5	**264**	-
Current assets			
Trade and other receivables	5	**1,433**	114
Cash and cash equivalents	6	**496**	20
Total assets		**82,492**	**67,153**
Non-current liabilities			
Trade and other payables	7	**(10,625)**	(14,750)
Current liabilities			
Trade and other payables	7	**(21,194)**	(9,124)
Total liabilities		**(31,819)**	(23,874)
Net assets		**50,673**	43,279
Equity			
Share capital	8	**1,000**	1,000
Retained earnings		**49,673**	42,279
Equity attributable to equity holders of the parent		**50,673**	43,279
Non-controlling interest			-
Total equity		**50,673**	43,279

The notes on pages 60-65 form an integral part of these financial statements.

These financial statements on pages 56 to 65 were approved by the Board on 04 November 2020 and signed on behalf of the Board by:

David Mercer, Director

04 November 2020

Company statement of changes in equity

For the year ended 31 December 2019	Share capital	Retained earnings	Total parent equity	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	1,000	42,279	43,279	43,279
Profit for the year	-	7,394	7,394	7,394
Total comprehensive income for the year	**-**	**7,394**	**7,394**	**7,394**
Balance at 31 December 2019	**1,000**	**49,673**	**50,673**	**50,673**

For the year ended 31 December 2018	Share capital	Retained earnings	Total parent equity	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	-	-	-	-
Profit 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**

Profits for the year include dividend received from entity's subsidiary, LMAX Broker Limited for £9m (2018: nil).

Company statement of cash flows

For the year ended 31 December 2019	2019	2018
Cash flows from operating activities	£'000	£'000
Operating loss	**(605)**	(108)
Depreciation	**45**	-
Non Cash Finance expense	**(14)**	-
Increase in trade and other receivables	**(1,583)**	(114)
Increase in trade and other payables	**7,945**	23,874
Net cash generated from operating activities	**5,788**	23,652
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(3,887)**	-
Investment in subsidiaries	**(9,438)**	(67,019)
Financial income	**-**	44,491
Net cash used in investing activities	**(13,325)**	(22,528)
Cash flows from financing activities		
Issued shares	**-**	1,000
Dividend received	**9,000**	
Finance expense	**(987)**	(2,104)
Net cash used in financing activities	**8,013**	(1,104)
Net increase in cash and cash equivalents	**476**	20
Cash and cash equivalents at beginning of year	**20**	-
Cash and cash equivalents at end of year	**496**	20

The notes on pages 60-65 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 29 to 35. 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 reflects dividend paid by LMAX Broker Limited during the year, hence the financial income has been eliminated on consolidation.

3. Investments in subsidiaries

	2019	2018
	£'000	£'000
Investments	**76,457**	67,019

During the year the 4.5% shareholding (26,958 shares) held by Directa S.I.M.p.A ("minority holder") in LMAX Limited was acquired by the Company. Additionally, the Company purchased 1 newly issued share for face value £1 at a premium of £3,999,999 thereby making a capital injection in LMAX Limited of £4m. As at the year end the Company holds 596,082 (2018: 569,123) of 599,078 shares in LMAX Limited representing 99.5% shareholding.

As a part of the above minority holder buy-back, the company also acquired 4.5% shareholding (26,958 shares) in LMAX Broker Limited. As at the year end, the Company holds 596,081 (2018: 569,123) of 599,077 shares in LMAX Broker Limited representing 99.5% shareholding.

On 1 July 2019 following the Cyprus Securities and Exchange Commission's ("CySec") approval LMAX Broker Limited became 100% owner of a regulated Cypriot entity by acquiring 1,244,750 shares in LMAX Broker Europe Limited (previously known as CB Capital Limited). On 27 Sept 2019 LMAX Broker Europe Limited was transferred to the company at cost by LMAX Broker Limited. Furthermore, in Oct 2019 a capital contribution was made by the company for £225,915 (EUR 250k) thereby creating a non-refundable capital contribution reserve in LMAX Broker Europe Limited to ensure sufficient regulatory capital in the subsidiary.

On 20 March 2019, the company invested £1m as share capital in LMAX Digital Group Limited and acquired further 999,920 shares.

LMAX Digital Group Limited invested £1m (US$ 1.325m) in its wholly owned subsidiary LMAX Digital Broker Limited against issue of 999,000 shares (face value £1) thereby increasing its shareholding to 1,000,000 shares.

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

Company notes to the financial statements

On 15 January 2019, LMAX Hong Kong Limited notified the Hong Kong Securities and Futures Commission ("SFC") of its intention to deregulate as the entity was dormant and in Oct 2019 it reduced its share capital by 29m shares (£ 2.9m) as it was no longer required for regulatory purposes, thereby remaining shares held stand at 3m (2018: 32m).

LMAX Digital Exchange Limited, subsidiary of LMAX Digital Group Limited ceased trading from 08 May 2019 and was wound down hence the shareholding stands at Nil for the year end (2018: 10,000 shares).

Additionally, the company acquired the shareholding of 50,000 shares in the dormant entity, LMAX Markets Inc from its immediate subsidiary, LMAX Pte Limited thereby becoming a direct holding company of LMAX Market Inc.

All the Group's subsidiaries for the year ended 31 December 2019 are shown below. The ordinary shares held % shown is the effective shareholding which the company holds in the underlying subsidiary.

Subsidiary	Country of Incorporation	Principal activity	Ordinary shares held No.	Ordinary shares held %
LMAX Limited	England	Financial exchange platform	596,083	99.5
LMAX Broker Limited	England	FX brokerage	596,082	99.5
LMAX Bullion Limited	Hong Kong	Bullion broker	1,000	100
LMAX Hong Kong Limited	Hong Kong	Dormant	3,000,000	99.5
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	1,000,000	100
LMAX Digital Exchange Limited	Jersey	Dormant	-	-
LMAX Digital Broker Limited	Gibraltar	Digital currency exchange broker	1,000,000	100
LMAX Markets Inc	Cayman Islands	Dormant	50,000	100
LMAX Broker Europe Limited	Cyprus	FX Brokerage	1,244750	100

Company notes to the financial statements

All the Group's subsidiaries are shown below as at year ended 31 December 2018. The ordinary shares held % shown is the effective shareholding which the company holds in the underlying subsidiary.

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	FX brokerage	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	80	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

Company notes to the financial statements

4. Property, plant and equipment

Cost	RTU Lease	Leasehold improvements	Total property, plant and equipment
	£'000	£'000	£'000
Balance at 1 January 2019			
Additions	**3,629**	**258**	**3,887**
Disposals	-	-	-
Write Offs	-	-	-
Balance at 31 December 2019	**3,629**	**258**	**3,887**

Accumulated depreciation			
Balance at 1 January 2019			
Depreciation for the year	**(41)**	**(4)**	**(45)**
Disposals	-	-	-
Write Offs	-	-	-
Balance at 31 December 2019	**(41)**	**(4)**	**(45)**

Carrying value			
at 31 December 2019	**3,588**	**254**	**3,842**

5. Trade and other receivables

	2019	2018
	£'000	£'000
Amounts due from shareholders	**1,041**	114
Other debtors	**30**	-
Prepayments	**45**	-
Deposits	**264**	
Inter-group receivables	**317**	-
Total	**1,697**	114

Classification:		
Non-current	**264**	-
Current	**1,433**	114
Total	**1,697**	114

Company notes to the financial statements

6. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash and cash equivalents	**496**	20

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

7. Trade and other payables

	Note	2019	2018
		£'000	£'000
Loan	7.1	**14,750**	17,750
Lease Liability	7.2	**3,957**	-
Taxation and social security		**222**	-
Trade creditors		**40**	-
Other Payable	7.3	**233**	-
Accruals and deferred income		**2,130**	361
Inter-group payables	7.4	**10,487**	5,763
Total		**31,819**	23,874

Classification:		
Non-current	**10,625**	14,750
Current	**21,194**	9,124
Total	**31,819**	23,874

7.1. The loan includes a revolving credit of £5m and a term debt of £9.75m (2018: £12.75m). The remaining term of the debt is 2 years.

7.2. The lease liability represents the present value of future payments against the right to use office building.

7.3. The other payable represents deferred consideration payable to Client Directa S.I.M.p.A on account of acquisition of minority holding of 4.5% in LMAX Limited and LMAX Broker Limited.

7.4. 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.

Company notes to the financial statements

8. Share capital

	2019	2018
	£'000	£'000
Allotted and called up and fully paid		
100,000,000 (2018: 100,000,000) Ordinary shares of £0.01 each	**1,000**	1,000

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

9. 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	2019	2018
		£'000	£'000
Amounts due from shareholders		**1,041**	114
Amounts due to Affinity Trust		**(774)**	(2)
Amounts due to Group companies	9.1	**(9,396)**	(5,761)

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

9.1 Amounts due to Group companies

	2019	2018
	£'000	£'000
Balances		
Amounts due to group companies:		
- LMAX Exchange Limited	**(540)**	(466)
- LMAX Broker Limited	**(9,135)**	(5,295)
-LMAX Digital Group Limited	**272**	-
-LMAX Broker Europe Limited	**43**	-
-LMAX Japan K.K	**2**	
-LMAX Markets Inc.	**(38)**	-
Total	**(9,396)**	(5,761)

LMAX Exchange Group Limited - company registration number 125453

Annual report and consolidated financial statements - for the year ended 31 December 2019

www.LMAX.com/annualreport

LMAX Exchange Group is 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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