LMAX™ Group

2020 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.

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Introduction: about the LMAX Group

Delivering efficient market structure and transparent, precise execution to all participants

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

With offices in 9 countries and a global client base, the Group builds and runs its own high performance, ultra-low latency exchange infrastructure, which includes matching engines in London, New York and Tokyo.

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

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.

The LMAX Group portfolio includes LMAX Exchange, LMAX Global, LMAX Digital.

LMAX | Exchange

The institutional exchange for global FX

LMAX Exchange operates multiple 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 access to deep institutional FX liquidity, tight spreads and transparent, precise execution with no 'last look' rejections.

LMAX | Digital

The institutional spot cryptocurrency exchange

LMAX Digital is a leading 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.

LMAX Digital is regulated by the Gibraltar Financial Services Commission (GFSC) as a DLT provider for execution and custody services.

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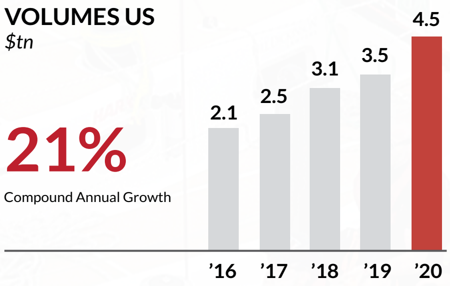
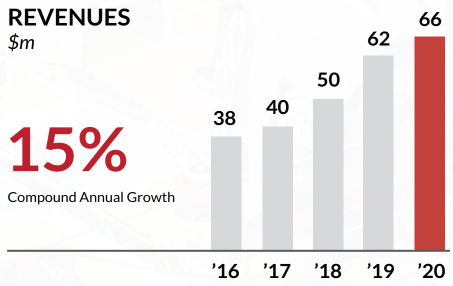
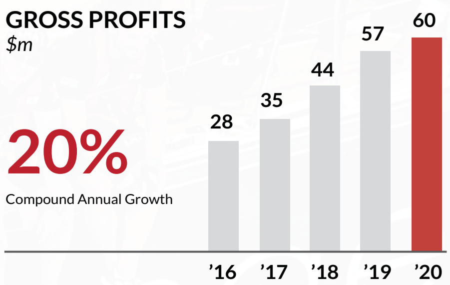
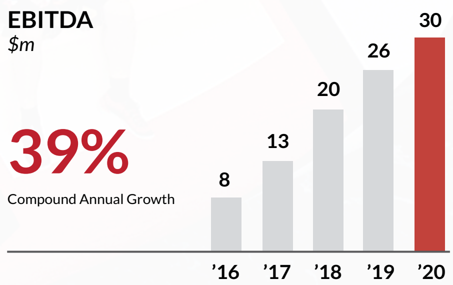
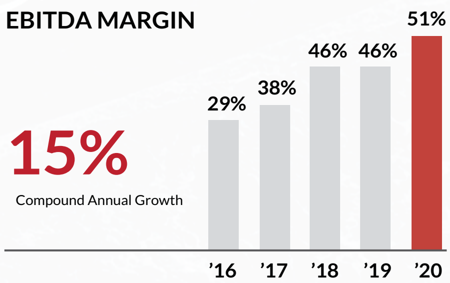
2020 financial highlights

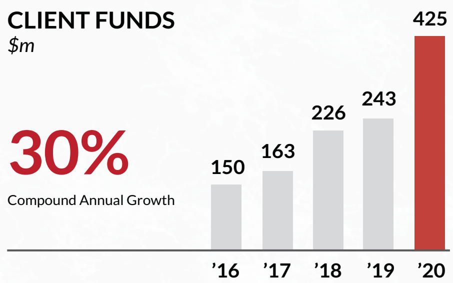












- **Trading volumes of US$4.5 trillion, 28% annual growth from 2019**
- **Gross revenues of US$66m, 6% annual growth from 2019**
- **Gross profit of US$60m, 5% annual growth from 2019**
- **Statutory EBITDA of US$30m, 15% annual growth from 2019**
- **EBITDA margin of 51%, 11% improved from 2019**
- **Profit for the year of US$18m, 13% annual growth from 2019**
- **Client assets held of $425m, 75% annual growth from 2019**
- **Continued growth of global exchanges**

CEO's statement

Overview


David Mercer, CEO

At LMAX Group we have constantly striven to remove risk from our business model through greater diversification, be that geographic or product, and consistently invested heavily in product, technology and differentiated revenue streams. An unprecedented 2020, that shook global economies, was a true test of that model and we are delighted that the Group managed to deliver a robust performance and continued to grow volumes, revenues and EBITDA. Our results for the year demonstrate the benefits of our unique business mix, built for all seasons and market conditions, with multiple revenue sources all based on our core offering of global market access for all FX and Digital Asset segments.

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.

Once again, we have outperformed competitors and increased our share of both the institutional FX and crypto market. We remain confident that with the continued evolution of the markets we operate in and our commitment to invest in future growth, that we are on track to achieve our objective of becoming the primary venue for all institutional FX and crypto trading.

Clearly the fastest growing segment of the Group is LMAX Digital, which has delivered revenue growth of over 260% across the last two years to become the leading institutional crypto exchange. The Digital Asset ecosystem is institutionalising, with growing demand for institutional architecture and regulation. We are able to leverage our proven trusted technology, brand, distribution and liquidity relationships, coupled with institutional grade compliance and custodian solutions. As Bitcoin and other digital currencies grew into an established alternative asset class, we have achieved another compelling advantage over the monoline institutional transactional business with which we compete. LMAX Group has become synonymous with frictionless trading for institutions across the FX and crypt divide.

LMAX Group successfully managed through a difficult macro trading environment, that saw risk-off sentiment following the extreme volatility and market dislocation in March 2020. The business declined any governmental support and no members of staff were placed on furlough. We continued to provide a best in class service to our clients and record annual growth across all KPIs.

LMAX KPIs (USD)	2016	2017	2018	2019	2020	Growth
Volumes (bn)	2.1	2.5	3.1	3.5	4.5	20%
Client Assets (m)	150	163	226	243	425	30%
Revenue (m)	38	40	50	62	66	15%
Gross Profit (m)	28	35	44	57	60	21%
EBITDA (m)	8	13	20	26	30	39%

CEO's statement

Along with the strong results achieved, we also managed to pursue strategic initiatives. Key business developments in 2020 include:

- Investment in overseas expansion: The Group has strengthened distribution capabilities in the EMEA region with the launch of a CySEC regulated broker LMAX Broker Europe Limited 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 fifth exchange, is already the largest institutional spot cryptocurrency exchange globally and has delivered 82% quarter-on-quarter volume growth on average since launch.
- Continued investment and development in technology and people: Ongoing technology investment has ensured resilience, security and increased capacity of our exchanges. A combination of developing our staff alongside strategic senior appointments have strengthened global institutional sales coverage and support and facilitated the rapid expansion of LMAX Digital.

We will continue to invest for future growth alongside increasing operational support across the group. New developments in 2021 include the launch of our Crypto Futures offering, alongside a new exchange in Singapore, as well as enhancing our existing architecture. With the increasing interest in Digital Asset trading, we are confident that the group is set for an exceptional year ahead.

Strategic Goals

- Increase market share in FX and Crypto
- Maintain a quality service to clients in all segments
- Broaden global distribution across all asset classes
- Technical innovation in core Exchange technology and market data
- Investment in research and development, including Product and Technology
- Attract, develop and retain talent

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 34% year on year, despite the challenges brought on by the global pandemic, whilst other market participants struggled to maintain prior year volume levels. Clients continue to respond 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 offer the benefits of exchange trading to a large segment of the market that is unable to access this directly and including broker-dealers, funds, and professional traders. The business has withstood restrictive regulatory measures in recent years and the risk-off market conditions that surfaced after volatile trading conditions as the Covid pandemic surfaced in March 2020. 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.

CEO's statement

LMAX | Digital

Our most recent Exchange offering, which was launched in Q2 of 2018, has already achieved market leadership in Institutional spot crypto currency trading. LMAX Digital, the leading institutional digital asset exchange, has delivered 82% quarter-on-quarter volume growth since launch. It is the fastest growing exchange within the Group, breaking even within the first year and is well placed for further growth as the Digital Asset ecosystem institutionalises, with growing demand for institutional architecture and regulation. LMAX Digital aims to play a crucial role in helping cryptocurrencies to become part of mainstream capital markets. LMAX Digital is the first of our businesses which is fully operational 24 hours a day, 7 days a week; something which we believe is the future of all Capital markets. With the technology solution comes business opportunity.

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
- 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.

CEO's statement

It supports the CEO in the proper performance of his duties, including optimising 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.

Future Outlook

We headed into 2021 on the back of a very strong fourth quarter of 2020, where all segments of the business were performing strongly. In an extremely busy start to new year, the growing institutional demand for trading Digital Assets along with continued growth from our core FX businesses has elevated financial results of the Group in early 2021, which in May has already surpassed our full year 2020 EBITDA. We are extremely excited for the remainder of the year and expect all segments to continue their impressive growth trajectory, reflecting the increasing demand from the market 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 are continuing to leverage our brand and technology to launch new products and exchanges. We have recently launched our new Crypto Futures offering and will soon be going live with a new exchange in Singapore. Another strategic growth area for us is to capitalise on the potential of our market data offering. Our ability to gather firm multi-asset 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 over the next few years across our business lines.

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$150m 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
28 June, 2021
Yellow Building, 1A Nicholas Road, London, W11 4AN

(i) 2020 average rate of GBPUSD has been used within Highlights and CEO Statement sections.

(ii) EBITDA of £23.5m (US$30.4m) is arrived at by adding back depreciation of £1.6m (US$2.1m), amortisation of £3.8m (US$4.9m), foreign exchange losses of £1.1m (US$1.5m), and other non-operational costs of £1.5m (US$1.9m) for the year to operating profit of £15.4m (US$20.0m).

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. LMAX Global is 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 followed during the year 2020 and ahead however it did not have any detrimental impact on the Group's ability to operate and service its clients. 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. The Group did not require any governmental support nor did it place any staff on furlough through this period.

With the promising advancements on global vaccination programmes, the Company expects macroeconomic uncertainties to reduce and the severe market dislocation to recover in 2021, with no material impact to the business and its customers. The Directors estimate of the future effect is assessed to be immaterial, albeit there are no guarantees that further COVID-19 mutations would not cause disruption to financial markets in the future.

Brexit

The UK left the European Union on 31 January, 2020. The transition period that was in place —during which nothing changed — ended on 31 December, 2020. The rules governing the new relationship between the EU and UK took effect on 1 January, 2021. Developments regarding the UK's exit were followed closely throughout. The Group had already established a regulated operational client facing subsidiary in Cyprus, which enabled LMAX Global to continue to offer regulated financial products in all EU member states following the UK's exit.

Proposed dividend

The directors declared and paid a dividend of £Nil (2019: nil) during the year. Post year end on 2 March, 2021 the Group has declared and paid a dividend of £5m.

Principal risks

Directors

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

- David Mercer
- Edmond Warner
- Edward Wray
- Grant Pomeroy

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.

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
28 June, 2021
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. Opinion

In our opinion, 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 2020 and of the group's profit, the company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in 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 2020; 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 opinion

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 opinion.

Independence

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

3. Conclusions relating to going concern

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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the requirements of the Companies (Jersey) Law 1991, or tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the incentive for management to inflate the profitability of the company, through posting manual journal entries to manipulate financial performance or through showing management bias in judgements and assumptions. Audit procedures performed by the engagement team included:

- performing enquiries with management and those charged with governance regarding any known or suspected instances of non-compliance with laws and regulation and fraud.
- challenging assumptions and judgements made by management in estimates, including testing the useful economic life of intangible asset and the valuation of cryptocurrency inventories.
- reviewing correspondence with regulatory authorities.
- using our data analytic tool to identify manual journals with a higher inherent risk of fraud, and obtaining appropriate audit evidence to support these journals.
- incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

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

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company 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, 28 June, 2021

Consolidated statement of comprehensive income

For the year ended 31 December, 2020	Note	2020	2019
		£'000	£'000
Revenue	2.1	**50,939**	48,590
Cost of sales	2.2	**(4,917)**	(4,326)
Gross profit		**46,022**	44,264
Administrative expenses	2.3	**(30,576)**	(28,917)
Operating profit		**15,446**	15,347
Financial expenses		**(908)**	(1,152)
Profit before tax		**14,538**	14,195
Taxation	3	**(568)**	(1,719)
Profit for the year		**13,970**	12,476
Other comprehensive expense			
Exchange differences on translation of foreign assets and liabilities		**(32)**	(370)
Profit and total comprehensive income for the year		**13,938**	12,106
Total comprehensive expense/income attributable to:			
Equity holders of the parent		**13,896**	12,051
Non-controlling interest		**42**	55

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, 2020	Note	2020	2019
		£'000	£'000
Non-current assets			
Investments	4	**1,860**	-
Intangible assets	5	**6,946**	5,653
Property, plant and equipment	6	**5,189**	5,771
Goodwill	12	**318**	318
Trade and other receivables	7	**670**	318
Current assets			
Cash and cash equivalents	9	**119,925**	68,134
Inventories	8	**148,661**	25,127
Trade and other receivables	7	**42,637**	53,949
Current tax assets		**647**	-
Total assets		**326,853**	159,270
Non-current liabilities			
Trade and other payables	10	**(19,024)**	(10,918)
Deferred tax liabilities	3.1	**(712)**	(366)
Current liabilities			
Trade and other payables	10	**(281,587)**	(135,308)
Total liabilities		**(301,323)**	(146,592)
Net assets		**25,530**	12,678
Equity			
Share capital		**1,000**	1,000
Demerger reserve		**(8,615)**	(8,615)
Other equity		**(60)**	1,026
Foreign currency translation reserve		**(290)**	(258)
Retained earnings		**33,051**	19,123
Equity attributable to equity holders of the parent		**25,086**	12,276
Non-controlling interest		**444**	402
Total equity		**25, 530**	12, 678

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 28 Jun, 2021 and were signed on behalf of the Board by:

David Mercer, Director
28 June, 2021

Consolidated statement of changes in equity

For the year ended 31 December, 2020

	Share Capital	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
Balance at 1 January, 2020	**1,000**	**(258)**	**(8,615)**	**1,026**	**19,123**	**12,276**	**402**	**12,678**
Profit for the year	-	-	-	-	13,928	13,928	42	13,970
Other comprehensive expense	-	(32)	-	-	-	(32)	-	(32)
Total comprehensive income	**-**	**(32)**	**-**	**-**	**13,928**	**13,896**	**42**	**13,938**
Buyback of shares	-	-	-	(1,086)	-	(1,086)	-	(1,086)
Balance at 31 December, 2020	**1,000**	**(290)**	**(8,615)**	**(60)**	**33,051**	**25,086**	**444**	**25,530**

For the year ended 31 December, 2019

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	**-**	**(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**

Dividend paid in the year was £nil (2019: nil). The accompanying notes are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December, 2020	2020	2019
	£'000	£'000
Cash flows from operating activities		
Operating profit	**15,446**	15,347
Adjustments for:		
Depreciation	**1,590**	1,720
Amortisation	**3,796**	3,090
Decrease / (Increase) in trade and other receivables	**10,313**	(10,772)
Increase in inventories	**(123,534)**	(14,775)
Increase in trade and other payables	**150,917**	40,828
Tax paid	**(1,004)**	(1,455)
Net cash from operating activities	**57,524**	33,983
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,008)**	(5,149)
Acquisition of intangibles and capitalised expenses	**(5,089)**	(4,247)
Investments	**(1,860)**	-
Net cash used in investing activities	**(7,957)**	(9,396)
Cash flows from financing activities		
Borrowings	**19,000**	-
Repayment of borrowings	**(14,750)**	(3,000)
Finance expense	**(908)**	(1,152)
(Buyback) / Issue of shares	**(1,086)**	151
Acquisition of minority interest	**-**	(3,166)
Net cash from/(used in) financing activities	**2,256**	(7,167)
Net increase in cash and cash equivalents	**51,823**	17,420
Cash and cash equivalents at beginning of year	**68,134**	50,659
Effect of exchange rate fluctuations on cash held	**(32)**	55
Cash and cash equivalents at end of year	**119,925**	68,134

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) in conformity with the requirements of the Companies Act 2006.

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, considering no material impact on the Group's results for the year and the further improving situation post developments in the vaccination program globally.

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.

Basis of preparation

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

The preparation of financial statements requires judgements, estimates and assumptions to be made that affect the application of policies, assets and liabilities, and revenues and expenses. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Any revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgement made by management in the application of the accounting standards that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed where applicable. The areas involving significant estimates or judgement include the carrying value & useful economic life estimates of non-current assets, the recoverability of current assets and liabilities and namely:

- Estimated useful economic life of intangible asset: see accounting policy below & note 5
- Valuation of inventories- cryptocurrencies: see accounting policy below

Notes to consolidated financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December, 2020. 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.

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 £1.7m or reduce by £1.2m 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.

Notes to consolidated financial statements

Property, plant and equipment and depreciation

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

- **Leasehold:** Shorter of the term of the lease or the useful economic life of the asset
- **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 or the term of lease.

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.

Investment in associate

An associate is an entity over which an investor has significant influence, i.e. being in the power to participate in the financial and operating policy decisions of the investee. A holding of 20% or more of the voting power directly or through subsidiaries indicates a significant influence. The Company holds 20% shares of the entity "Tools 4 Broker Ltd" and therefore such investment is considered as investment in associate by the Group. Investments in associate have been accounted for using equity method in accordance with IAS 28. Under the equity method of accounting, the equity investment is initially recorded at cost and is subsequently adjusted to reflect the company's share of net profit/(loss) in the associate.

Notes to consolidated financial statements

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 the gain/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.

Inventory - Cryptocurrencies

Inventory represents cryptocurrencies controlled by the Group.

The Group operates a Cryptocurrency Exchange which provides physical trading and custodial services to its clients, 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 client liability for Cryptocurrencies held on behalf of clients 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.

Notes to consolidated financial statements

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.

Demerger reserve

On 01 February 2018, the Company acquired 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. Furthermore, on 01 July 2019 the Company acquired 4.5% shareholding of LMAX Limited and LMAX Broker Limited from minority shareholder, Directa S.I.M.p.A thereby making LEG the 99.5% majority shareholder of the LMAX Group.

As a result of these transaction the Group recognised a demerger reserve within the Statement of changes in Equity which represents the difference between the total consideration and net assets acquired.

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.

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 due from the customers’ accounts.

Proprietary trading revenue is recognised on the close of the trading day, and represents realised as well as the 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.

Notes to consolidated financial statements

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 ("GBP", "£") 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.

Leases

The Group records its leases in accordance with IFRS16 which 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 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 and furniture & fixtures. The lease liability on such leased assets is presented under Trade and Other payables as the present value of future lease payments for the full term of lease. 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.

Financial expense

Financing expenses comprise interest charges from financial institutions, suppliers and financing charges on 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 interest charges on loan commitments.

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

	2020	2019
	£'000	£'000
Commissions	**27,732**	23,228
Net Funding revenue	**10,578**	18,773
Others	**12,629**	6,589
Total Revenue	**50,939**	48,590

Other revenue includes Trading revenue of £8.4m (2019: £3.5m), Service revenue £2.3m (2019: £1.6m), Interest and other revenue of £1.9m (2019: £1.5m).

2.2. Cost of sales is stated after charging:

	2020	2019
	£'000	£'000
Clearing and trading fees	**1,824**	1,612
Introducing broker fees	**988**	1,604
Expected credit loss (reversal) / allowance	**(176)**	146
Other variable costs	**2,281**	964
Total cost of sales	**4,917**	4,326

2.3. Administrative expenses are stated after charging:

	Note	2020	2019
		£'000	£'000
Total salary expenses	**2.4**	**15,326**	15,300
- of which capitalised as development software		**(4,765)**	(3,502)
Social security expenses		**1,673**	1,337
Other Pension costs		**339**	289
Depreciation of tangible assets		**1,590**	1,720
Amortisation of intangible assets		**3,796**	3,090
Legal and Professional		**355**	409
Foreign exchange losses / (gains)		**1,127**	(1,312)
Research & development tax grant		**-**	(122)
Donations	**2.5**	**297**	-
Other costs		**10,838**	11,708
Total administrative expenses		**30,576**	28,917

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:

	2020	2019
	No.	No.
Corporate and administration	**37**	33
Product development	**51**	43
Operations	**29**	30
Sales and marketing	**32**	30
Total	**149**	**136**

2.5. Donations:

On 7 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. The Group further donated £47k for the similar cause to support the local community projects.

Notes to consolidated financial statements

2.6. The highest paid director received total emoluments for the year of £0.8m (2019: £1.25m) as a director of Group.

	2020	2019
	£'000	£'000
Total directors' emoluments included in salary expenses	**1,082**	**1,581**

2.7. Remuneration paid to the auditors is as follows:

	2020	2019
	£'000	£'000
Fees payable to the Company's auditors for the audit:		
- the audit of the Company's annual financial statements	500	150
- of financial statements of subsidiaries' pursuant to legislation	250	175
- assurance services for subsidiaries		60
Total	750	385

Notes to consolidated financial statements

3. Taxation

	Note	2020	2019
Current tax:		£'000	£'000
UK corporation tax charge on profits for the year		**276**	1,070
Prior year adjustments		**(54)**	503
Total current tax		**222**	1,573
Deferred tax:			
Deferred tax - origination and reversal of timing differences		**305**	206
Prior year adjustments		**(5)**	(60)
Effect of tax rate changes		**46**	-
Total deferred tax	**3.1**	**346**	146
Tax per income statement	**3.2**	**568**	1,719

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:

	2020	2019
Deferred tax liabilities:	£'000	£'000
Provision at the start of the year	**366**	220
Charge to the profit and loss account	**346**	146
Total deferred tax charge	**712**	366

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% (2019: 19%). **The differences are explained below:**

Factors Affecting Total Tax Charge on the Current Period	**2020**	**2019**
	£'000	£'000
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before tax	**14,538**	14,195
At standard rate of corporation tax in the UK of 19.00% (2019: 19%)	**2,762**	2,697
Effects of:		
Non-taxable income	**(1,909)**	(1,124)
Enhanced R&D Expenditure	**(1,224)**	(1,100)
Expenses not deductible for tax purposes	**951**	825
Prior year adjustments	**(59)**	443
Deferred tax - changes in taxes	**46**	(22)
Tax charge for the year	**568**	1,719

Notes to consolidated financial statements

4. Investments

On 11 December, 2020 the company acquired 20% shareholding in T4B Holdings Limited ("T4B") for € 2m. T4B is a business to business (B to B) technology provider focusing on software development for MetaTrader trading platforms. This investment is recorded as investment in associate under equity method of accounting.

5. Intangible assets

	Intellectual Property	Purchased Software	Developed Software	Total Intangible Assets
	£'000	£'000	£'000	£'000
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)**
Cost				
Balance at 1 January, 2020	**360**	**941**	**19,283**	**20,584**
Additions	-	324	4,765	5,089
Balance at 31 December, 2020	**360**	**1,265**	**24,048**	**25,673**
Accumulated amortisation				
Balance at 1 January, 2020	**(50)**	**(465)**	**(14,416)**	**(14,931)**
Amortisation for the year	(120)	(298)	(3,378)	(3,796)
Balance at 31 December, 2020	**(170)**	**(763)**	**(17,794)**	**(18,727)**
Carrying value				
at 31 December, 2019	310	476	4,867	5,653
at 31 December, 2020	**190**	**502**	**6,254**	**6,946**

Notes to consolidated financial statements

6. Property, plant and equipment

Cost	Right to use office building £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures, furniture and fittings £'000	Total property, plant, and equipment £'000
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)**
Cost					
Balance at 1 January, 2020	**3,942**	**682**	**6,202**	**258**	**11,084**
Additions	78	29	746	155	1,008
Disposals	-	(423)	-	-	(423)
Balance at 31 December, 2020	**4,020**	**288**	**6,948**	**413**	**11,669**
Accumulated depreciation					
Balance at 1 January, 2020	**(187)**	**(427)**	**(4,523)**	**(176)**	**(5,313)**
Depreciation for the year	(581)	(32)	(920)	(57)	(1,590)
Disposals	-	423	-	-	423
Balance at 31 December, 2020	**(768)**	**(36)**	**(5,443)**	**(233)**	**(6,480)**
Carrying value					
at 31 December, 2019	3,755	255	1,679	82	5,771
at 31 December, 2020	**3,252**	**252**	**1,505**	**180**	**5,189**

The computer equipment above for £1.5m (2019: £1.7m) includes right to use assets worth £0.4m (2019: £0.8m).

Notes to consolidated financial statements

7. Trade and other receivables

		2020	2019
		£'000	£'000
Trade debtors	7.1	**1,679**	1,108
Other debtors	7.2	**2,424**	2,431
Collateral requirement for trade clearing	7.3	**37,297**	49,158
Derivative contracts	7.4	**236**	555
Prepayments and accrued income		**1,671**	1,015
Total		**43,307**	54,267
Classification:			
Non-current		**670**	318
Current		**42,637**	53,949
Total		**43,307**	54,267

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

31 December, 2020	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)	1,090	399	99	78	13	1,679
Loss allowance	**3**	**6**	**4**	**5**	**1**	**19**

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**

The loss allowance as at 31 December, 2020 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 £176k (2019: £169k) forward contacts held as instruments for hedging the currency exposure and £60k (2019: £386k) held under trading activity performed by Group subsidiary, LMAX Bullion Limited.

Notes to consolidated financial statements

8. Inventories

	2020	2019
	£'000	£'000
Fair value less cost to sell of Cryptocurrencies held by the Group	**148,661**	25,127

Total cryptocurrencies balance held by the Group includes £128.4m (2019: £17.7m) held on behalf of clients of LMAX Digital Broker Limited.

9. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash and cash equivalents	**119,925**	**68,134**

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 £45m (2019: £65.5m).

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, 2020	68,134	74,285	(119,493)	22,926
Net cash movement	51,791	111,673	(152,499)	10,965
Balance at 31 December, 2020	**119,925**	**185,958**	**(271,992)**	**33,891**

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

Notes to consolidated financial statements

10. Trade and other payables

	Note	2020	2019
		£'000	£'000
Transfer of title funds	10.1	**271,992**	119,493
Loan	10.2	**19,000**	14,750
Accruals and deferred income	10.4	**4,241**	5,677
Lease liability	10.3	**3,986**	4,799
Trade creditors		**940**	588
Taxation and social security		**452**	566
Other payables	10.5	**-**	353
Total		**300,611**	146,226
Classification:			
Non-current		**19,024**	10,918
Current		**281,587**	135,308
Total		**300,611**	146,226

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. This balance reflects Group's payable balance to the clients which includes cash and inventory held on account together with any unrealised gain/loss on open trades.

10.2. During the year loan liability from last year worth £14.75m was prepaid in full. On 13 November the Group entered into a new credit arrangement which provides the Company with a revolving credit facility of £25m of which £9m is drawn as at the end of reporting year and a term debt of £10m, thereby the loan liability is recognized at £19m. The new borrowing is availed for a term of the year 4 years from the reporting date.

10.3. The Group recognizes lease liability in accordance with IFRS 16 which represents the present value of future rental obligations against the right to use assets for office building worth £3.6m (2019: 4m), Computer equipment £293k (2019: £842k) and balance for furniture and fixtures worth £112k (2019: Nil). The discount rate used to determine the financing charges on leases relating to office building is based on the interest rate for non-repayment implicit in the lease contract. The financing arrangements on other leased assets have terms of three to four years, are repayable on a quarterly basis having 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 (2019: 29k). The contract liability has arisen on account of services due to customers for development and support of mobile trading applications.

Notes to consolidated financial statements

10. Trade and other payables (continued)

10.5. The prior year liability of £353k held as other payable in relation to deferred consideration payable to non-controlling shareholders worth £233k and £120k payable to Mobile Trading Partners LLP, as a result of business acquisition was settled during the year in January 2020 and August 2020 respectively.

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 which was bought back by LMAX Exchange Group Limited on 01 July 2019.
- Group companies including: subsidiaries listed in note 2 to the Company financial statements.

	2020	**2019**
Key management personal compensation	£'000	£'000
Short-term employee benefits	**1,075**	1,570
Post-employment benefits	**7**	11
Total	**1,082**	1,581

Balances		
Amounts due from shareholders of LMAX Exchange Group Limited	**1,037**	1,041

Notes to consolidated financial statements

12. Group re-organisation

On 18 December, 2020, LMAX Exchange Group Limited made an investment as share capital in LMAX Broker Mauritius Limited (incorporated on 28 July, 2020) for £15k (US$ 20k).

On 30 October, 2020, the Group's dormant subsidiary LMAX Markets Inc. (initial investment US$ 50k) was dissolved and wound down.

The Group owns a regulated Cypriot entity, LMAX Broker Europe Limited (formerly know as CB Capital) since July 2019. The goodwill balance for £0.3m relates to the acquisition of this entity. The Group's goodwill balance has been assessed for impairment and there has been no impairment recognised for the year.

13. Post balance sheet event

On 8 January, 2021 a new subsidiary LMAX Digital Exchange UK limited was incorporated with a share capital of £1 for ordinary share of 1. The new entity is a subsidiary of LMAX Digital Group Limited and as a result part of the wider Group.

On 2 March, 2021, the Group declared and paid a dividend of £5m.

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.

Notes to consolidated financial statements

14.1 Credit risk (continued)

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

	2020	2019
	£'000	£'000
Balance as at 01 January	**351**	346
Provision / recognised during the year	**19**	86
Provision released during the year	**(176)**	-
Amounts written off	**(164)**	(81)
Other movements*	**(12)**	-
Balance as on 31 December	**18**	351

*Other movements include foreign exchange movement on the provision held.

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, 2020	**Less than 6 months** £'000	**6-12 months** £'000	**Between 1 and 2 years** £'000	**Between 2 and 5 years** £'000	**Undiscounted contractual cash flows** £'000	**Carrying amount liabilities** £'000
Non-derivatives						
Trade payables	940	-	-	-	940	940
Taxation and social security	452	-	-	-	452	452
Transfer of title funds	271,992	-	-	-	271,992	271,992
Lease Liabilities	557	384	570	2,904	4,415	3,986
Loan	1,875	1,250	2,500	13,375	19,000	19,000
Accruals and deffered income	4,241	-	-	-	4,241	4,241
Total	**280,057**	**1,634**	**3,070**	**16,279**	**301,040**	**300,611**
At 31 December, 2019						
Non-derivatives						
Trade payables	588	-	-	-	588	588
Taxation and social security	566	-	-	-	566	566
Transfer of title Funds	119,493	-	-	-	119,493	119,493
Lease Liabilities	695	581	1,665	3,485	6,426	4,799
Loan	1,875	2,250	10,625	-	14,750	14,750
Accruals and deferred income	5,677	-	-	-	5,677	5,677
Other Payable	353	-	-	-	353	353
Total	**129,247**	**2,831**	**12,290**	**3,485**	**147,853**	**146,226**

Notes to consolidated financial statements

14.3 Interest rate risk

During the year Group acquired new interest-bearing borrowing of £19m. This includes a revolving credit facility of £9m and term debt of £10m. The weighted average rate of interest is 2.35%. The remaining term of the debt is 4 years from the financial year 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:	**2020**	2019
	£'000	£'000
Cash and cash equivalents	**119,925**	68,134
Collateral balances held at Prime Brokers	**37,297**	49,158
Financial Liabilities:		
Borrowings	**(19,000)**	(14,750)
Total	**138,222**	102,542

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 2020	**(300)**	**(93)**	**(63)**
Impact 2019	(170)	(123)	(37)

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 £456k (2019: £330k).

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 represent the sensitivity analysis based on a 10% decrease in prices of these open contracts.

		2020
Derivative Contracts	**Notional value Long/(short)**	**Estimated (loss)/gain had the prices weakened by 10%**
	£'000	£'000
Gold	(1,084)	108
Indices	4,621	(462)
Silver	11	(1)
Platinum	11	(1)

		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	119,925	7,494	81,973	10,694	17,959	688	168	165	784
Cryptocurrencies held	148,661	-	148,661	-	-	-	-	--	
Collateral requirement for trade clearing	37,297	6,868	16,455	13,974	-	-	-	-	-
Trade debtors	1,679	44	1,617	18	-	-	-	-	-
Transfer of title funds	(271,992)	(2,876)	(235,336)	(17,749)	(17,074)	(512)	558	(65)	1,062
Trade creditors	(940)	(324)	(631)	(21)	(2)	10	12	19	(3)
Net exposure	**34,630**	**11,206**	**12,739**	**6,916**	**883**	**186**	**738**	**119**	**1,843**
Derivatives	**236**	**144**	**3,694**	**234**	**(2,249)**	**2**	**(465)**	**-**	**(1,124)**
Net Exposure	**34,866**	**11,350**	**16,433**	**7,150**	**(1,366)**	**188**	**273**	**119**	**719**

The currency exposures of financial assets and liabilities as at 31st December, 2019 were as follows.

	TOTAL £'000	**GBP** £'000	**USD** £'000	**EUR** £'000	**JPY** £'000	**AUD** £'000	**SGD** £'000	**HKD** £'000	**Other** £'000
Cash and cash	68,134	3,115	48,180	5,830	6,775	1,675	109	754	1,696
Cryptocurrencies	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	(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	**558**		**558**						
Net Exposure	**24,004**	**7,831**	**8,677**	**2,407**	**3,798**	**(700)**	**97**	**756**	**1,138**

Notes to consolidated financial statements

14.5 Foreign currency risk (continued)

Sensitivity Analysis	Impact on post tax profit	
	2020	**2019**
	£'000	£'000
USD value appreciates 5%	**782**	413
USD value depreciates 5%	**(865)**	(457)
EUR value appreciates 5%	**340**	115
EUR value depreciates 5%	**(377)**	(127)
JPY value appreciates 5%	**(66)**	181
JPY value depreciates 5%	**71**	(200)

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, 2020 and therefore the Group's fair value risk is assessed on inventory and the financial instruments 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.

Notes to consolidated financial statements

At 31 December, 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
-Inventories 14.6a (i)	-	148,661	-	148,661
-Derivative Contracts	-	236	-	236
Liabilities	-			
-Trade payable 14.6a(ii)	-	(133,742)	-	(133, 742)
Total	**-**	**15,155**	**-**	**15,155**

At 31 December, 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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**

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

The Inventories; as also presented in Note 8 relates to the crypto assets held by the Group's subsidiary LMAX Digital Broker Limited. These crypto assets include £128.4m (2019: £17.7m) held on behalf of clients, £19.2m (2019: £7.3m) under economically hedged positions against crypto CFDs and £1.0m (2019: £0.1m) on account of proprietary trading.

14.6a(ii) shows the total client liabilities due to clients in relation to the cryptocurrency inventory held by LMAX Digital Broker Ltd and the net unrealised losses on the Group's open financial derivatives positions which are economically hedged against the Group's inventory as stated in 14.6a(i).

Notes to consolidated financial statements

The trade payable presented as financial liabilities held at fair value through income statement reflects the Group's payable balance with respect to client's crypto assets worth £128.4m and the net unrealised losses on open financial derivatives i.e crypto CFD trades worth £5.3m.

This balance forms part of the Transfer of title funds as shown under Note 10 which includes £189m (2019: £35.2m3m) due to LMAX Digital Broker Limited's clients; of which trade payable of £128.4m (2019: £17.6m) presented above relates to clients' crypto assets holdings valued at fair value. The remaining £60.6m (2019: £17.5m) 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.

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 (2019: 20% increase) in the prices of crypto assets held and open crypto CFD positions is presented below:

Sensitivity analysis on **Proprietary trading:**

	Year ended 31 Dec, 2020 (£'000)	**Year ended 31 Dec, 2019 (£'000)**
Impact:	**210**	**151**

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.

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).

Notes to consolidated financial statements

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

There are no new accounting standards adopted by the Group during the year.

Future new standard and interpretations

There are no known changes in accounting standards to be implemented that would materially impact the Group.

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, 2020	**2020**	**2019**
	£'000	£'000
Administrative expenses	**(864)**	(605)
Operating loss	**(864)**	(605)
Financial income	**-**	9,000
Financial expenses	**(873)**	(1,001)
(Loss) / Profit before tax	**(1,737)**	7,394
Taxation	**-**	-
(Loss) / Profit for the year	**(1,737)**	7,394
Other comprehensive (expense)/income	**-**	-
Total comprehensive (expense) / income for the year	**(1,737)**	7,394

The results shown above are derived wholly from continuing operations.

The notes on pages 60-66 form an integral part of these financial statements.

Company statement of financial position

As at 31 December, 2020	Note	2020	2019
		£'000	£'000
Non-current assets			
Investments in subsidiaries	2	**76,431**	76,457
Investment in associate	3	**1,860**	-
Property, plant and equipment	4	**3,642**	3,842
Intangibles	5	**36**	-
Trade and other receivables	6	**612**	264
Current assets			
Trade and other receivables	6	**6,000**	1,433
Cash and cash equivalents	7	**761**	496
Total assets		**89,342**	82,492
Non-current liabilities			
Trade and other payables	8	**(19,024)**	(10,625)
Current liabilities			
Trade and other payables	8	**(21,382)**	(21,194)
Total liabilities		**(40,406)**	(31,819)
Net assets		**48,936**	50,673
Equity			
Share capital	9	**1,000**	1,000
Retained earnings		**47,936**	49,673
Equity attributable to equity holders of the parent		**48,936**	50,673
Total equity		**48,936**	50,673

The notes on pages 60-66 form an integral part of these financial statements.

These financial statements on pages 60-66 were approved by the Board on 28 June, 2021 and signed on behalf of the Board by:

David Mercer, Director

28 June, 2021

Company statement of changes in equity

For the year ended 31 December, 2020	**Share capital**	**Retained earnings**	**Total parent equity**	**Total equity**
	£'000	£'000	£'000	£'000
Balance at 1 January, 2020	1,000	49,673	50,673	50,673
Loss for the year	-	(1,737)	(1,737)	(1,737)
Total comprehensive expense for the year	**-**	**(1,737)**	**(1,737)**	**(1,737)**
Balance at 31 December, 2020	**1,000**	**47,936**	**48,936**	**48,936**

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	1000	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**

Dividend Income during the year £Nil (2019: £9m).

Company statement of cash flows

For the year ended 31 December, 2020	2020	2019
Cash flows from operating activities	£'000	£'000
Operating loss	**(864)**	(605)
Depreciation	**491**	45
Amortisation	**1**	-
Non Cash Finance expense	**(151)**	(14)
Increase in trade and other receivables	**(4,915)**	(1,583)
Increase in trade and other payables	**4,378**	7,945
Net cash (used in) / generated from operating activities	**(1,060)**	5,788
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(291)**	(3,887)
Acquisition of intangibles	**(37)**	-
Investment in associate	**(1,860)**	-
Investment in subsidiaries	**(15)**	(9,438)
Net cash used in investing activities	**(2,203)**	(13,325)
Cash flows from financing activities		
Borrowing	**19,000**	-
Repayment of borrowing	**(14,750)**	-
Dividend received	**-**	9,000
Finance expense	**(722)**	(987)
Net cash generated from financing activities	**3,528**	8,013
Net increase in cash and cash equivalents	**265**	476
Cash and cash equivalents at beginning of year	**496**	20
Cash and cash equivalents at end of year	**761**	496

The notes on pages 60-66 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.

Investment in associate

An associate is an entity over which an investor has significant influence, i.e. being in the power to participate in the financial and operating policy decisions of the investee. A holding of 20% or more of the voting power directly or through subsidiaries indicates a significant influence. The Company holds 20% shares of the entity, "Tools 4 Broker Ltd" and thus this investment is considered as investment in associate in accordance with IAS 28. The investment is accounted for using equity method of accounting where the equity investment is initially recorded at cost and is subsequently adjusted to reflect the Company's share of net profit/(loss) in the associate.

2. Investments in subsidiaries

	2020	2019
	£'000	£'000
Investments	**76,431**	**76,457**

On 18 December, 2020, the Company invested £15k (US$ 20k) as share capital in LMAX Broker Mauritius Limited (incorporated on 28 July, 2020) and acquired 20,001 shares.

On 30 October, 2020, the Company's dormant subsidiary LMAX Markets Inc. (initial investment US$ 50k) was dissolved and wound down.

All the Group's subsidiaries for the year ended 31 December, 2020 are shown below. The ordinary shares held % shown is the effective shareholding which the company holds in the underlying subsidiary.

Company notes to the financial statements

Subsidiary	Country of Incorporation	Principal activity	Ordinary shares held No.	Ordinary shares held %
LMAX Limited	England	Financial exchange platform	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	FX brokerage	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 Broker Limited	Gibraltar	Digital currency exchange broker	1,000,000	100
LMAX Broker Mauritius Limited	Mauritius	Sales Presence	20,001	100
LMAX Broker Europe Limited	Cyprus	FX Brokerage	1,244,750	100

Company notes to the financial statements

All the Group's subsidiaries are shown below as at year ended 31 December, 2019. 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 Broker Limited	England	Financial exchange platform	596,083	99.5
LMAX Broker Limited	England	FX brokerage	596,082	95.5
LMAX Bullion Limited	Hong Kong	Bullion broker	1,000	100
LMAX Hong Kong Limited	Hong Kong	Dormant	3,000,000	95.5
LMAX Japan Co. Limited	Japan	Sales presence	1	100
LMAX New Zealand Limited	New Zealand	FX brokerage	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 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	1,244,750	100

3. Investment in associate

On 11 December, 2020 the company acquired 20% shareholding in T4B Holdings Limited ("T4B") for £1.9m (€ 2m). T4B is a business to business (B to B) technology provider focusing on software development for Meta trader trading platforms. This investment is recorded as investment in associate under equity method of accounting.

Company notes to the financial statements

4. Property, plant and equipment

Cost	RTU Lease	Furniture and Fixtures	Computer	Leasehold improvements	Total property, plant and equipment
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January, 2020	**3,629**	**-**	**-**	**258**	**3,887**
Additions	**-**	**150**	**112**	**29**	291
Balance at 31 December, 2020	**3,629**	**150**	**112**	**287**	**4,178**
Accumulated depreciation					
Balance at 1 January, 2020	**(41)**			**(4)**	**(45)**
Depreciation for the year	**(406)**	**(30)**	**(23)**	**(32)**	**(491)**
Balance at 31 December, 2020	**(447)**	**(30)**	**(23)**	**(36)**	**(536)**
Carrying value					
at 31 December, 2020	**3,182**	**120**	**89**	**251**	**3,642**

Cost	RTU Lease	Leasehold improvements	Total property, plant and equipment
	£'000	£'000	£'000
Balance at 1 January, 2019			
Additions	**3,629**	**258**	**3,887**
Balance at 31, December 2019	**3,629**	**258**	**3,887**
Accumulated depreciation			
Balance at 1 January, 2019			
Depreciation for the year	**(41)**	**(4)**	**(45)**
Balance at 31 December, 2019	**(41)**	**(4)**	**3,842**
Carrying value			
at 31 December, 2019	**3,588**	**254**	**3,842**

Company notes to the financial statements

5. Intangibles

Cost	Software	Total Intangibles
	£'000	£'000
Balance at 1 January, 2020	-	-
Additions	**37**	37
Balance at 31 December, 2020	**37**	37
Accumulated amortisation		
Balance at 1 January, 2020	**-**	-
Amortisation for the year	**(1)**	(1)
Balance at 31 December, 2020	**(1)**	(1)
Carrying value		
at 31 December, 2020	**36**	36

6. Trade and other payables

	2020	2019
	£'000	£'000
Amounts due from shareholders	**1,037**	1,041
Other debtors	**27**	30
Prepayments	**826**	45
Deposits	**264**	264
Inter-group receivables	**4,458**	317
Total	**6,612**	1,697
Classification:		
Non-current	**612**	264
Current	**6,000**	1,433
Total	**6,612**	1,697

Company notes to the financial statements

7. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash and cash equivalents	**761**	**496**

8. Trade and other payables

	Note	2020	2019
		£'000	£'000
Loan	8.1	**19,000**	14,750
Lease Liability	8.2	**3,620**	3,957
Taxation and social security		**247**	222
Trade creditors		**398**	40
Other Payable	8.3	**-**	233
Accruals and deferred income		**1,594**	2,130
Inter-group payables	8.4	**15,547**	10,487
Total		**40,406**	31,819

	2020	2019
Classification:		
Non-current	**19,024**	10,625
Current	**21,382**	21,194
Total	**40,406**	31,819

8.1. During the year the prior year loan liability of £14.75m was prepaid in full and on 13 November, 2020 the Company availed a new borrowing with a revolving credit facility for £25m of which £9m is drawn (2019 £5m) and a term loan of £10m (2019 £9.75m) . The remaining term of the debt for the new credit facility is 4 years from the reporting date.

8.2. The lease liability represents the present value of future payments against the furniture on lease and right to use office building. Refer note 4 for details on assets on lease.

8.3. In January 2020 the 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 was settled.

8.4. 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.

9. Share capital

	2020	2019
	£'000	£'000
Allotted and called up and fully paid		
100,000,000 (2019: 100,000,000) Ordinary shares of £0.01 each	**1,000**	1,000

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

Company notes to the financial statements

10. 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	2020	2019
		£'000	£'000
Amounts due from shareholders		**1,037**	**1,041**
Amounts due from / (to) Affinity Trust		**317**	**(774)**
Amounts due to Group companies	10.1	**(11,406)**	**(9,396)**

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

10.1 Amounts due to Group companies	**2020**	**2019**
	£'000	£'000
Balances		
Amounts due to group companies:		
- LMAX Broker Limited	**(15,547)**	(9,135)
- LMAX Exchange Limited	**2,267**	(540)
- LMAX Digital Group Limited	**1,550**	272
- LMAX New Zealand Limited	**269**	-
- LMAX Broker Europe Limited	**37**	43
- LMAX Japan K.K	**6**	2
- LMAX Pte Limited	**5**	-
- LMAX US Limited	**4**	-
- LMAX Bullion Limited	**3**	-
- LMAX Markets Inc.	**-**	(38)
Total	**(11,406)**	(9,396)

11. Post balance sheet event

On 2 March, 2021, the Company received a dividend of £5m from its subsidiary LMAX Broker Limited and paid to its shareholders.

LMAX Exchange Group Limited - company registration number 125453

Annual report and consolidated financial statements - for the year ended 31 December, 2020

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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