Company Number: 10430326

SWAPAGENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

COMPANY INFORMATION

DIRECTORS AND OFFICERS

James Hudis (Chairman)	
Dennis McLaughlin	
Michael Davie	Resigned on 30 September 2019
Matthew Couch	
Nathan Ondyak (CEO)	

COMPANY SECRETARY

Simon Tutton

REGISTERED OFFICE

Aldgate House
33 Aldgate High Street
London
EC3N 1EA
Telephone: +44 (0) 20 7426 7000

INDEPENDENT AUDITORS

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

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

The Directors present their strategic report for SwapAgent Limited (the "Company") for the year ended 31 December 2019.

BUSINESS MODEL

The Company began trading in mid-2017.

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

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

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

STRATEGIC OBJECTIVES

The Company's strategic objectives are as follows:

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

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

PERFORMANCE

SwapAgent is a service designed to standardise and provide efficiencies to the non-cleared derivatives market by utilising the LCH group clearing infrastructure. In 2019, there was continued growth in volumes for the cross-currency swaps offering, with $726 billion processed. SwapAgent now has 16 members using this service.

The Company made a profit before tax of £0.08 million in 2019 (2018: £0.21 million). Total income was up 112% to £21.15 million. Operating expenses including depreciation, amortisation and impairment were up 106% to £20.00 million.

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

FUTURE DEVELOPMENTS

In 2019 and beyond, the Company will continue to target the expansion of service to additional members, regions and customer profiles, while extending its service further to provide funding optimisation services.

SECTION 172 (1) STATEMENT

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

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

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

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

The Company's key stakeholders are its customers and its workforce. Our suppliers are also important stakeholders of the Company. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Board recognises that building strong relationships with our stakeholders will help to deliver the Company's strategy in line with our long-term values and operate the business in a sustainable way. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Company's parent LCH Group Holdings Limited (LCH Group) and its ultimate parent London Stock Exchange Group plc means that sometimes our stakeholder engagement will take place at an operational or LCH Group or LSEG level. For details on some of the engagement that takes place with the Company's stakeholders at a LCH Group level please see pages 6 to 7 of the LCH Group Financial Statements for the financial period ended 31 December 2019. For details on some of the engagement that takes place with the Company's stakeholders at a LSEG level please see pages 51 to 52 of the London Stock Exchange Group plc Annual Report for the financial period ended 31 December 2019.

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

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

ANNUAL REVIEW OF BUDGET AND BUSINESS PLAN

The Board carried out a review of the Company's budget on an annual basis. This includes approving the business plan for the following three years. In 2019 the Board's review included an evaluation of the progress the Company had made against the 2019 strategic priorities and the Company's long-term strategic goals. The review also focused on investment decisions around the Company's control environment, internally driven resilience activity including, but not limited to, patching, end-of-life systems and IT upgrades.

This review is carried out in parallel to LCH Group's and overall LSEG divisional budget process. All financials are aligned to the divisional numbers presented to the LSEG Board annually in December.

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

CUSTOMERS

Our engagement with customers takes a variety of different forms, we engage with customers at customer working groups, conferences and round table events. We also engage with our customers through our social media platforms, which we use to provide regular updates on our products and their performance.

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

SUPPLIERS

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

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

FUNDING OPTIMISATION DEPLOYMENT

In 2019 the Board approved the deployment of new funding optimisation services offered by the Company. In approving the deployment, the Board gave consideration to the controls and processes established for those aspects of the new services that were deemed a novel approach, within the context of the wider LCH Group, to ensure there was no anticipated increase in the frequency or seriousness of operational incidents impacting the SwapAgent service, including those impacting customers and suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Company is subject to a variety of foreseeable and unforeseeable risks and uncertainties, which may have an impact on the Company's ability to execute its strategy and deliver its expected performance. The identification, assessment and management of these risks are central to the Company's operating framework. The Company's risk control structure is based on the 'three lines of defence' model:

- The First line (Management) is responsible and accountable for identifying, assessing and managing risk.
- The Second line (Risk Management and Compliance), is responsible for defining the risk management process and policy framework and providing challenge to the first line on Risk Management activities assessing risks and reporting to the Group Board Committees on risk exposure.
- The Third line (Internal Audit) provides independent assurance to the Board and other key stakeholders over the effectiveness of the systems of controls and the Risk Management Framework.

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

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

By order of the Board:

James Andrew Hudis
Chairman
23 June 2020

The directors of SwapAgent Limited (the Company), registered in England and Wales with company number 10430326, present their report to the shareholder, together with the audited financial statements for the year ended 31 December 2019.

DIRECTORS

The current directors and changes made during the year ended 31 December 2019 and subsequently are detailed on page 1.

INDEMNITY OF DIRECTORS

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

TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

Details of transactions with related parties are set out in note 15. There were no transactions other than those disclosed in note 12, with Directors during the year.

STAFF

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

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

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

EMPLOYEE AND STAKEHOLDER ENGAGEMENT

For details of the Company's employee and stakeholder engagement, please see the Section 172(1) Statement in the strategic report on pages 3 to 4.

FUTURE DEVELOPMENTS

The future developments for the Company are discussed in detail in the strategic report.

GOING CONCERN

LCH Group Holdings Limited has formally confirmed it will continue to provide financial support for the ongoing operations of the Company for the 12 months following the date of this annual report and that it does not intend to call amounts outstanding or recall amounts due to be paid, under the loan agreement within that period, so long as the Company remains a part of the group. Further, the Directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in performance, which show that the Company has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing these financial statements.

Further, details regarding the Company's response to COVID-19 is described in note 16 of the financial statements.

POST BALANCE SHEET EVENTS

Since the emergence of Novel Coronavirus (COVID-19) in China at the end of 2019 the virus has spread rapidly across the rest of the world, triggering a set of interventions across major global economies with respect to travel restrictions, border controls and quarantine protocols. Measures increasingly involve social restrictions in public domains, education centres, recreational venues and changes to professional working arrangements.

These measures are putting pressure on industrial productivity, suppressing demand for commodities, impacting global supply chains and consumption of goods and services. This has the potential to significantly impact global financial markets with severe shocks to asset prices and corporate earnings, further central bank intervention and accommodative monetary measures, and an extended period of low or negative interest rates.

Management have considered the potential impact on the Company and consider this to be a non-adjusting event after the reporting period. In addition to the going concern considerations noted in the Going Concern section of note 1 to these financial statements, management have concluded that the going concern assessment remains appropriate.

The Board considered the impact on going concern in the most recent Board meeting to review and approve the financial statements. The following matters were discussed and concluded:

- The business activities of SwapAgent have continued to be operational since the outbreak and provide continuity of services to customers;
- Demand for the services provided by SwapAgent has continued to exist since the outbreak. There have been 11,180 trade sides registered as at Q1 2020, up 71% on Q4 2019;
- Financial performance of the SwapAgent has not been impacted to a material extent owing to the relatively fixed nature of its revenue; and
- SwapAgent's parent company, LCH Group Holdings Limited, has confirmed that it will provide financial support if SwapAgent were not able to meet its liabilities as they fall due.

On this basis, the Board continues to support that the Company will continue to operate as a going concern for a period of at least 12 months from the date of approving these financial statements.

With the exception of the above the Directors confirm that there were no significant events occurring after the balance sheet date, up to the date of this report that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 December 2019.

DIVIDENDS

The directors do not recommend the payment of a dividend in the current year.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each of the Directors has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

The statement of Directors' responsibilities is set out on page 9.

AUDITORS

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

By order of the Board

James Andrew Hudis
Chairman
23 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

OPINION

We have audited the financial statements of SwapAgent Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to note 1 and note 16 of the financial statements, which describes the impact of the COVID-19 pandemic on global financial markets and financial performance of SwapAgent Limited, subsequent to the year end. Our opinion is not modified in respect of this matter.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Maurice McCormick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 June 2020

Notes:

1. The maintenance and integrity of the LCH Group web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT

		2019			2018		
	Note	**Underlying £'000**	**Non-Underlying £'000**	**Total £'000**	Underlying £'000	Non-underlying £'000	Total £'000
Revenue		**12,703**	-	**12,703**	7,336	-	7,336
Other income		**8,455**	-	**8,455**	2,629	-	2,629
Total income		**21,158**	-	**21,158**	9,965	-	9,965
Cost of sales		**(792)**	-	**(792)**	-	-	-
Gross profit		**20,366**	-	**20,366**	9,965	-	9,965
Operating expenses before depreciation, amortisation and impairment	**2**	**(8,374)**	**(38)**	**(8,412)**	(6,460)	-	(6,460)
Earnings before Interest, tax, depreciation, amortisation and impairment		**11,992**	**(38)**	**11,954**	3,505	-	3,505
Depreciation, amortisation and impairment	**2**	**(11,593)**	-	**(11,593)**	(3,241)	-	(3,241)
Operating profit		**399**	**(38)**	**361**	264	-	264
Finance expense	**4**	**(280)**	-	**(280)**	(50)	-	(50)
Profit before taxation		**119**	**(38)**	**81**	214	-	214
Taxation	**5**	**(24)**	**7**	**(17)**	(48)	-	(48)
Profit for the financial year		**95**	**(31)**	**64**	166	-	166

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

The notes on pages 17 to 29 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	£'000	£'000
Profit for the financial year	**64**	166
Other comprehensive income, net of tax	**-**	-
Total comprehensive income for the year, net of tax	**64**	166

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

The notes on pages 17 to 29 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	6	**14,074**	19,540
Property, plant & equipment	8	**3**	185
Deferred tax assets	5	**26**	29
Total non-current assets		**14,103**	19,754
Current assets			
Trade and other receivables	9	**14,470**	4,574
Current tax	5	**97**	28
Cash and cash equivalents		**504**	1,074
Total current assets		**15,071**	5,676
Total assets		**29,174**	25,430
Current liabilities			
Trade and other payables	10	**(3,862)**	(5,176)
Interest bearing loans and borrowings	11	**(17,783)**	(12,789)
Total current liabilities		**(21,645)**	(17,965)
Net assets		**7,529**	7,465
Capital and reserves			
Called up share capital	13	**2,000**	2,000
Retained earnings		**5,529**	5,465
Total equity		**7,529**	7,465

The notes on pages 17 to 29 form an integral part of these financial statements.

The financial statements were approved by the Board on 23 June 2020 and signed on its behalf by:

James Andrew Hudis
Chairman
SwapAgent Limited
23 June 2020

Nathan Ondyak
CEO
SwapAgent Limited
23 June 2020

STATEMENT OF CHANGES IN EQUITY

	Called up Share capital £'000	**Retained earnings £'000**	**Total £'000**
Shareholder's equity at 31 December 2018	2,000	5,465	7,465
Profit for the financial year to 31 December 2019	-	64	64
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	64	64
Shareholder's equity at 31 December 2019	**2,000**	**5,529**	**7,529**

	Called up Share capital £'000	Retained earnings £'000	Total £'000
Shareholder's equity at 31 December 2017	2,000	5,299	7,299
Profit for the financial year to 31 December 2018	-	166	166
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	166	166
Shareholder's equity at 31 December 2018	2,000	5,465	7,465

The notes on pages 17 to 29 form an integral part of these financial statements.

1. Summary of significant accounting policies

Basis of Preparation

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

The Company is a qualifying entity for the purposes of FRS 101. Note 15 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS as adopted by the EU may be obtained.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with IFRS as adopted by the EU was not material on the shareholders' equity as at the date of transition and as at 31 December 2019 or on the profit for the year ended 31 December 2019.

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

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

The following amendments were endorsed by the EU during the year and have been adopted in these financial statements:

- IFRS 16 *Leases;*
- IFRIC 23 *Uncertainty over Income Tax Treatments;*
- Amendments to IAS 28 *Long-term interest in Associates and Joint Ventures;*
- Amendments to IAS 19 *Plan amendment, curtailment or settlement;*
- Amendments to IFRS 9 *Prepayment features with negative compensation;* and
- Annual improvements to IFRS standards 2015-2017.

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

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

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

The Company is a private limited company, limited by shares and incorporated and domiciled in England and Wales. The address of its registered office is Aldgate House, 33 Aldgate High Street, London, EC3N 1EA.

Going concern

LCH Group Holdings Limited has formally confirmed it will continue to provide financial support for the ongoing operations of the Company for the 12 months following the date of this annual report and that it does not intend to call amounts outstanding or recall amounts due to be paid, under the loan agreement within that period, so long as the Company remains a part of the group. Further, the Directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in performance, which show that the Company has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing these financial statements.

Further, details regarding the Company's response to COVID-19 are described in note 16 of the financial statements.

Presentational currency

The Company's financial statements are presented in UK pound sterling, which is the functional currency of the Company.

Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may be different.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are:

- the measurement and impairment of intangible assets: intangible assets are assessed when an indication of impairment arises. This requires the estimation of future cash flows and choosing a suitable discount rate (see note 7)
- the measurement of the provision for corporation taxes. The Company recognises liabilities for the estimated tax charge at the period end. Where the final tax liability is different from that estimate such differences are reflected in the period in which such determination is made. Income tax provisions are recognised on the basis that the relevant tax authorities are fully aware of any situations giving rise to uncertainty

Foreign currencies

Monetary assets and liabilities denominated in currencies other than the functional currency of the Company are translated into the functional currency of the Company at the rates of exchange ruling on the statement of financial position date and the resulting exchange differences are recorded in the income statement. Transactions in foreign currencies are recorded at the prevailing foreign exchange rates on the date of the transaction in the income statement and are not revalued.

Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, short-term deposits with a maturity of three months or less and investments in money market funds that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Intangible assets

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

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

Property, plant and equipment

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

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

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

Impairment of intangible assets and property, plant and equipment

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

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

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

Financial instruments

The Company classifies its financial instruments into the following categories loans and receivables, cash and short-term deposits, trade and other payables, and interest bearing loans and borrowings.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

Cash and short-term deposits comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Taxation

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income tax relating to items recognised directly in other comprehensive income is charged or credited as appropriate to other comprehensive income and there is no effect on profit for the period.

Current tax

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using tax rates and laws enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all temporary differences. Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, except where the deferred income tax asset arises through investments in subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

Provisions

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

Share capital

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

Revenue recognition

Fee income and rebates, together with other fee income, are recognised on a transaction by transaction basis, or in cases where there is a fixed annual fee, monthly in arrears, in accordance with the Company's fee scales net of all applicable sales taxes.

Revenue sharing arrangements - revenue share costs/income

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

Cost of sales

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

Employee benefits

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

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

Finance income and expense

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

New accounting standards, amendments and interpretations

No new standards, or amendments to existing standards or IFRIC interpretations that are effective for the year ended 31 December 2019 have had a material effect on the Company.

2. Operating Expenses

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

	2019 £'000	2018 £'000
Staff costs (note 12)	**3,344**	1,900
Foreign exchange (gain)/loss	**(472)**	304
Other operating expenses	**5,540**	4,256
Operating expenses before depreciation, amortisation and impairment	**8,412**	6,460

Other operating expenses include professional fees recharged from other group companies (see note 12).

Depreciation, amortisation and impairment	Note	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	8	**177**	192
Amortisation of intangible assets	6	**7,925**	3,049
Impairment of intangible assets	6	**3,491**	-
		11,593	3,241

Auditor's remuneration	2019 £'000	2018 £'000
Audit fees	**68**	60
	68	60

3. Non-underlying items

	2019 £'000	2018 £'000
Restructuring programme	**38**	-
Tax effect of non-underlying items	**(7)**	-
Net non-underlying items	**31**	-

During 2019, the board approved a restructuring programme to improve the efficiency of the company.

4. Finance Income and Expense

	2019 £'000	2018 £'000
Finance income		
Interest received on intercompany short-term loan	**-**	18
Finance expense		
Interest paid on intercompany short-term loan	**(280)**	(68)
Net finance expense	**(280)**	(50)

5. Taxation

The major components of taxation expense are:

	2019 £'000	2018 £'000
Current tax		
United Kingdom current tax charge	**(64)**	(67)
Adjustment in respect of current tax in previous years	**50**	8
Total current tax	**(14)**	(59)
Deferred tax		
Deferred tax relating to the origination and reversal of temporary differences	**62**	19
Deferred tax effect of future rate changes	**(2)**	(2)
Adjustment in respect of deferred tax in previous years	**(63)**	(6)
Total deferred tax	**(3)**	11
Tax expense reported in the statement of comprehensive income	**(17)**	(48)

Reconciliation of tax expense

The income statement tax credit for the year differs from the standard rate of corporation tax in the UK as explained below:

	2019 £'000	2018 £'000
Accounting profit before taxation	**81**	214
Tax at UK statutory corporation tax rate of 19.0% (2018: 19.0%)	**(15)**	(40)
Effect of:		
Disallowed expenses	**13**	(8)
Adjustment in respect of prior years	**(13)**	2
Adjustment arising from change in tax rates	**(2)**	(2)
Total tax (charge)/credit	**(17)**	(48)
Effective corporation tax rate	**20.99%**	22.2%

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under FRS101. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the net deferred tax asset recognised will be £4k.

Deferred tax	**Statement of financial position**		**Income statement**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Accelerated capital allowance	**26**	29	**3**	(11)
Deferred tax charge				(11)
Deferred tax asset	**26**	29	**3**	

	2019	2018
	£'000	£'000
Net deferred tax liability at 1 January	**29**	18
Deferred tax (credit)/charge	**(3)**	11
Net deferred tax asset/(liability) at 31 December	**26**	29

6. Intangible Assets

Internally developed software	**2019** **£'000**
Cost	
31 December 2018	23,750
Additions	5,945
Write-off and disposals	(3,932)
Asset transfer	5
At 31 December 2019	**25,768**
Accumulated amortisation	
31 December 2018	4,210
Amortisation charge for the year	7,925
Write-off and disposals	(3,932)
Impairment	3,491
At 31 December 2019	**11,694**
Net book values	
At 31 December 2019	**14,074**
At 31 December 2018	19,540

The portion of capitalised internally developed software costs disclosed above that relates to software not currently brought into use amounted to £3.5million (2018: £4.9million). No amortisation has been charged during the year against these assets, but instead they are tested for impairment (see note 7).

7. Impairment Testing of Intangible Assets

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

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

Assumptions

The key assumptions used in the valuations relate to discounted cashflow projections prepared by management covering a 5-year period. The projections are based on the Company's budget for 2020 and the Company approved plan for the 2 financial years following the last financial year in the budget. Cashflows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates.

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

i. The values assigned to short- and medium-term revenue and cost growth are based on the 2020 budget and the Company approved plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers and management's experience. These factors are considered in conjunction with the Company's long-term strategic objectives to determine appropriate short- and medium-growth assumptions.
ii. Long-term growth rates of 3.4% (2018: 3.6%) represent management's internal forecasts based on external estimates of GDP and inflation.
iii. The pre-tax discount rate of 10.4% (2018: 11.3%) is based on a number of factors including the risk-free rate, the Company's estimated market risk premium and a premium to reflect inherent risks.

Impairment results

Having completed the tests as described above, A discounted cash flow test for self-developed software found that assets of £3.5 million were impaired (2018: nil) due to the uncertainty of the future cash flows that relate to this asset. No self-developed software not yet in use was found to be impaired (2018: €nil).

8. Property, Plant and Equipment

	Computer equipment £'000	Total £'000
Cost		
31 December 2018	585	585
Asset transfer	(5)	(5)
At 31 December 2019	**580**	**580**
Accumulated depreciation		
31 December 2018	400	400
Depreciation charge for the year	177	177
At 31 December 2019	**577**	**577**
Net book values		
At 31 December 2019	**3**	**3**
At 31 December 2018	185	185

9. Trade and Other Receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	**1**	14
Amounts due from companies under common control	**13,906**	4,227
Other receivables	**563**	333
	14,470	4,574

The carrying values of receivables are a reasonable approximation of their fair value. No trade receivables are considered to be impaired. Amounts due from fellow subsidiary companies are interest free and payable on demand.

10. Trade and Other Payables

	2019 £'000	2018 £'000
Current		
Trade payables	**223**	1,142
Other taxation and social security	**199**	96
Accrued expenditure	**1,900**	1,282
Amounts due to parent companies	**1,462**	2,638
Other payables	**78**	18
	3,862	5,176

The carrying values of payables are a reasonable approximation of their fair values. Amounts due to parent companies are interest free and repayable on demand.

11. Interest-Bearing Loans and Borrowings

	2019	2018
	£'000	£'000
Short-term loan from parent	**17,783**	12,789

A loan agreement between the Company and its parent was signed in 2016. The loan is a revolving credit facility valid for 5 years and is repayable with 3 months' notice. Interest is charged on the balance at LIBOR or EURIBOR +1%.

12. Staff Costs

	2019	2018
Staff and Directors	**£'000**	£'000
Total staff costs, including temporary staff	**3,344**	1,900
Average monthly number of staff	**20**	19

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

	2019	2018
Directors' remuneration	**£'000**	£'000
Remuneration	**818**	693

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

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

The highest paid Director received total remuneration of £717,881 (2018: £593,488) in the year.

13. Share Capital

The Company has 2,000,001 fully paid-up ordinary shares of £1.00 each in issue as at 31 December 2019. 1 share was issued on incorporation. A further 2,000,000 shares were issued on 27 April 2017 at par to the parent.

All the Company's shares are owned by LCH Group Holdings Limited.

14. Commitments and Contingencies

The Company has no contracted commitments, nor does it have any contingent liabilities (year ended 31 December 2018: £nil).

15. Related Party Transactions

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

Copies of the consolidated financial statements for LCH Group Holdings Limited for the year ended 31 December 2019 are available from the Company Secretary at the registered office. Copies of the consolidated financial statements of the London Stock Exchange Group plc for the year ended 31 December 2019 are available from the Company Secretary at London Stock Exchange Group plc, 10 Paternoster Square, London EC4M 7LS.

Other group companies
Sales to and purchases from other group companies are at arm's length and at normal market rates. Outstanding balances at year end are unsecured and are settled in cash. For the year ended 31 December 2019 the Company has not raised any provision for doubtful debts relating to amounts owed by other group companies.

16. Post Balance Sheet Events

Since the emergence of Novel Coronavirus (COVID-19) in China at the end of 2019 the virus has spread rapidly across the rest of the world, triggering a set of interventions across major global economies with respect to travel restrictions, border controls and quarantine protocols. Measures increasingly involve social restrictions in public domains, education centres, recreational venues and changes to professional working arrangements.

These measures are putting pressure on industrial productivity, suppressing demand for commodities, impacting global supply chains and consumption of goods and services. This has the potential to significantly impact global financial markets with severe shocks to asset prices and corporate earnings, further central bank intervention and accommodative monetary measures, and an extended period of low or negative interest rates.

Management have considered the potential impact on the Company and consider this to be a non-adjusting event after the reporting period. In addition to the going concern considerations noted in the Going Concern section of note 1 to these financial statements, management have concluded that the going concern assessment remains appropriate.

The Board considered the impact on going concern in the most recent Board meeting to review and approve the financial statements. The following matters were discussed and concluded:

- The business activities of SwapAgent have continued to be operational since the outbreak and provide continuity of services to customers;
- Demand for the services provided by SwapAgent has continued to exist since the outbreak. There have been 11,180 trade sides registered as at Q1 2020, up 71% on Q4 2019;
- Financial performance of the SwapAgent has not been impacted to a material extent owing to the relatively fixed nature of its revenue; and

- SwapAgent's parent company, LCH Group Holdings Limited, has confirmed that it will provide financial support if SwapAgent were not able to meet its liabilities as they fall due.

On this basis, the Board continues to support that the Company will continue to operate as a going concern for a period of at least 12 months from the date of approving these financial statements.

With the exception of the above the Directors confirm that there were no significant events occurring after the balance sheet date, up to the date of this report that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 December 2019.