

CHI-X EUROPE

CHI-X EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number: 1651728

31 DECEMBER 2011

TUESDAY



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CHI-X EUROPE LIMITED

Registered no. 1651728

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Chi-X Europe Limited ("the Company") for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is to operate a pan-European multi-lateral trading facility (MTF). The Company is authorised by the United Kingdom Financial Services Authority.

During the year the Company made a loss of £9,995,000 compared to a profit before tax in 2010 of £798,000.

On 30 November 2011, the issued capital of the Company was acquired jointly by Omicron Acquisition Corp. and BATS Global Markets, Inc. Acquisition-related and restructuring costs of £9,935,000 have been included in the operating profit figure.

Key performance indicators

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total notional traded/£ billions	1,597	1,375	772
European market share	17.1%	14.7%	11.9%

The "European Market" represents order book transactions for all securities monitored by the Company as detailed in its reference data. Generally, the securities are those components of the major indices and ETFs in the UK, France, Germany, Belgium, the Netherlands, Switzerland, Denmark, Sweden, Finland, Portugal, Spain, Italy, Austria, Ireland and Norway.

FUTURE OUTLOOK

The market is expected to continue to be variable during 2012. The Company expects to continue to expand its client base and add to its universe of securities offered. The Company is also planning to undertake new growth initiatives by expanding its asset classes.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to be market activity risks, competition, regulation, system risks and employee retention.

FINANCIAL RISK MANAGEMENT

The Company's financial risk management has been specifically considered by the Directors, and relevant disclosures appear in Note 4.

CHI-X EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

RESULTS AND DIVIDEND

The loss for the year amounted to £9,995,000 (2010 profit of £798,000) The directors do not recommend the payment of any dividend (2010 none)

DONATIONS

Payments to charitable organisations during the year amounted to £1,830 (2010 £1,000) No donations were made to political parties during the year (2010 £nil)

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he/she is ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

DIRECTORS

The directors of the company during the year ended 31 December 2011, and the changes since the year-end are as follows

- J Woodman (Chairman- resigned 29 November 2011)
- F Kondo (non-executive director- resigned 29 November 2011)
- A Whalley (non-executive director)
- T Cohen (non-executive director- resigned 29 November 2011)
- A Haynes (CEO- resigned 29 November 2011)
- N Al-Khudairi (non-executive director)
- J Faraci (non-executive director- resigned 29 November 2011)
- T Wildenberg (non-executive director- resigned 7 April 2011)
- A Battersby (non-executive director- resigned 29 November 2011)
- M Hemsley (CEO- appointed 29 November 2011)
- P O'Donnell (non-executive director- appointed 29 November 2011)
- Jon Ross (non-executive director- appointed 29 November 2011)
- J Elzinga (non-executive director- appointed 29 November 2011)
- W Eldridge (non-executive director- appointed 29 November 2011)

DIRECTORS' INSURANCE

The Company maintains insurance for its directors in respect of their duties as directors of the company

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on page 1

CHI-X EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

The directors, having assessed the responses of the directors of the Company's ultimate parent, BATS Global Markets, Inc, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the BATS Global Markets Group to continue as a going concern or its ability to continue with the current financing arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of BATS Global Markets Inc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

POST-BALANCE SHEET EVENTS

On 1 January 2012, the entire issued share capital of the Company was acquired by BATS Trading Limited, a subsidiary of BATS Global Markets, Inc

On 26 January 2012, the Board of directors resolved to convert all existing C shares into A shares. In addition, all issued shares were redesignated as ordinary shares

AUDITORS

KPMG Audit Plc was appointed as auditor in January 2012, replacing Ernst & Young LLP, and will continue in office in accordance with the Companies Act 2006, s487(2)

Approved by the board of directors and signed



P O'Donnell (Director)
6th Floor
10 Lower Thames Street
London
EC3R 6AF

Date 20 March 2012

CHI-X EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 the Company and of their profit or loss for that period.

In preparing the 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 they have been prepared in accordance with IFRSs as adopted by the EU, 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 enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

CHI-X EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Chi-X EUROPE LIMITED

We have audited the financial statements of Chi-X Europe Limited for the year ended 31 December 2011 set out on pages 7 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CHI-X EUROPE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



M Davies (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

15 Canada Square
Canary Wharf
London
E14 5GL
United Kingdom

20 March 2012

CHI-X EUROPE LIMITED**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	<u>2011</u>	<u>2010</u>
		£000	£000
REVENUE	6	49,934	42,080
COST OF SALES		<u>(30,558)</u>	<u>(26,229)</u>
GROSS PROFIT		19,376	15,851
Administrative expenses		<u>(29,468)</u>	<u>(15,262)</u>
OPERATING (LOSS)/PROFIT	9	(10,092)	589
Finance income	10	168	213
Finance expenses	11	<u>(71)</u>	<u>(4)</u>
PROFIT/(LOSS) BEFORE TAX		(9,995)	798
Income tax expense	12	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE PERIOD		(9,995)	798
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(9,995)</u>	<u>798</u>

The results above relate wholly to continuing operations

The notes on pages 11 to 32 form part of these financial statements

CHI-X EUROPE LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2011**

		<u>2011</u>	<u>2010</u>
ASSETS	Notes	£000	£000
Non-current assets			
Property and equipment	13	2,950	3,411
Other non-current assets	14	<u>180</u>	<u>170</u>
		3,130	3,581
Current assets			
Trade and other receivables	15	3,869	2,241
Cash and cash equivalents	16	<u>34,911</u>	<u>36,356</u>
		38,780	38,597
TOTAL ASSETS		41,910	42,178
LIABILITIES			
Current liabilities			
Trade and other payables	18	<u>(10,831)</u>	<u>(5,229)</u>
		(10,831)	(5,229)
Non-current liabilities			
Provisions	19	(142)	(105)
Other non-current liabilities	20	<u>(150)</u>	<u>(126)</u>
		(292)	(231)
TOTAL LIABILITIES		(11,123)	(5,460)
NET ASSETS		<u>30,787</u>	<u>36,718</u>
EQUITY			
Share Capital	21	35,643	35,294
Share Premium		19,342	17,407
Share Based Payment Reserve		-	(1,539)
Retained Earnings		<u>(24,198)</u>	<u>(14,444)</u>
Capital and reserves		<u>30,787</u>	<u>36,718</u>

The notes on pages 11 to 32 form part of these financial statements

These financial statements were approved by the Board of Directors on 20 March 2012 and were signed on its behalf by



P O'Donnell (Director)

Date 20 March 2012

Company registered number 1651728

CHI-X EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital £000	Share Premium £000	Share Based Payment Reserve £000	Retained Earnings £000	Total equity £000
At 1 January 2010	35,294	17,407	(1,902)	(15,242)	35,557
Total comprehensive income for the period					
Profit/loss	-	-	-	798	798
Other comprehensive income	-	-	-	-	-
	-	-	-	798	798
Transactions with owners, recorded directly to equity					
Share-based payment transactions (Note 23)	-	-	363	-	363
Total contributions by the owners	-	-	363	-	363
At 31 December 2010	35,294	17,407	(1,539)	(14,444)	36,718
At 1 January 2011	35,294	17,407	(1,539)	(14,444)	36,718
Total comprehensive income for the period					
Loss	-	-	-	(9,995)	(9,995)
Other comprehensive income	-	-	-	-	-
	-	-	-	(9,995)	(9,995)
Transactions with owners, recorded directly to equity					
Share-based payment transactions- exercise (Note 23)	349	1,935	1,780	-	4,064
Share-based payment transactions- cancellation (Note 23)	-	-	(241)	241	-
Total contributions by the owners	349	1,935	1,538	241	4,064
At 31 December 2011	35,643	19,342	-	(24,198)	30,787

CHI-X EUROPE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

		<u>2011</u>	<u>2010</u>
	Notes	£000	£000
Operating activities			
Profit/(loss) before tax		(9,995)	798
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows			
Depreciation	13	1,536	834
Net finance costs	10 & 11	(97)	(209)
Share based payment (net of recharge)	23	526	363
Provisions for dilapidation	19	37	105
Working capital adjustments			
Increase in debtors	15	(1,628)	(199)
Increase in creditors	18	5,602	384
Decrease/(Increase) in non-current other assets from operating activities	14	(10)	8
Increase in non-current other liabilities from operating activities	20	24	96
		(4,005)	2,180
Finance income	10	168	226
Finance expense	11	(21)	(4)
Net cash flows from operating activities		(3,858)	2,402
Investing activities			
Payments to acquire property and equipment		(1,125)	(2,568)
Net cash flows from investing activities		(1,125)	(2,568)
Financing activities			
Proceeds from employee share ownership plan		3,538	-
Net cash flows from financing activities		3,538	-
Net increase in cash and cash equivalents		(1,445)	(166)
Cash and cash equivalents at 1 January		36,356	36,522
Cash and cash equivalents at 31 December	16	34,911	36,356

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

1. CORPORATE INFORMATION

Chi-X Europe Limited is a limited company incorporated and domiciled in the United Kingdom
The registered office is located at 10 Lower Thames Street, London, EC3R 6AF

2. BASIS OF PREPARATION

The financial statements of the Company are prepared in accordance with all International Financial Reporting Standards as adopted by the EU ("Adopted IFRS")

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

The financial statements are prepared on the historical cost basis

In these financial statements, the Company has adopted the following IFRSs

- a) IAS 24 Related Party Disclosures (Amendment),
- b) IAS 32 Financial Instruments Presentation- Classification of Rights Issues (Amendment),
- c) IFRS 9 Financial Instruments Classification and Measurement,
- d) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, and
- e) Improvements to IFRSs (issued in May 2010)

The adoption of the above IFRSs has no significant impact on the financial statements of the Company

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' (mandatory for year commencing on or after 1 July 2011),
- Amendments to IAS 12 'Deferred Tax Recovery of Underlying Assets' (mandatory for year commencing on or after 1 January 2012),
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012),
- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2013),
- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013),
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013),
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014), and

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

2. BASIS OF PREPARATION (CONTINUED)

- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015)

Going Concern

The directors, having assessed the responses of the directors of the Company's ultimate parent, BATS Global Markets, Inc, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the BATS Global Markets Group to continue as a going concern or its ability to continue with the current financing arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of BATS Global Markets Inc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

Revenue represents the amounts receivable from customers, net of VAT and trade discounts, for services supplied to external customers. These are recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following recognition criterion is used

Trading Commission

Revenue from trading commissions on the Chi-X platform is recognised on the date the trade is executed

Co-location, Cross Connects, Inactive Port Fees, Drop Feeds, Sponsored Access

Revenue is recognised on the date the service is provided

Market Data Licences

Revenue is recognised on a straight line basis over the period to which the fee relates

(b) Cost of Sales

Cost of sales represents the rebates paid to clients for providing liquidity to the Chi-X platform. Rebates are recognised on the date the trade is executed

(c) Interest Receivable and Payable

Interest income and expenses are recognised on an accruals basis

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) Taxes*****Current Income Tax***

Current income tax asset and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operated and generates taxable income.

Deferred Taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

(e) Property and Equipment

Property and Equipment is stated at cost less depreciation and impairment, if any. Property and Equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation is calculated on a straight-line basis so as to write down property and equipment to their residual values over their expected useful lives. Leasehold improvements are written down over the term of the lease which is about five years, computer and office equipment is written down over a period of between three and five years.

The assets' useful lives are reviewed at each year end and any changes are accounted for prospectively as appropriate.

(f) Operating Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

(g) Foreign Currency Translation

The Company's financial statements are presented in sterling, which is also the Company's presentation and functional currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates, and are converted at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Pensions and other post-employment benefits

The Company operates a defined contribution plan. The cost of contributions payable by the Company in respect of the Chi-X Europe Personal Pension Plan for the year are charged to the income statement as incurred.

(i) Share based payments

The Company operated two equity-settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted at the date of grant and recognised over the relevant vesting period.

The cost of equity-settled transactions is recognised, together with a corresponding increase in share based payment reserves, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The company has entered into recharge agreements with Instinet Holdings Inc. in respect of the Nomura Stock Plan. Under the terms of the recharge agreements, the Company may be charged for the benefit of share-based compensation at the date of exercise, pro-rated over the period that the employees were in the service of the company. There are no further recharges expected under this agreement.

(j) Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss, available for sale and loans and receivables. Management determines the classification at initial recognition. The classification depends on the purpose for which the financial assets were originally acquired.

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Financial Assets (continued)**

Currently the company's financial assets comprise cash and short-term deposits, trade debtors and other receivables. Trade debtors and other receivables are recognised at trade date and classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition, these are recorded at fair value and are subsequently measured at amortised cost less impairment.

(k) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. These are measured at amortised cost.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

Foreign currency derivatives are designated as cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. At inception of the transaction, the company documents its risk management objectives and strategy for undertaking various hedging transactions as well as the relationship between hedging instruments and hedged items. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge continues to satisfy all the criteria for hedge accounting to be maintained.

(n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(o) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company has risk management policies in place that seek to limit the adverse effects of risk factors on the financial performance of the Company.

The directors have the responsibility for setting the risk management policies applied by the Company. The policies are implemented and monitored by the finance, compliance and operations departments to enable prompt identification of financial risks so that appropriate actions may be taken.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk

The Company's revenues are largely dependent on the consideration traded through its system. There is a risk that these may fluctuate due to changes in general market volumes and/or prices. These represent different types of risk such as interest rate risk and foreign currency risk. The main accounts affected by these risks are cash and cash equivalents, trade receivables and trade payables. The sensitivity analyses are discussed in each of the following sections relating to positions at 31 December 2011 and 2010.

Interest rate risk

The Company has interest bearing assets in the form of cash at bank and interest is received on these balances at variable rates. The Company reviews sensitivities for movements in interest rates which are appropriate to market conditions. The Company has considered the volatility of interest rates over the past 12 months and prospects for rates over the coming year and has concluded that a 1% upward movement (and no downward movement) reflects a reasonably possible change to current rates.

At 31 December 2011, if interest rates on sterling denominated and dollar denominated cash had been 1% higher, with all other variables held constant, post-tax profit for the year would have been £332,000 higher (2010: £368,000 higher) mainly as a result of higher interest income on floating rate cash and cash equivalents.

Foreign exchange risk

The Company has transactions in foreign currency and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US dollar. Foreign exchange risk arises from trading and associated activities.

In 2011 the Company entered into a series of 5 monthly forward contracts with an aim to reduce its exposure to Euro fluctuations. The forward contracts were designated as cash flow hedges and were all settled as at the balance sheet date. A realised gain of £18,000 was recognised in relation to the hedges within revenue in the income statement. There was no ineffectiveness of the hedge recognised in the income statement.

The Company reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 December 2011, considering movements in the euro and dollar over the last year the Company has concluded that a 10% movement in rates is a reasonably possible change. At 31 December 2011, if sterling had weakened/strengthened by 10% against the euro and dollar on the day with all other variables held constant, post tax profit for the year would have been £131,000 higher/lower (2010: £67,000). This reflects foreign exchange gains/losses on translation of euro and dollar denominated trade receivables and payables.

Credit risk

The Company has no significant concentrations of credit risk relating to trading activities. The Company has implemented policies that require appropriate credit checks on potential trading participants before trading commences. Prior to becoming a trading participant, counterparties are subject to a credit review and approval is limited to financial institutions, corporate and other clients with an acceptable credit rating.

Credit risk primarily relates to the Company's customers and counterparties being unable to meet their obligations to the Company either in part or in full, including customer receivables, repayment of cash and cash equivalents including bank deposits and settlement of derivative instruments.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (continued)

A significant portion of the Company's assets are represented by the cash balances held at various banking institutions. The Company is exposed to the underlying credit risk of those entities in respect of these balances, but has sought to diversify this risk across several highly rated banking institutions.

Liquidity risk

The Company is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations. The Company maintains sufficient cash and actively maintains a mixture of assets and liabilities to ensure that it can adequately meet its short term liabilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	2011		2010	
	Less than 3 months	1-5 years	Less than 3 months	1-5 years
	£000	£000	£000	£000
Trade and other payables	10,831	-	5,229	-
Other non-current liabilities	-	150	-	126
	10,831	150	5,229	126

Capital management

Capital comprises resources that are raised by the Company from its shareholders (equity capital) and its retained profits.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The methods by which the Company may adjust its capital structure would principally include returns to shareholders and issue of new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements and estimates that affected certain balances at the end of the reporting period. Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

In the process of applying the Company's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

- The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. This estimate requires determining the most appropriate valuation model and the most appropriate inputs to the model. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 23.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

5. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

- b) Provisions have been determined based on the estimated expenses that the Company expects to incur
- c) Deferred tax is only recognised when the Company has certainty on sufficiency of future taxable profits

6. REVENUE ANALYSIS

	2011 £000	2010 £000
Geographical markets supplied:		
United Kingdom	32,081	33,017
Europe (excluding United Kingdom)	17,853	9,063
	<u>49,934</u>	<u>42,080</u>

Included within revenue is a gain of £18,000 (2010 £83,000) relating to a foreign currency hedge aimed at reducing the Company's exposure to the Euro (Notes 4 & 17)

The geographical analysis is based upon the client billing address and not the actual geographical location of the client base. In the opinion of the directors the Company has one class of business

7. DIRECTORS' EMOLUMENTS

The directors' total emoluments for the year, computed in accordance with Schedule 5 of the Companies Act 2006, in respect of their services as directors of the company, were as follows

	2011 £000	2010 £000
Remuneration	1,293	918
Company contributions to defined contribution pension scheme	12	12
	<u>1,305</u>	<u>930</u>

During the year retirement benefits were accruing to one director under a defined contribution scheme (2010 one)

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

7. DIRECTORS' EMOLUMENTS (continued)

The emoluments of the highest paid director were as follows

	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Remuneration	1,185	805
Company contributions to defined contribution pension scheme	12	12
	<u>1,197</u>	<u>817</u>

The compensation for loss of office paid to a director during the year amounted to £298,292 (2010 nil)

The accrued pension entitlement for the highest paid director is nil
35,000 share options were exercised by the highest paid director in the year (2010 nil) There were no other share option exercises by directors during the year (2010 nil)

8. STAFF COSTS (including directors)

	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Wages and salaries	10,349	6,970
Share based payments (see note 23)	526	363
Social security costs	1,595	990
Other pension costs	244	166
	<u>12,714</u>	<u>8,489</u>

During the year £214,000 (2010 £166,000) was charged to the profit and loss account in respect of contributions payable by the Company for the Chi-X Personal Pension Plan. There were no amounts outstanding or prepaid at the balance sheet date for these schemes. The average number of employees during the year was 49 (2010 44)

In the opinion of the directors there is only one category of employees

9. OPERATING PROFIT/(LOSS)

Operating profit/ (loss) is stated after charging

	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Fee payable to the current auditors for		
- the audit of the financial statements pursuant to legislation	85	-
- other services pursuant to legislation	6	-
Fee payable to the Company's previous auditors		
- for the audit of the prior year financial statements	-	121
- other services	-	26
Operating lease rentals	<u>1,009</u>	<u>837</u>

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****10. FINANCE INCOME**

	<u>2011</u> £000	<u>2010</u> £000
Bank interest receivable	168	213
	<u>168</u>	<u>213</u>

11. FINANCE EXPENSE

	<u>2011</u> £000	<u>2010</u> £000
Other interest payable	21	4
Net foreign exchange loss	50	-
	<u>71</u>	<u>4</u>

12. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The charge for taxation, which is based on the profit/ (loss) for the year, is as follows

	<u>2011</u> £000	<u>2010</u> £000
Corporation tax payable at 26.5% (2010: 28%)	-	-
Under provision in respect of prior years	<u>-</u>	<u>-</u>
Total current tax	-	-
Deferred tax	-	-
Total tax charge	<u>-</u>	<u>-</u>

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****12. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The following deferred tax assets are unrecognised at 31 December 2011 as at present it is not envisaged with sufficient certainty that the company will be able to utilise them in the foreseeable future

	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Losses	3,613	2,954
Accelerated capital allowances	911	542
Other temporary differences	403	398
	<u>4,927</u>	<u>3,894</u>

Analysis of movement in the unrecognised deferred tax asset

	<u>Deferred</u> <u>Tax</u> <u>£000</u>
Balance brought forward at 1 January 2011	3,894
Adjustment to opening balance	4
Effect of reduction in Corporation Tax rate to 26%	(117)
Property and equipment temporary differences	412
Other temporary differences	(46)
Unutilised current year tax losses for which no deferred tax recognised	780
Balance carried forward at 31 December 2011	<u>4,927</u>

The rate of Corporation Tax was reduced from 28% to 26% with effect from 1 April 2011 and will be reduced by a further 1% per annum falling to 23% with effect from 1 April 2014

The directors estimate that the effect of these changes will be to reduce the company's unrecognised deferred tax asset to £4,288,000

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****12. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The total tax charge is higher than (2010 lower) the standard rate of corporation tax in the UK (26.5%) (2010 28%). The differences are explained below

	2011	2010
	£000	£000
Profit/(Loss) on ordinary activities before tax	(9,995)	798
Profit/(Loss) on ordinary activities multiplied by standard rate in the UK (26.5%) (2010 28.0%)	(2,649)	223
Effects of		
Expenditure not deductible for tax purposes	1,479	127
Movement on temporary differences not recognised for deferred tax	366	357
Depreciation on non-qualifying assets	24	4
Losses brought forward utilised in current year		(711)
Unutilised current year tax losses for which no deferred tax asset recognised	780	
Total tax charge	<u>-</u>	<u>-</u>

13. PROPERTY AND EQUIPMENT

	Leasehold Improvements £000	Computer and Office Equipment £000	Total £000
COST			
1 January 2010	679	1,902	2,581
Additions	642	1,969	2,611
31 December 2010	<u>1,321</u>	<u>3,871</u>	<u>5,192</u>
Additions	-	1,075	1,075
31 December 2011	<u>1,321</u>	<u>4,946</u>	<u>6,267</u>
DEPRECIATION			
1 January 2010	274	673	947
Charge for the year	275	559	834
31 December 2010	<u>549</u>	<u>1,232</u>	<u>1,781</u>
Charge for the year	295	1,241	1,536
31 December 2011	<u>844</u>	<u>2,473</u>	<u>3,317</u>
NET BOOK VALUES			
31 December 2011	<u>477</u>	<u>2,473</u>	<u>2,950</u>
31 December 2010	<u>772</u>	<u>2,639</u>	<u>3,411</u>

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****14. OTHER NON-CURRENT ASSETS**

	<u>2011</u> £000	<u>2010</u> £000
Lease deposits	180	170
	<u>180</u>	<u>170</u>

Other non-current asset represents deposits relating to the 5 year lease on the Lower Thames Street office

15. TRADE AND OTHER RECEIVABLES

	<u>2011</u> £000	<u>2010</u> £000
Trade receivables	2,245	1,736
Less provision for impairment of receivables	<u>(85)</u>	<u>(79)</u>
Trade receivables-net	2,160	1,657
Amounts owed by related party undertakings	1,393	181
Prepayments and accrued income	316	403
	<u>3,869</u>	<u>2,241</u>

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values due to the short term nature of these receivables

Trade receivables that are not past due are not considered to be impaired

The ageing of the Company's debtors is as follows

	<u>2011</u>		<u>2010</u>	
	Impaired £000	Not impaired £000	Impaired £000	Not impaired £000
0-3 months	1	2,133	-	1,646
Greater than 3 months	<u>84</u>	<u>27</u>	<u>79</u>	<u>11</u>
	85	2,160	79	1,657

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****15. TRADE AND OTHER RECEIVABLES (continued)**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies

	<u>2011</u>	<u>2010</u>
	£000	£000
Sterling	3,627	2,010
Euro	242	216
US Dollars	-	15
	<u>3,869</u>	<u>2,241</u>

Movement on the Company's provision for impairment of trade receivables are as follows

	<u>2011</u>	<u>2010</u>
	£000	£000
At 1 January	79	95
Provision for receivables impairment	6	-
Provisions no longer required	-	(16)
At 31 December	<u>85</u>	<u>79</u>

16. CASH AND CASH EQUIVALENTS

	<u>2011</u>	<u>2010</u>
	£000	£000
Cash at banks and on hand	4,321	2,488
Short term deposits	30,590	33,868
	<u>34,911</u>	<u>36,356</u>

The carrying amounts of the Company's cash and short term deposits are denominated in the following currencies

	<u>2011</u>	<u>2010</u>
	£000	£000
Sterling	33,531	35,615
Euro	1,074	352
US Dollars	306	389
	<u>34,911</u>	<u>36,356</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****16. CASH AND SHORT TERM DEPOSITS (continued)**

Cash and short term deposits are held with counterparties of a high credit standing and the Company does not expect any losses from non-performance by these counterparties

There are no differences between the book values and fair values of cash and short term deposits

17. FINANCIAL INSTRUMENTS**Assets as per balance sheet**

	2011		2010	
	Carrying amounts £000	Fair Values £000	Carrying amounts £000	Fair Values £000
Other non-current assets	180	180	170	170
Trade and other receivables	3,869	3,869	2,241	2,241
Cash and cash equivalents	34,911	34,911	36,356	36,356
	38,960	38,960	38,767	38,767

Liabilities as per balance sheet

	2011		2010	
	Carrying amounts £000	Fair Values £000	Carrying amounts £000	Fair Values £000
Trade and other payables	10,831	10,831	5,229	5,229
Other non-current liabilities	150	150	126	126
	10,981	10,981	5,355	5,355

There were no available for sale assets or assets at fair value through the income statement at the balance sheet date

During the year, the Company entered into a series of 5 monthly forward contracts with an aim to reduce its exposure to currency fluctuations. The forward contracts were designated as cash flow hedges and were all settled by the balance sheet date

The effectiveness of the hedges was tested using the dollar offset method and ineffectiveness was found to be negligible. The effective portion of the changes in the fair value of the forward contracts were taken to other comprehensive income and recycled to the income statement as the hedged item impacted the income statement

CHI-X EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)****18. TRADE AND OTHER PAYABLES: Amounts falling due within one year**

	<u>2011</u> £000	<u>2010</u> £000
Amounts owed to related party undertakings	-	200
Trade creditors	952	1,115
Accruals and deferred income	8,500	3,398
Taxation and social security	1,379	516
	<u>10,831</u>	<u>5,229</u>

The carrying amounts of the Company's trade and other payables are denominated in the following currencies

	<u>2011</u> £000	<u>2010</u> £000
Sterling	10,463	4,924
Euro	170	180
US Dollars	198	125
	<u>10,831</u>	<u>5,229</u>

19. PROVISIONS

	<u>2011</u> Dilapidations £000	<u>2010</u> Dilapidations £000
At 1 January	105	-
Charged to income statement	37	105
At 31 December	<u>142</u>	<u>105</u>

The dilapidation provision charged to the income statement has been made in respect to the Lower Thames Street and Commodity Quay properties. The Company provides for the estimated cost of property dilapidations on a straight line basis over the period from the date of lease commencement to the earliest termination date.

20. OTHER NON-CURRENT LIABILITIES

	<u>2011</u> £000	<u>2010</u> £000
Rent free period adjustment	150	126
	<u>150</u>	<u>126</u>

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

20. OTHER NON-CURRENT LIABILITIES (continued)

The other non-current liabilities represent the outstanding balance to be amortised over the lives of two leases providing rent free periods

21. SHARE CAPITAL

	<u>2011</u> £000	<u>2010</u> £000
Authorised share capital	<u>43,697</u>	<u>43,697</u>
Called up, allotted, issued and fully paid		
33,483,864 ordinary 'A' shares at £1 each	33,483	33,483
2,159,462 ordinary 'C' shares at £1 each	2,160	1,811
	<u>35,643</u>	<u>35,294</u>

The 'A' shares are voting shares, are freely transferable and entitle the holder to appoint directors. They also carry options which entitle their holders, upon certain circumstances, to be issued Class C shares, which are non-voting shares. The increase in C shares has been explained in Note 23. Other than the voting rights, both Class A and Class C shares carry equal rights. Options are not freely transferable.

22. FINANCIAL COMMITMENTS

Future minimum rental payables under non-cancellable operating leases as at 31 December are as follows

	<u>2011</u> <u>Land and</u> <u>buildings</u> £000	<u>2010</u> <u>Land and</u> <u>buildings</u> £000
Not later than one year	1,017	1,093
Later than one year and not later than five years	3,336	3,882
	<u>4,353</u>	<u>4,975</u>

These leases relate to the Lower Thames Street and Commodity Quay properties and the Company's data centres

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

23. SHARE BASED PAYMENTS

Nomura Stock Plan

Certain of the Company's employees participated in Nomura Holdings Incorporated's (NHI) stock acquisition rights plan ("B-Plan"). Each stock acquisition right is a right to acquire 100 shares of NHI for 1 yen per share. These rights vest and become exercisable two years after the grant date, and expire approximately seven years after the grant date. Given that there is insignificant historical experience available to provide a reliable estimate, it is assumed that all the options will vest. No stock acquisition rights were issued in the year (2010: nil). The NHI share price on grant date was used as an estimate for the fair value of the rights.

	2009 Number	2009 Weighted average fair value In pence
	£	
Outstanding at 1 January	1,080	771.9
Vested	1,080	771.9
Outstanding at 31 December	-	-

The fair value of the rights awarded is payable by the Company to Instinet New Jersey Limited, a fellow Nomura group company in equal monthly installments over the vesting period of two years. The Company recorded its allocated share of £nil (2010: £nil) of such expenses for these B-plan units in administrative expenses in the profit and loss account.

Chi-X JOE Plan

Employees could previously acquire interests in the shares of the Company under the terms of a Jointly Owned Equity scheme (the "Scheme"). Pursuant to the terms of the Scheme, the employees subscribed for an interest in newly issued Class C shares jointly with the trustee of the Chi-X Europe Limited Employee Benefit Trust (EBT). The trustees are entitled to all of the value up to £1.80 (2008 plan: £1) per share, whereas employees' interest entitles them to the value of shares above that amount. The Company could buy back an employee's interest for a nominal sum of £1 if the employee leaves the Company within 2 years from the date of the issue of the interest.

There were no outstanding exercisable JOE shares as at 31 December 2011 (2010: 1,537,270).

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the financial statements. Any assets held by the EBT cease to be recognised on the balance sheet when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Company's income statement.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

23. SHARE BASED PAYMENTS (continued)

Chi-X CSOP Plan

The Company granted share options to all its employees under the 2010 Company Stock Option Plan to acquire Class C ordinary shares in the Company. The options had an exercise price of £3.20 and could not be exercised prior to the exercise date, which was earlier of an exit event (being either a sale of the business or an IPO) or the 9th anniversary of the date of grant. The options vested in 3 equal tranches over 3 years on the 1st, 2nd and 3rd anniversary of the date of grant. Vesting however accelerated on an exit event within 3 years. If an employee ceased employment with the Company before the vesting date, their options were forfeited unless they were classed as a good leaver.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	2011				2010			
	CSOP		JOE		CSOP		JOE	
	Number	Weighted average exercise price In pence	Number	Weighted average exercise price In pence	Number	Weighted average exercise price In pence	Number	Weighted average exercise price In pence
Outstanding at 1 January	720,500	270	1,810,812	153	-	-	1,810,812	153
Granted	-	-	-	-	720,500	270	-	-
Exercised	(348,750)	320	(1,810,812)	153	-	-	-	-
Forfeited	(23,000)	-	-	-	-	-	-	-
Cancelled	(348,750)	-	-	-	-	-	-	-
Outstanding at 31 December	-	-	-	-	720,500	270	1,810,812	153

On 30 November 2011, 50% of the outstanding CSOP options were exercised and immediately acquired by Omicron Acquisition Corp., a subsidiary of BATS Global Markets Inc, resulting in the issuance of 348,750 class C shares in the Company.

In accordance with an arrangement entered into with all CSOP option holders in conjunction with the acquisition of the Company by BATS Global Markets, Inc., the remaining CSOP options have been cancelled for value with a deferred settlement of 6 months from the date of acquisition, subject to each employee staying in employment until that date. The value to be used will be US \$8.3333 per option, less the strike price of £3.20.

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

23. SHARE BASED PAYMENTS (continued)

The estimated value of the jointly owned equity awards was calculated based on an external valuation using the Black Scholes valuation model. The key assumptions used in the valuations were as follows

	<u>JOE Plan</u>	<u>CSOP</u>
Market price (pence)	180	270
Strike price (pence)	180	320
Maturity (years)	2	3
Volatility (%)	51.33	49.89
Risk-free rate (%)	0.43	0.57

The Risk-free rate reflects the yield on 3 month UK Government Bonds as at 8 September 2009. The expected volatility reflects the long-term (999 days) volatility of a proxy company operating in the same market segment.

The expense recorded during the year relating to all the share schemes was £526,000 (2010 £363,000).

24. ULTIMATE PARENT UNDERTAKING

On 30 November 2011, the issued capital of the Company was acquired jointly by Omicron Acquisition Corp., and BATS Global Markets, Inc. The ultimate parent company is BATS Global Markets, Inc. which is incorporated in the State of Delaware in the United States of America.

The largest and smallest Group in which the results of the Company are consolidated is that headed by BATS Global Markets, Inc. The consolidated financial statements of this Group are available from 8050 Marshall Drive, Suite 120, Lenexa KS 66214, United States of America.

25. RELATED PARTY TRANSACTIONS

During the course of the year, the Company entered into a number of ongoing transactions with Nomura Holding Incorporated and its subsidiaries. The transactions were made at arms-length.

License Agreement services were provided by Instinet Holding Inc to the Company at a cost of £1,223,967 (2010 £1,228,274).

CHI-X EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011 (CONTINUED)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Outsourced Business Services were provided by Instinet Group Services Limited to the Company at a cost of £40,475 (2010 £200,611)

The Company supplied services to Instinet Europe Limited and Nomura Holding Incorporated at a Consideration of £nil (2010 £98,971) and £3,625,083 (2010 £2,981,924) respectively, mainly in respect of trading commissions

As at 31 December 2011, the net amount owed by the Company to Instinet Holding Inc and its subsidiaries was £19,602 (2010 £200,100) As at 31 December 2011, the net amount owed to the company by Nomura Holding Incorporated was £199,537 (2010 £180,802)

As at 31 December 2011, the net amount owed to the Company by BATS Trading Limited was £1,393,103 (2010 nil)

Terms and conditions and transactions with related parties

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash There have been no guarantees provided or received for any related party receivables or payables For the year ended 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2010 Nil)

This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates

Transactions with key management personnel

There were no transactions with key management personnel (2010 £10,779)

Compensation of key management personnel of the Company

	<u>2011</u>	<u>2010</u>
	£000	£000
Salaries and other short term benefits	4,505	6,151
Post-employment pension and medical benefits	78	46
Share-based payments	243	166
	<u>4,826</u>	<u>6,363</u>

26. EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2012, the entire issued share capital of the Company was acquired by BATS Trading Limited, a subsidiary of BATS Global Markets, Inc

On 26 January 2012, the Board of directors resolved to convert all existing C shares into A shares In addition, all issued shares were redesignated as ordinary shares