

XTX Markets Limited

Registered number 9415174

Annual report and financial statements

For the year ended 31 December 2016

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Directors and officers

Directors

A Gerko
Z Amrolia
T Kuschill

Company secretary

M Freville

Independent auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered office

Leconfield House
Curzon Street
London
W1J 5JA

Company number

Registered in England and Wales: No. 9415174

Strategic report

For the year ended 31 December 2016

The directors present their strategic report for XTX Markets LTD ("the Company") for the year ended 31 December 2016.

Review of the company's business

Background

The Company is an independent proprietary electronic trading company, incorporated under the laws of the United Kingdom and dealing in Equity, FX, Fixed Income and Commodity markets. The Company is a wholly owned subsidiary of XTX Holdings PLC (incorporated in Malta). The Company obtained regulatory authorisation from the Financial Conduct Authority ("the FCA") as an IFPRU investment firm on 4th July 2016.

Financial position and performance

The financial position of the Company at 31 December 2016 is shown in the Statement of Financial position on page 8, with trading results shown in the statement of comprehensive income on page 7 and the Statement of cash flows on page 10.

The Company has produced profits of £60,701,850 (2015: £38,020,242) from revenue of £131,880,025 (2015: £72,366,744). Administrative expenses were £56,765,277 (2015: £25,088,625). The net profit after tax margin for the period is 46% (2015: 53%).

Shareholder's equity is £168,491,582 (2015: £107,790,242) and has increased by 56% due to retained profit for the year.

The current key performance indicators of the Company are net revenue and profit before tax. Revenues were primarily dependent upon the trading performance of GPT1, which management consider satisfactory in light of advisory and investment management services provided and prevailing market conditions. During the latter part of the year revenues were also dependent on the trading performance of the Company's own proprietary trading book which performed in line with expectations. Costs were in line with the initial forecasts and the directors consider these to be appropriate given the levels of business activity during the period.

Future outlook

The Company completed the migration of trading activities from GPT1 to the Company in the first quarter of 2017. The Company intends to expand trading activities into further markets and is expected to continue to trade profitably to support organic growth. The Company is continually assessing the changing market and regulatory landscape to ensure it can evolve and adapt to changes in counterparty and operational demands. The directors do not anticipate any changes in the Company's core activities for the foreseeable future.

Principal risks and uncertainties

The Board meets each quarter to set out and review the Company's risk appetites in respect of each of the principle risks facing the Company. A description of the Company's principal operational and financial risks and the Company's risk and capital management policies are set out in note 17 to the financial statements.

By order of the board,

A Gerko



Director

6 April 2017

Directors' report

For the year ended 31 December 2016

The directors present their annual report and financial statements of the company for the year ended 31 December 2016.

Principal activities

For the period ended 31 December 2016, trading was primarily performed through a separate entity, Green Park Trading I ("GPT1"), funded via a loan from the Company. The principal activity of the Company was the provision of trading advisory and investment management services to GPT1. Towards the end of 2016, the Company began to migrate the trading book from GPT1 and trade as principal on its own account. Upon completion of this migration, the activities in GPT1 will cease and the loan to GPT1 will be repaid in full.

Directors

The directors of the Company who were each in office during the period and up to the date of signing the financial statements were:

A Gerko
Z Amrolia
T Kuschill

Dividend

No dividend was paid during the year. The directors do not recommend the payment of a final ordinary dividend in respect of the financial year ending 31 December 2016 (2015: Nil).

Going concern

The financial statements have been prepared on the going concern basis of accounting. The directors have a reasonable expectation that the Company has adequate resources to implement its growth plans, continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

In reaching this conclusion the directors have prepared a detailed financial forecast for 2017 which shows increased profitability and an excess of liquid resources to meet the Company's liabilities as they fall due. Additionally, as part of the Company's Internal Capital Adequacy Assessment Process ("ICAAP"), financial projections have been prepared extending to December 2019 which show continuous profit growth. As part of this process, risks facing the business have been considered and a range of stress tests have been applied to these projections, all of which demonstrate a significant and growing excess of capital resources over requirements, and an ability to remain profitable even under a range of plausible yet severe stresses. Having taken this into account, the directors are satisfied that the going concern basis of accounts preparation is appropriate.

Political contributions

The Company made no political donations and did not incur any political expenditure during the period.

Pillar 3 disclosure

In accordance with the rules of the FCA, the Company has published information on its risk management objectives and regulatory capital requirements and resources. Details of the Company's Pillar 3 disclosures are available at the Company's website www.xtxmarkets.com

Disclosure of information to auditor

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board,

A Gerko

Director



6 April 2017
Leconfield House, Curzon Street, London W1J 5JA

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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 IFRSs 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 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.

Independent auditor's report to the members of XTX Markets Limited

We have audited the financial statements of XTX Markets LTD ("the Company") for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 5, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the companies Act 2006

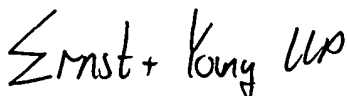
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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.



Neil Parker (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

DATE: 6TH April 2017

Statement of comprehensive income
for the year ended 31 December 2016

		Year to 31 Dec 2016 £'000	Period from inception to 31 Dec 2015 £'000
	Note		
Revenue	3	131,880	72,367
Administrative expenses		(56,766)	(25,089)
Operating profit	4	75,114	47,278
Financial income	7	733	313
Financial expense	7	(12)	-
Profit before tax		75,835	47,591
Taxation	8	(15,380)	(9,571)
Profit for the period		60,455	38,020
Other comprehensive income		247	-
Total comprehensive income for the period		60,702	38,020

All amounts relate to continuing operations.

The notes on pages 11 - 27 form part of these financial statements.

Statement of financial position

at 31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	10	3,502	1,054
Deferred tax assets	11	343	44
		3,845	1,098
Current assets			
Cash and cash equivalents		46,705	40,817
Financial assets at fair value through profit or loss		7,412	-
Available for sale financial assets	12	5,902	3
Trade and other receivables	13	148,704	95,339
Current asset investments held at amortised cost	14	10,035	-
		218,758	136,159
Total assets		222,603	137,257
Current liabilities			
Financial liabilities at fair value through profit or loss		6,451	-
Trade and other payables	15	38,394	19,750
Tax payable		8,680	9,615
		53,525	29,365
Non-current liabilities			
Deferred bonus	15	586	102
Total liabilities		54,111	29,467
Net assets		168,492	107,790
Equity			
Share capital	16	69,770	69,770
Retained earnings		98,475	38,020
Revaluation reserve		247	-
Total equity		168,492	107,790

The notes on pages 11 - 27 form part of these financial statements.

These financial statements were approved by the board of directors on 6 April 2017 and were signed on its behalf by:

A Gerko
Director



Company registered number: 9415174

Statement of changes in equity
for year ended 31 December 2016

	Share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at the beginning of the period	69,770	38,020	-	107,790
Profit for the period	-	60,455	-	60,455
Other comprehensive income	-	-	247	247
Balance at 31 December 2016	69,770	98,475	247	168,492

for period ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at the beginning of the period	-	-	-	-
Share capital issued during the period	69,770	-	-	69,770
Profit for the period	-	38,020	-	38,020
Balance at 31 December 2015	69,770	38,020	-	107,790

The notes on pages 11 - 27 form part of these financial statements.

Statement of cash flows
 for year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the period before tax		75,835	47,592
Adjustments for:			
Depreciation	10	2,213	288
Net financial income	7	(721)	(313)
Loss on disposal of property, plant and equipment		8	-
		<u>77,335</u>	<u>47,567</u>
Taxation			
Tax paid		<u>(16,615)</u>	<u>-</u>
Changes in working capital:			
Increase in trade and other receivables		(95,571)	(12,544)
Increase in trade and other payables		25,579	19,852
		<u>(69,992)</u>	<u>7,308</u>
Net cash (outflow)/inflow from operating activities		<u>(9,272)</u>	<u>54,875</u>
Cash flows from investing activities			
Interest received	7	733	313
Interest paid	7	(12)	-
Acquisition of property, plant and equipment	10	(4,669)	(1,342)
Purchase of available for sale investments	12	(5,653)	(3)
Amount received/(paid) on provision/(granting) of loan	13	34,796	(82,796)
Current asset investment	14	(10,035)	-
Net cash inflow/(outflow) from investing activities		<u>15,160</u>	<u>(83,828)</u>
Cash flows from financing activities			
Share capital issued during the period		<u>-</u>	<u>69,770</u>
Net increase/(decrease) in cash and cash equivalents		5,888	40,817
Cash and cash equivalents at 1 January 2016		40,817	-
Cash and cash equivalents at 31 December 2016		<u><u>46,705</u></u>	<u><u>40,817</u></u>

The notes on pages 11 - 27 form part of these financial statements.

Notes to the financial statements

1. Corporate information

XTX Markets LTD (the "Company") is a limited liability company incorporated and domiciled in England with a registered address of Leconfield House, Curzon Street, London W1J 5JA. The financial statements of the Company for the period ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 6 April 2017.

2. Accounting policies

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the Companies Act 2006. The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

The preparation of the Company's financial statements has not required management to make any judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures.

In the current period, the following new and revised standards and interpretations have been adopted and have had no impact on these financial statements.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs: 2010-2012 Cycle.
- Annual Improvements to IFRSs: 2011-2013 Cycle.
- Annual Improvements to IFRSs: 2012-2014 Cycle

At the date of authorisation of these financial statements, the following standards and interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 "Financial Instruments" 2009, 2010, 2013 and 2014
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Leases"
- Amendments to IAS 16 & 38 – "Clarification of Acceptable Methods of Depreciation and Amortisation"

2.2 Measurement convention

The financial statements are prepared on the historical cost basis except for those financial instruments and financial liabilities that have been measured at fair value. Items included in the financial statements are measured in pounds sterling, the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's presentational currency is pounds sterling. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

2.3 Going concern

The financial statements have been prepared on the going concern basis of accounting. In the opinion of the directors the Company has sufficient liquidity and capital resources to implement its growth plans, continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

Notes (continued)

2. Accounting policies (continued)

2.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

2.5 Financial instruments

Financial instruments comprise financial assets or liabilities at fair value through profit or loss and available for sale financial assets, investments in debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Gains and losses arising from changes in the fair value are included in the statement of comprehensive income in the period in which they arise. Fair values are determined using the fair value hierarchy discussed further in note 17.

Trade and other receivables

Trade and other receivables are recognised initially at cost which reflects the amount expected to be received on settlement. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at cost which reflects the amount expected to be paid to settle the obligation. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Loan held at amortised cost

The Company has classified the loan it has made to a related party as a financial asset held at amortised cost. The asset is initially recognised at the cost of the consideration provided net of any associated transaction costs and is subsequently re-measured using the effective interest method. Finance income receivable in relation to the loan is recognised in the Statement of comprehensive income on an accruals basis using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on deposit with the banks. Any bank overdrafts are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Current asset investments

Current asset investments are highly liquid investments such as money market funds that typically hold assets with less than 180 days maturity from the date of acquisition.

Notes (continued)

2. Accounting policies (continued)

2.5 Financial instruments (continued)

AFS financial assets

Investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. AFS investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the securities are recognised under other comprehensive income. When securities classified as available for sale investments are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as profit or loss from investment securities.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives and different depreciation methods, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation methods and estimated useful lives are as follows:

- Leasehold assets - straight-line basis over life of the lease, or to the lease break, if shorter.
- Fixtures & fittings - straight-line basis over 7 years.
- IT trading equipment - 10% per month on reducing balance basis over 2 years followed by straight line basis for the third year.
- IT office equipment - straight-line basis over 3 years.
- Trading software - 10% per month on reducing balance basis over 2 years followed by straight line basis for the third year.
- Office software - straight-line basis over 3 years.
- Artwork and memorabilia are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

2.7 Employee benefits

Defined contribution plans

Under the terms of the Company's defined contribution plan the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised on an accruals basis as an expense in the statement of comprehensive income in the period during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed on an accruals basis as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Deferred bonus

Certain employees are eligible to receive discretionary bonuses that vest over a three year period. These deferred awards are guaranteed provided the employee remains employed by the Company during this period, or is designated a 'good leaver' upon exiting the firm. These awards are recognised in the statement of comprehensive income on a straight line basis over three years beginning on the day of the award.

Notes (continued)

2. Accounting policies (continued)

2.8 Revenue

Revenues are comprised of proprietary trading, income from trading advisory services and investment management services. Proprietary trading revenue is calculated by recognising the profit or loss generated from trading activities which represents the difference between proceeds received on disposal and the initial cost of acquisition, including unrealised profits or losses on open positions. Income from trading advisory and investment management services is recognised on an accruals basis when the Company obtains the right for consideration and is recognised net of VAT and any rebates.

2.9 Expenses

Operating lease payments

The Directors consider all leases to which the Company acts as lessee to be operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income on a straight line basis as an integral part of the total lease expense.

Financing income and expenses

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Administrative expenses

All administrative expenses are recognised on an accruals basis.

2.10 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

3. Revenue

	2016	2015
	£'000	£'000
Net trading revenue	19,324	-
Trading advisory fees	73,421	72,367
Investment management fees	39,135	-
	<u>131,880</u>	<u>72,367</u>

Trading revenues are disclosed net of all transaction execution and clearing costs incurred by the Company in the performance of its proprietary trading activities. These costs totalled £14,835,265 (2015: £ nil).

The Company has not presented a geographical analysis of revenues as it is considered seriously prejudicial to the interests of the Company.

Notes (continued)

4. Operating profit

Included in operating profit are the following amounts:

	2016 £'000	2015 £'000
Depreciation	2,213	288
Gains on foreign exchange	(124)	(80)
Amounts receivable by the Company's auditor in respect of:		
Audit of financial statements	60	20
Taxation compliance services	12	16
Other tax advisory services	276	25
Operating leases costs	809	213
Loss on disposal of tangible fixed assets	8	-
	<u> </u>	<u> </u>

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2016	2015
Directors	3	3
Support staff	40	25
	<u> </u>	<u> </u>
	43	28
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	9,053	3,626
Social security costs	1,184	469
Contributions to defined contribution plans	299	88
	<u> </u>	<u> </u>
	10,536	4,183
	<u> </u>	<u> </u>

6. Directors' remuneration

	2016 £'000	2015 £'000
Directors' remuneration	500	148
	<u> </u>	<u> </u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £400,000 (2015: £98,461). No directors received any pension contributions during the period (2015: £ nil).

Notes (continued)

7. Finance income and expense

	2016 £'000	2015 £'000
Finance income		
Interest income on loan held at amortised cost	651	301
Interest income on bank deposits	42	12
Other interest income	39	-
Dividend income	1	-
	<u>733</u>	<u>313</u>
Total interest income on financial assets		
Finance expense		
Interest expense	10	-
Dividend expense	2	-
	<u>12</u>	<u>-</u>
Total interest expense on financial liabilities		

8. Taxation

	2016 £'000	2015 £'000
Current tax charge	15,679	9,615
Deferred tax credit	(299)	(44)
	<u>15,380</u>	<u>9,571</u>
Total tax expense		

Reconciliation of effective tax rate

	2016 £'000	2015 £'000
Profit (including other comprehensive income) before taxation	76,082	47,592
Tax using the UK corporation tax rate of 20%	15,216	9,518
Non-deductible expenses	164	53
	<u>15,380</u>	<u>9,571</u>
Total tax expense		

The Finance Act 2016, substantively enacted on 6 September 2016 and fully enacted on 15 September 2016, included a decrease in corporation tax rates to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred tax balances should be calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the statement of financial position date. The maximum effect on the Company's deferred tax balance of the reduction in the UK corporation tax rate to 17% is expected to be £51,383.

Notes (continued)

9. Capital requirements country-by-country reporting

During 2013, the UK government enacted regulation (contained in the Financial Services and Markets Act 2000 Statutory Instruments 3188) which requires Capital Requirement Directive IV (CRD IV) regulated institutions to publish the following information:

Year ended 31 December 2016

Location	Nature of activities	Revenue £'000	No of full time employees	Profit before taxation £'000	Total tax expense £'000	Subsidies received £'000
UK	The principal activity is proprietary electronic trading.	131,880	43	75,835	15,380	-

Period ended 31 December 2015

Location	Nature of activities	Revenue £'000	No of full time employees	Profit before taxation £'000	Total tax expense £'000	Subsidies received £'000
UK	The principal activity was trading advisory services.	72,367	28	47,592	9,571	-

10. Property, plant and equipment

	2016 Leasehold assets £'000	2016 IT equipment £'000	2016 Software £'000	2016 Fixtures & fittings £'000	2016 Total £'000
Cost					
Balance at beginning of period	29	1,169	5	139	1,342
Acquisitions	186	4,203	114	166	4,669
Disposals		(33)	0		(33)
Balance at end of period	<u>215</u>	<u>5,339</u>	<u>119</u>	<u>305</u>	<u>5,978</u>
Depreciation					
Balance at beginning of period	4	257	4	23	288
Depreciation charge for the period	65	2,049	76	23	2,213
Reversal of depreciation on disposal	-	(25)	-		(25)
Balance at end of period	<u>69</u>	<u>2,281</u>	<u>80</u>	<u>46</u>	<u>2,476</u>
Net book value at 31 December 2016	<u>146</u>	<u>3,058</u>	<u>39</u>	<u>259</u>	<u>3,502</u>
Net book value at 31 December 2015	<u>25</u>	<u>912</u>	<u>1</u>	<u>116</u>	<u>1,054</u>

Notes (continued)

11. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 2016 £'000	Assets 2015 £'000
Timing differences between capital allowances and depreciation of fixed assets	236	20
Timing differences in respect of deferred compensation	107	24
	<u>343</u>	<u>44</u>

Movement in deferred tax asset during the period:

	Beginning of period £'000	Recognised in Statement of Comprehensive Income £'000	End of period £'000
Timing differences between capital allowances and depreciation of fixed assets	20	216	236
Timing differences in respect of deferred compensation	24	83	107
	<u>44</u>	<u>299</u>	<u>343</u>

12. Available for sale financial assets

The AFS financial assets are a range of unlisted CME seats and listed CME shares, which are deemed to represent an operating membership that is required for trading on the CME.

	2016 £'000	2015 £'000
AFS financial assets – CME shares	3,758	-
AFS financial assets – CME seats	2,144	3
Total	<u>5,902</u>	<u>3</u>

Notes (continued)

13. Trade and other receivables

	2016 £'000	2015 £'000
Amounts due from broker	87,438	-
Trade receivables due from related parties	1,975	10,537
Financial asset held at amortised cost	48,000	82,796
Other receivables	6,060	1,707
Prepayments and accrued income	5,231	300
	<u>148,704</u>	<u>95,340</u>

The financial asset at amortised cost bears interest at a floating rate of LIBOR plus 30bps, is unsecured and is repayable to the Company within 30 days of the Company giving written notice to the borrower and no later than 24th June 2018.

All amounts included within trade and other receivables are expected to be recovered within 12 months.

No amounts are considered to be past due or impaired (2015: none).

The carrying value of all trade and other receivables approximates to fair value.

14. Current asset investments held at amortised cost

	2016 £'000	2015 £'000
Money market funds	10,035	-
	<u>10,035</u>	<u>-</u>

Current asset investments are highly liquid money market funds that typically hold assets with less than 180 days maturity from the date of acquisition.

Notes (continued)

15. Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade and other payables	865	-
Amounts due to related parties	30,884	16,648
Accrued expenses	6,645	3,102
	<u>38,394</u>	<u>19,750</u>
Non-current		
Deferred bonus	586	102
	<u>586</u>	<u>102</u>

The carrying value of all trade and other payables approximates to fair value.

16. Capital and reserves

Share capital

	Preference shares of £1 each 2016	Ordinary shares of £1 each 2016	Preference shares of £1 each 2015	Ordinary shares of £1 each 2015
On issue at the beginning of period - fully paid	1	69,770,000	-	-
Issued during the period - fully paid	-	-	1	69,770,000
On issue at the end of period - fully paid	<u>1</u>	<u>69,770,000</u>	<u>1</u>	<u>69,770,000</u>

In respect of preference shares, the Company may declare a discretionary annual preference dividend (which will be apportioned amongst the preference shareholders in proportion to the number of preference shares they hold) equal to any revenues earned from the sale, licensing or other exploitation of the Company's original IP. Upon any return of capital, shareholders of preference shares have the right to be paid an amount equal to the market value of the original IP held by the Company. Preference shares carry no rights to vote. The preference share was issued on 30 April 2015.

In respect of ordinary shares, the Company may declare an annual dividend (which will be apportioned amongst the ordinary shareholders in proportion to the number of ordinary shares they hold) equal to the outstanding balance of amounts which the Company has resolved will be distributed to shareholders (after the dividend in respect of the preference shares has been paid). Upon any return of capital, shareholders of ordinary shares have the right to receive the remaining balance once any payments due to the preference shareholders and any external creditors have been made. Ordinary shares carry the right to vote (with one share carrying one vote) on resolutions of the Company. The ordinary shares were issued on 30 April 2015.

Notes (continued)

17. Financial instruments and risk management

17(a) Overview

The risk management framework of the Company incorporates the XTX Group's risk management framework and has been designed and implemented in such a way that it aids corporate performance whilst monitoring risks against a suite of appetites and key indicators.

Key Risk Indicators (KRI's) are used to monitor risk exposure on an ongoing basis. Where possible, these are monitored in real time. Where this is not possible, these are monitored on at least a monthly basis (in the case of some subsets of operational risk), or more frequently if possible (such as credit exposures to counterparties, which is monitored on a daily basis).

The Company's risk management framework includes the strategies, policies, tools, governance arrangements, processes and reporting procedures to manage its risks. This framework outlines the risk strategy and approach to managing risk, including how it identifies, measures, manages, monitors and reports on the risks to which it is exposed.

Further information on the types and management of specific risk types is given below.

17(b) Fair values of financial instruments

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2016 £'000	Fair value 2016 £'000	Level 1 2016 £'000	Level 2 2016 £'000	Level 3 2016 £'000
Assets					
Financial assets at fair value through profit and loss:					
Trading securities	7,412	7,412	7,412	-	-
Current asset investments (note 14)	10,035	10,035	10,035	-	-
Available for sale financial assets (note 12):	5,902	5,902	3,758	2,144	-
Total financial instruments	23,349	23,349	21,205	2,144	-
Liabilities					
Financial assets at fair value through profit and loss:					
Trading securities	6,451	6,451	6,451	-	-
	6,451	6,451	6,451	-	-

Notes (continued)

17. Financial instruments and risk management (continued)

17(b) Fair values of financial instruments (continued)

	Carrying amount 2015 £'000	Fair value 2015 £'000	Level 1 2015 £'000	Level 2 2015 £'000	Level 3 2015 £'000
Assets					
Available for sale financial assets (note 12)	3	3	-	3	-
Total financial instruments	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>

17(c) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash held at bank, cash held at the clearing brokers, receivables due from a related company and the financial asset held at amortised cost.

The credit risk associated with banking exposures is managed through adherence to approved risk appetites in terms of limits on maximum cash holdings per institution and minimum Standard and Poor's ("S&P") credit ratings assigned to institutions where cash will be deposited.

Credit risk in respect of the receivables from the related company are mitigated via ensuring advisory fees are received on a timely basis. All fees received have been paid typically one month in arrears since inception of the Company. Since the completion of the migration of trading activities from the related company to the Company, the financial asset held at amortised cost has been realised in full.

Credit risk in respect of the cash held at clearing brokers is managed in accordance with Company's credit risk policy. The Company has implemented the following three strategic measures to ensure that credit risk is properly managed:

- Diversification of corporate cash excess
- Diversification of clearing arrangements
- Periodic review of the composition of credit risk requirement on a pillar 1 and pillar 2 basis in line with Company's ICAAP

Exposure to credit risk

The maximum exposure to credit risk at the statement of financial position date by class of financial instrument was;

	2016 £'000	2015 £'000
Amount due from clearing brokers	87,438	-
Cash and cash equivalents	46,705	40,817
Financial asset held at amortised cost	48,000	82,796
Trade receivables due from related parties	1,975	10,537
Other receivables	6,060	1,707
Prepayments and accrued income	5,231	300
	<u>195,409</u>	<u>136,157</u>

Notes (continued)

17. Financial instruments and risk management (continued)

17(d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Given the current nature of the Company's activities, the principal liabilities are taxation, occupancy, compensation payments and amounts due to related parties.

The Company seeks to ensure it maintains sufficient financial resources to meet its obligations as they fall due through the application of the Company's liquidity management framework. The framework determines a target level of liquidity to hold against forecasted net outflows and performs a range of plausible yet severe stresses to ensure that the Company's liquidity resources are adequate to ensure that its liabilities can be met at all times.

The Company's liquidity profile consists of matched assets and obligations in terms of timing. There are no material liquidity funding profile mismatches as materially all assets are either held in cash or convertible to cash in the short term and materially all liabilities are payable within 90 days.

17(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company is impacted by market risk principally arising from:

- Foreign currency risk: retranslation of non-trading book assets and liabilities denominated in currencies other than GBP, and exposure from intraday open positions as part of its trading strategies.
- Interest rate risk: a low level of risk associated with adverse interest rate movements impacting cash deposits and the financial asset held at amortised cost.
- Equity price risk: a low level of risk due to the immaterial net positions held

Market risk - Foreign currency risk

The Company manages its exposure to non-trading book foreign currencies in accordance with its FX Policy, which aims to minimise corporate foreign currency risk to an appropriate level, whilst ensuring that exposures do not exceed established limits.

The Company manages the trading book foreign currency risk as part of its intraday trading strategies which may result in an overnight exposure. Any exposure over these limits would be eliminated or hedged via various financial instruments, principally FX spot or forward trades and futures.

The Company's overall exposure to foreign currency risk is based on the carrying amount for monetary financial instruments at the statement of financial position date is as follows:

Notes (continued)

17. Financial instruments and risk management (continued)

17(e) Market risk (continued)

Profile	2016 £'000	2015 £'000
Sterling	140,281	94,015
US Dollar	9,532	2,858
Euro	42,180	(18)
Other	2,118	(13)
Net exposure	<u>194,111</u>	<u>96,842</u>

Sensitivity analysis

The Company's exposure to movements in foreign currency exchange rate is illustrated in the table below. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 10% change in GBP to USD and GBP to EUR would have had the following impact on the Company:

	10% increase in USD rate £'000	10% decrease in USD rate £'000	10% increase in EUR rate £'000	10% decrease in EUR rate £'000
Increase/(decrease) in net assets as at 31 December 2016	(867)	1,059	(3,835)	4,687
Increase/(decrease) in net profit as at 31 December 2016	(867)	1,059	(3,835)	4,687

2015:

	10% increase in USD rate £'000	10% decrease in USD rate £'000
Increase/(decrease) in net assets as at 31 December 2015	(260)	318
Increase/(decrease) in net profits as at 31 December 2015	(260)	318

Market risk - interest rate risk

The Company has low levels of sensitivity to changes in interest rates as it has no interest-bearing borrowings. The exposure arises primarily from cash on deposit at banks and the financial asset held at amortised cost.

Profile

At the statement of financial position date the interest rate profile of the Company's interest-bearing financial instruments was:

	2016 £'000	2015 £'000
Variable rate instruments		
Cash and cash equivalents	46,705	40,817
Financial asset held at amortised cost	48,000	82,796
	<u>94,705</u>	<u>123,613</u>

Notes (continued)

17. Financial instruments and risk management (continued)

17(e) Market risk (continued)

Market risk - Interest rate risk (continued)

Sensitivity analysis

A change of 50 basis points in interest rates at the statement of financial position date would cause an annualised increased/(decreased) in net assets and profit by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates.

	Increase by 50bps £'000	Decrease by 50bps £'000
Increase/(decrease) in net assets as at 31 December 2016	477	(477)
Profit exposure at 31 December 2016	477	(477)
	Increase by 50bps £'000	Decrease by 50bps £'000
Increase/(decrease) in net assets as at 31 December 2015	618	(618)
Profit exposure at 31 December 2015	618	(618)

Market risk - Equity price risk

The Company enters into a high volume of transactions on a daily basis across the equity, FX, fixed income and commodity markets. Whilst the Company will normally only hold positions for a short period of time intra-day, the Company remains exposed to adverse market movements during the time that the positions are held, which if realised, have a direct impact on the Company's capital. Management has controls in place to mitigate this risk by monitoring intra-day exposures on a real-time basis. Management has also put in place specific risk limits in the event that exposures arising from price movements exceed set tolerance thresholds.

The Company has a minimal equity price risk for securities held at the end of each day. Most trading positions are closed intra-day and residual overnight positions held are typically not material and are appropriately hedged. As a result of this low exposure, the Company does not consider any sensitivity analysis to have a significant impact on the financial performance or the position of the Company.

17(f) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These failures can arise from deliberate, accidental or natural events.

The Company assesses operational risk appetite on a per category basis. It has a low risk appetite for most subsets of operational risk, however has an elevated appetite for processes, systems and model risk. A number of material scenarios were selected for each category and these were assessed against certain criteria (such as reputational impact, likely level of capital losses, internal and external loss events, probability of occurrence) to identify the most appropriate list of key operational risk scenarios facing the Company.

Notes (continued)

17(g) Capital management

The Company manages its shareholders' equity as capital. As at 31 December 2016 total shareholders' equity was £168,491,582 (2015: £107,790,243). The Company is aiming to grow the capital base organically through the profit after taxation and does not intend to pay dividends for the forthcoming years.

The Company manages its capital adequacy via real time monitoring and has conducted an Internal Capital Adequacy Assessment Process ("ICAAP") to ensure that regulatory capital resources are in excess of capital adequacy requirements. The sufficiency of regulatory capital for the Company is monitored against risk appetites approved by the Board. The Company has undertaken a stress and scenario testing programme to identify its resilience to stress events, from both an earnings and capital adequacy perspective.

18. Operating leases

At 31 December 2016, non-cancellable operating lease rentals were payable by the Company as follows:

	2016 £'000	2015 £'000
Less than one year	2,218	1,103
Between one and five years	9,200	1,378
More than five years	12,271	-
	<u>23,689</u>	<u>2,481</u>

During the period £808,526 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015: £ 212,772).

During the period the Company entered into a new non-cancellable 10 year operating lease rental for £22,311,425 over a 10 year period.

19. Related parties

Identity of related parties with which the Company has transacted

As described in the directors' report, the Company's trading activities operated primarily out of GPT1, which was funded by the Company via a senior unsecured loan for £48,000,000. The Company provided trading advisory services to GSA Capital Partners LLP and investment management services to GPT 1. Invoices to GPT1 for these services are typically settled within one month.

The Company receives quantitative research from a related party, XTX Research LLP. These payables are in the form of management services costs. The payables are not secured or interest-bearing, and are settled typically in the month following the accounting year end date. The Company receives business development services from related parties XTX Markets pte Limited and XTX Markets LLC. The Company settled minor administrative expenses during the year with GSA Capital Services Limited.

Notes (continued)

19. Related parties (continued)

Related parties transactions

	Sales to	Administrative	Receivables	Payables
	expended	expenses	outstanding	outstanding
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
XTX Holdings PLC	-	-	105	-
XTX Research LLP	-	29,720	-	30,884
XTX Markets pte Limited	-	892	182	-
XTX Markets LLC	-	-	1	-
GSA Capital Partners LLP	73,421	-	1,687	-
Green Park Trading I Limited	39,135	-	48,000	-
GSA Capital Services Limited	-	8	-	-
	112,556	30,620	49,975	30,884

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended 31 December 2016 there were no guarantees in place for any related party receivables or payables. For the year ended 31 December 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. 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.

Key management compensation

The Directors of the Company indirectly control 59% per cent of the voting shares of the Company through their ownership of XTX Holdings plc. The members of the Board of directors are listed on page 1 and page 3 of these financial statements.

There are no amounts receivable or payments due to members of the Board of directors. The directors are considered to be the Company's only key management personnel, as defined by IAS 24. Details of the remuneration arrangements of the directors of the Company are included in note 6.

20. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of XTX Holdings plc which is the ultimate parent company incorporated in Malta. The ultimate controlling party is Alex Gerko.

The consolidated financial statements of XTX Holdings plc are available to the public and may be obtained from the Maltese Registry of Companies. The registered office of XTX Holdings plc is 171 Old Bakery Street, Valletta VLT 1455 Malta.

21. Subsequent events

Following the period ended 31 December 2016 and up to the date of signing the financial statements, the Company completed the migration of the trading book from GPT1 and the loan has been repaid in full.