Registered number 09415174

XTX Markets Limited

Annual report and financial statements

For the year ended 31 December 2019

Contents

Directors and officers

Directors
A Gerko
Z Amrolia
N Beattie
D Paterson (appointed on 19 August 2019)

Company secretary
M Freville

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

Registered office
R7
14-18 Handyside Street
London
N1C 4DN

Company number
Registered in England and Wales: No. 09415174

Strategic report

For the year ended 31 December 2019

The directors present their strategic report for XTX Markets Limited ("the Company") for the year ended 31 December 2019.

Review of the Company's business

Background

The Company is an independent proprietary electronic trading company, incorporated under the laws of the United Kingdom dealing in Equity, FX, Fixed Income and Commodity markets. The Company is a wholly owned subsidiary of XTX Holdings Limited (incorporated in Cayman Islands and UK tax resident) and is regulated by the Financial Conduct Authority ("the FCA") as a full scope IFPRU investment firm.

For the year ended 31 December 2019 and for the foreseeable future, the principal activity of the Company is to trade on its own account.

Financial position and performance

The financial position of the Company as at 31 December 2019 is shown in the statement of financial position on page 12, with trading results shown in the statement of comprehensive income on page 11 and the statement of cash flows on page 14.

The Company produced profits of £138.7m (2018: £116.6m) from net trading revenue of £339.8m (2018: £305.2m). Administrative expenses were £142.7m (2018: £148.7m). The net profit after tax margin for the year was 41% (2018: 38%).

Shareholder's equity was £258.3m (2018: £203.1m) and increased by 27%. This was after £83.6m of retained profits being used to pay interim dividends to the immediate parent company primarily in order to fund other entities in the XTX group for operational purposes.

Under the Capital Requirement Directive IV ("CRD IV") the Company is required to disclose its return on assets. For the year ended 31 December 2019, the return on assets was 31% (2018: 38%). After adjusting for intra-group transactions, the adjusted return on total assets in 2019 was 37%.

The current primary key performance indicator of the Company is net revenues. Net revenues grew 11%, driven by internal trading model improvements and favourable market conditions. The directors consider that the Company's underlying performance and its continued growth has met expectations.

In 2019 the Company became the largest Spot FX liquidity provider globally (Euromoney 2019) and also the largest European equities (systematic internaliser) liquidity provider (Rosenblatt 2019) as it built out its growing client franchise.

The Company's costs grew in line with the planned expansion of the business during the year and the directors consider these costs to be appropriate given the levels of business activity during the year, with costs predominantly driven by technology infrastructure costs, market data and variable compensation costs.

Consideration of the interests of key stakeholders

The board of directors ("the Board") are satisfied that they have acted in accordance with their S.172(1) duty and have taken decisions likely to promote the success of the company for the benefit of its members as a whole, having regard (amongst other matters) to factors (a) to (f) of S.172(1) of the Companies Act. The Chair of the Board reminded the Board, as a standing agenda item, at each Board meeting of their S.172(1) duty and that it should be a consideration for any decisions that they take. Discussed below are some examples of how the Board have had regard to the matters set out in sections 172(1)(a)-(f) when discharging their section 172 duties.

The Board's primary objective is promoting the success of the Company in the interests of its all its stakeholders. The Company aims to use its leading technology to help promote more fair and efficient financial markets. The Company continued to participate in various industry initiatives to improve governance and market conduct behaviour including chairing the Fixed Income, Currencies and Commodities Markets Standards Board (FMSB) Statement of Good Practice for Trading Platforms and participating in various Global Foreign Exchange Committee (GFXC) Working Groups in respect of the Global FX Code; the Company has signed a Statement of Commitment adhering to the FX Global Code and is committed to conducting its foreign exchange market activities in a manner consistent with the principles of the Code.

Strategic report (Continued)

For the year ended 31 December 2019

The Board regularly assesses the effectiveness of the Company's governance arrangements and its long term value creation strategies. The Board appointed a second non-executive director during 2019 to further improve the overall governance structure.

The Board also consider other companies in the wider XTX Markets group (the Group) to be important stakeholders, so give consideration to any operational or financial interaction between them. Considering the long term success of the Group, the board approved paying £83.6m in interim dividends to the immediate parent largely for the purposes of strengthening the capital base of the Group entities.

The Board consider the employees of the Company are a critical stakeholder group and a key asset of the business. The Board took an active role in some of the key decisions implemented by the senior management of the Company with the focus on the interests of the employees. Training and development opportunities such as management training were provided throughout the year not only to senior managers but also rolled out to wider employees. In order to improve both physical and mental health and wellbeing of the employees, appropriate resources and access to the relevant professional experts at no cost to the employees were put in place. Further, a comprehensive employee survey was undertaken at the direction of the Board and the findings were a consideration in subsequent decisions the Board took.

The Board considers the interests of all business counterparts, and in particular promotes paying the suppliers of the Company with no undue delays in order to foster the Company's business relationships with suppliers. The Company's standard payment terms are 30 days from the date of the invoice. According to the published payment practices data for 2019, the average time taken to pay a supplier of the Company was 17 days.

The Board is also keen to support the wider community in which the Company operates, with a particular desire to support charitable causes in healthcare and the promotion of mathematics education. The Board approved donations of £0.7m to charities during 2019. The charities included Great Ormond Street children's hospital charity, Kings College Maths school and the Dravet syndrome UK charity. During Q1 2020, the Board approved a commitment of donations of £10.0m to NHS Charities Together to provide financial support to local NHS Charities supporting frontline NHS staff and volunteers fighting the adverse impacts of Covid-19 (Coronavirus), as well as £1.0m to Great Ormond Street Hospital for its Covid-19 response and £1.0m to the Trussell Trust to support food supplies to those in need due to Covid-19..

Decisions were taken also in line with good business standards and conduct that the Company has helped drive (for example the Global FX Code) and when taking decisions, the Board take into account the views of industry codes, regulators, exchanges and counterparts.

Future outlook

The Board remains focused on ensuring the business delivers on managing risks, building sustainability and developing an appropriate framework for growth. Brexit and more recently the Covid-19 pandemic continue to bring uncertainty to global markets.

The Company is well prepared for any post Brexit impact of the United Kingdom leaving the European Union ('EU'). To this end, a French legal entity, XTX Markets SAS was incorporated as a sister company. The Company appropriately repositioned its trading book during 2019.

Subsequent to the reporting date of 31 December 2019, the rapid spreading of the Coronavirus (Covid-19) and the resulting changes of the market environment has introduced new challenges and risks to the Company. The Board's main priority is the well-being of the staff who have, to date, operated effectively in a remote working environment. As a technology driven organisation, the Company already had well established remote working policies and disaster recovery plans. These have been robustly tested as a result of Covid-19 and in a time of extreme market volatility. The Board does not under-estimate the fact that this may need to be sustained for a prolonged period of time and remains vigilant to any improvements that can be made to ease remote working.

On behalf of the Board, I would like to thank all staff for their hard work during the year and particularly for their resilience and adaptability during the recent weeks of Covid-19 work practice restrictions and significant market volatility and for their continued work through any extended period of challenge.

Nonetheless, the Company has plans to launch new trading strategies and continue to grow its Systematic Internaliser (SI) in Europe and expand its counterparty offering. The Company 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.

Strategic report (Continued)

For the year ended 31 December 2019

Principal risks and uncertainties

As discussed above, the rapid spreading of the Coronavirus (Covid-19) and the resulting changes of the market environment has introduced new challenges and risks to the Company. These are discussed further in note 21 to the financial statements.

The Board meets each quarter to set out and review the Company's risk appetites across the 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 18 to the financial statements.

By order of the board,

A Gerko

Director

16 April 2020

Directors' report

For the year ended 31 December 2019

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2019.

Directors

The directors of the Company who were each in office during the year and up to the date of signing the financial statements (unless stated below) were:

A Gerko
Z Amrolia
N Beattie
D Paterson (appointed on 19 August 2019)

Dividend

Ordinary dividends of £83.6m were paid during the year to the immediate parent. The directors do not recommend the payment of a final ordinary dividend in respect of the financial year ended 31 December 2019 (2018: £120.7m).

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. This is despite the continuing impact of Covid-19 pandemic on the Company and on the wider market environment it operates.

In reaching this conclusion the directors have prepared a detailed financial forecast 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 business planning process, financial projections have been prepared extending to April 2021 which show continuous profit growth. Further, impact of Covid-19 is considered the single biggest risk to the Company and an extreme stress scenario of all trading suspension from 1st April 2020 has been considered and a stress test has been applied to the projections which demonstrate the Company's ability to remain profitable even under a severe stress scenario. Additionally, the Company has performed reverse stress testing considering a range of scenarios to test the robustness of the Company's business model. These are discussed in detail under note 21 to the financial statements.

The directors note that the Company had net current assets of £240.0m at 31 December 2019 which included £170.1m of liquid resources comprising £132.8m of cash at bank and £37.3m current asset investments held at amortised cost. Further, £151.5m was due from brokers that would serve as a first call on the Company's capital in the event of any trading losses incurred by the Company. The Company trades in liquid financial markets and has numerous pre trade and post trade controls in place to limit the losses arising from any particular set of trades or a particular trading strategy. Having taken this into account, the directors are satisfied that the going concern basis of accounts preparation is appropriate.

Future outlook

Please refer to the relevant section under strategic report.

Political contributions

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

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. These disclosures are unaudited.

Directors' report *(continued)*

For the year ended 31 December 2019

Fostering the business relationships with stakeholders

The Board are satisfied that they have acted in accordance with the Companies (miscellaneous reporting) Regulations 2018 schedule 7.11B(1) requirements and have taken decisions having had regard to the need to foster the Company's business relationships with key stakeholders. For the details under this requirement please refer to "Consideration of the interests of key stakeholders" section under strategic report.

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

16 April 2020

R7, 14-18 Handyside Street, London N1C 4DN

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 year. 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

Opinion

We have audited the financial statements of XTX Markets Limited ("the Company") for the year ended 31 December 2019 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, including a summary of significant accounting policies.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.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Effects of Covid-19

We draw attention to Note 21 of the financial statements, which describes the disruption the Company is facing as a result of Covid-19 and which provides the Directors' considerations relating to the key risks relevant to the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Janet Leslie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 April 2020

Statement of comprehensive income

for year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net revenues	3	**339,814**	305,238
Administrative expenses		(142,720)	(148,713)
Operating profit	4	**197,094**	156,525
Finance and other income	7	2,544	1,417
Finance expense	7	(3,277)	(2,749)
Profit before tax		**196,361**	155,193
Taxation	8	(57,627)	(38,638)
Profit for the year		**138,734**	116,555

All amounts relate to continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

Statement of financial position
at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	10	18,019	12,022
Deferred tax asset	11	3,502	1,420
Right-of-use assets	12	13,003	-
		34,524	13,442
Current assets			
Cash and cash equivalents		132,775	45,465
Financial assets at fair value through profit or loss	13	65,354	32,273
Trade and other receivables	14	181,440	176,916
Current asset investments held at amortised cost	15	37,280	37,076
		416,849	291,730
Total assets		**451,373**	305,172
Current liabilities			
Financial liabilities at fair value through profit or loss	18	56,417	23,796
Trade and other payables	16	97,125	58,583
Corporation tax payable		23,316	18,486
		176,858	100,865
Non-current liabilities			
Deferred bonus	16	1,527	1,212
Lease liability	12	14,729	-
Total liabilities		**193,114**	102,077
Net assets		**258,259**	203,095
Equity			
Share capital	17	69,770	69,770
Retained earnings		188,489	133,325
Total equity		**258,259**	203,095

The notes on pages 15 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 16th April 2020 and were signed on its behalf by:

A Gerko
Director
Company registered number: 09415174

Statement of changes in equity

for year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at the beginning of the year	69,770	133,325	203,095
Profit for the year	-	138,734	138,734
Dividends paid	-	(83,570)	(83,570)
Balance at 31 December 2019	**69,770**	**188,489**	**258,259**

for year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at the beginning of the year	69,770	137,408	207,178
Profit for the year	-	116,555	116,555
Dividends paid	-	(120,638)	(120,638)
Balance at 31 December 2018	**69,770**	**133,325**	**203,095**

The notes on pages 15 to 33 form part of these financial statements.

Statement of cash flows
for year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year before tax		196,361	155,193
Adjustments for:			
Depreciation	10	15,038	6,194
Net finance income	7	365	1,332
Net right of use assets	12	1,726	-
		213,490	162,719
Taxation			
Tax paid		**(54,878)**	**(27,886)**
Changes in working capital:			
Net cash outflow arising from trading activities		(1,077)	2,191
Increase in trade receivables		(22,691)	(34,622)
Decrease/(increase) in other receivables		1,689	(3,173)
Increase in trade and other payables		55,335	35,423
		33,256	(181)
Net cash inflow from operating activities		**191,868**	134,652
Cash flows from investing activities			
Interest and dividends received	7	1,059	1,417
Interest and dividends paid	7	(1,424)	(2,749)
Acquisition of property, plant and equipment	10	(21,036)	(9,587)
Purchase of exchange memberships	13	617	(951)
Net cash paid for investment in money market funds	15	(204)	(10,030)
Net cash (outflow)from investing activities		**(20,988)**	(21,900)
Cash flows from financing activities			
Dividends paid to immediate parent		(83,570)	(120,638)
Net cash (outflow) from financing activities		**(83,570)**	**(120,638)**
Net (increase)/decrease in cash and cash equivalents		87,310	(7,886)
Cash and cash equivalents at 1 January 2019		45,465	53,351
Cash and cash equivalents at 31 December 2019		**132,775**	45,465

The notes on pages 15 to 33 form part of these financial statements.

Notes to the financial statements

1.Corporate information

XTX Markets Limited (the "Company") is a limited liability company incorporated and domiciled in England with a registered address of R7, 14-18 Handyside Street, London N1C 4DN. The financial statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 16 April 2020.

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 for each year presented in these financial statements.

In preparing the financial statements, the Company has evaluated the challenges and risks it faces as a result of the rapid spreading of the Coronavirus (Covid-19) and the resulting changes of the market environment. These are discussed further in note 21 to the financial statements.

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

In the current year, the following new and revised Standards and Interpretations have been adopted and have had impact on these financial statements.

- IFRS 16 Leases

Right of use asset:The Company recognises right-of-use assets from 1 January 2019. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

Lease liabilities: At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the term of the lease.

The Directors have considered the impact that the adoption of IFRS 16 had on the Company. As the Company acts as a lessee for assets previously held under operating leases, the adoption of this standard from its effective date of 1 January 2019 have resulted in some changes to the way that operating lease obligations are recognised and accounted for in the financial statements. A new right of use asset of £14.8m and a corresponding liability of £15.4m have been recognised on the Company's statement of financial position with effect from 1 January 2019 in regard to the lease on the Company's offices at R7, 14-18 Handyside Street, London N1C 4DN.

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 effective.

- IFSR 17 Insurance Contracts
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual improvements 2015-2017 Cycle (issued in December 2017)

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

2.2 Measurement convention

The financial statements are prepared on the historical cost basis except for those financial assets 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 using 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.

In reaching this conclusion the directors have prepared a detailed financial forecast 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 business planning process, financial projections have been prepared extending to April 2021 which show continuous profit growth. Further, impact of Covid-19 is considered the single biggest risk to the Company and an extreme stress scenario of all trading suspension from 1st April 2020 has been considered and a stress test has been applied to the projections which demonstrate the Company's ability to remain profitable even under a severe stress scenario. Additionally, the Company has performed reverse stress testing considering a range of scenarios to test the robustness of the Company's business model. These are discussed in detail under note 21 to the financial statements.

The directors note that the Company had net current assets of £240.0m at 31 December 2019 which included £170.1m of liquid resources comprising £132.8m of cash at bank and £37.3m current asset investments held at amortised cost. Further, £151.5m was due from brokers that would serve as a first call on the Company's capital in the event of any trading losses incurred by the Company. The Company trades in liquid financial markets and has numerous pre trade and post trade controls in place to limit the losses arising from any particular set of trades or a particular trading strategy. Having taken this into account, the directors are satisfied that the going concern basis of accounts preparation is appropriate.

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 investments in equity and debt securities, trade and other receivables, cash and cash equivalents, money market fund investments and trade and other payables.

Initial recognition and measurement of financial assets and liabilities:

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

***2.5 Financial instruments** (continued)*

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Financial assets and liabilities held at fair value through profit or loss are recognised and de-recognised on the trade date for the transaction which is deemed to be the point at which the Company transfers the rights or obligations of ownership from a third party. Gains and losses arising from changes in the fair value of financial assets and liabilities 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 18.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on deposit at banks with a maturity profile of less than 90 days. Any bank overdrafts are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Current asset investments

Current asset investments are highly liquid investments such as money market funds that typically have a maturity profile of less than 180 days from the date of acquisition. These 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.

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. The initial cost of an asset includes all expenditure that is directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

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

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

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 year 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 the designated deferral period, or is designated a 'good leaver' upon exiting the firm. These awards are recognised in the statement of comprehensive income taking into account the period over which the deferred bonus is vested.

2.8 Net revenues

Revenues are primarily comprised of proprietary trading and the 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. Revenue is recognised net of all costs that are directly associated with the Company's trading activities including trading and broker commissions and fees paid to access the Company's chosen markets and investment exchanges. These costs are recognised on an accruals basis as incurred. Revenues also include transfer pricing income received from related companies for the provision of certain management and back office services. Transfer pricing revenues are recognised at the point when the related services are provided.

2.9 Other income and expenses

Lease payments

From 1 January 2019, following the issue of IFRS 16: leases, all material leases are accounted for on the statement of financial position as both an asset and a liability. In accordance with IFRS16, the depreciation of the right of use asset in regard to the lease on the offices at R7, 14-18 Handyside Street, London N1C 4DN and the interest expense on the corresponding liability have been recognised in the statement of comprehensive income and included within the appropriate category below.

Financing income and expenses

Interest receivable and interest payable is recognised on an accruals basis in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income and expenses are recognised in the statement of comprehensive income on the date the Company's right to receive or obligation to make payments is established.

Administrative expenses

All administrative expenses are recognised on an accruals basis.

2.10 Taxation

Tax on the profit or loss for the year 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, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements *(continued)*

***2.10 Taxation** (continued)*

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

	2019	2018
	£'000	£'000
Net trading revenues	339,814	305,238
	339,814	305,238

Trading revenues are disclosed net of all transaction execution and clearing related costs incurred by the Company in the performance of its proprietary trading activities. These costs totalled £190.0m for the year ended 31 December 2019 (2018: £181.8m).

4. Operating profit

Included in operating profit are the following amounts:

	2019	2018
	£'000	£'000
Depreciation	15,038	6,194
Losses / (gains) on foreign exchange	1,257	(74)
Amounts payable to the company's auditor in respect of:		
Audit of financial statements	109	97
Taxation compliance services	9	33
Other tax advisory services	-	175
Leases costs:	2,301	2,253
Depreciation	1,809	-
Interest	492	-

5. Staff numbers and costs

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

	2019	2018
Directors	4	3
Support staff	62	56
	66	59

Notes to the financial statements *(continued)*

5. Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2019 £'000	2018 £'000
Wages and salaries	16,055	12,929
Social security costs	2,105	1,633
Contributions to defined contribution plans	575	438
	18,735	15,000

6. Directors' remuneration

The aggregate amount of compensation payable by the Company to individuals operating in their capacity as directors of the Company during the year is as follows:

	2019 £'000	2018 £'000
Directors' remuneration	**626**	**600**

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0.4m (2018: £0.4m). No directors received any pension contributions during the year ended 31 December 2019 (2018: £nil).

7. Finance income, finance expense and gains or losses on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Finance income		
Interest income on bank deposits	78	112
Interest income from trading activities	864	751
Interest income from money market funds	178	127
Dividend income	621	137
Corporate tax repayment	-	290
Corporate hedge	803	-
Total income on financial assets	**2,544**	**1,417**
Finance expense		
Interest expense from trading activities	864	689
Dividend expense from trading activities	990	293
Interest expense from bank	-	20
Interest expense from lease	492	-
Corporate hedge	-	890
Unrealised loss on investments held at fair value through profit or loss (note 12)	931	857
Total expense on financial liabilities	**3,277**	2,749

Notes to the financial statements *(continued)*

8. Taxation

(a) Analysis of the tax expense for the year

	2019 £'000	2018 £'000
Current tax charge	67,414	39,607
Prior year adjustment	(1,099)	(1)
Double tax relief	(6,604)	-
Deferred tax credit	(1,951)	(1,009)
Prior year adjustment	(132)	41
Total tax expense	**57,627**	38,638

(b) Factors affecting the tax charge for the year

The UK standard effective rate of corporation tax for 2019 is 19% (2018: 19%). The tax charge for the year is higher (2018: higher) than the UK standard effective rate of corporation tax for the period of 19%. The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	**196,361**	155,193
Tax using the marginal UK corporation tax rate of 27% (2018: 27%)	53,017	41,902
Effects of:		
Rate difference	(1,583)	(2,000)
Non-deductible expenses	132	137
Non-taxable income	-	(139)
Overseas tax	7,292	-
Group relief	-	(1,121)
Prior year adjustment	(1,231)	40
Double tax relief	-	(8)
Rate changes	-	(173)
Total tax expense	**57,627**	38,638

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17% plus any surcharges, as required under International Financial Reporting Standards. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the net deferred tax asset recognised will be £0.3m. The Company meets the definition of a banking company in Part 7A CTA 2010 and is subject to an 8% surcharge on profits in excess of £25.0m per year

A deferred tax asset of £3.5m has been recognised in respect of depreciation in excess of capital allowances and deferred bonuses. This deferred tax asset has been calculated at a rate of 27% to reflect the marginal rates at which the differences are expected to reverse. The Company has unutilised foreign tax credits, resulting in a potential deferred tax asset of £0.6m. It is unlikely that there will be sufficient taxable profits in the future to utilise these credits and therefore no deferred tax has been recognised.

Notes to the financial statements *(continued)*

9. Capital requirements (country-by-country reporting) regulations 2013

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 2019

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.	339,814	66	196,361	57,627	-

Year ended 31 December 2018

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.	305,238	59	155,193	38,638	-

10. Property, plant and equipment

	2019 Leasehold assets £'000	2019 IT equipment £'000	2019 Software £'000	2019 Fixtures & fittings £'000	2019 Total £'000
Cost					
Balance at beginning of year	4,446	17,985	550	2,799	25,780
Acquisitions	116	20,765	103	52	21,036
Balance at end of year	4,562	38,750	653	2,851	46,816
Depreciation and impairment					
Balance at beginning of year	586	12,430	282	460	13,758
Depreciation charge for the year	467	13,931	257	383	15,038
Balance at end of year	1,053	26,361	539	843	28,796
Net book value at 31 December 2019	**3,509**	**12,389**	**114**	**2,008**	**18,020**
Net book value at 31 December 2018	3,860	5,555	268	2,339	12,022

Notes to the financial statements *(continued)*

11. Deferred tax asset

The Company's deferred tax asset is attributable to the following:

	Assets 2019 £'000	Assets 2018 £'000
Timing differences between capital allowances and depreciation of fixed assets	3,000	1,252
Timing differences in respect of deferred compensation	504	168
	3,504	1,420

The movement in the Company's deferred tax asset during the year was as follows:

	Beginning of year £'000	Recognised in Statement of Comprehensive Income £'000	End of year £'000
Timing differences between capital allowances and depreciation of fixed assets	1,252	1,747	3,000
Timing differences in respect of deferred compensation	169	335	504
	1,421	2,083	3,504

12. Leases

The Company has chosen to apply the modified retrospective approach in terms of its lease contract for the offices at R7, Handyside Street, London, N1C 4DN.

The following are the amounts recognised in the statement of comprehensive income:

	2019 £'000
Depreciation expense of right-of-use assets	1,809
Interest expense on lease liabilities	492
	2,301

Below are the carrying amounts of right-of-use assets recognised and the movements during 2019

	2019 £'000
As at 1 January 2019	-
Reclassification of the lease	14,812
Depreciation expense	(1,809)
As at 31 December 2019	13,003

Notes to the financial statements *(continued)*

12. Leases *(continued)*

Below are the carrying amounts of lease liabilities and the movements during 2019:

	2019
	£'000
As at 1 January 2019	-
Reclassification of the lease	15,378
Interest expense	492
Payments	(1,141)
As at 31 December 2019	14,729
Current	1,660
Non-Current	13,069
Maturity analysis of the lease liability	
Less than one year	1,660
Between one and five years	7,421
More than five years	5,648

13. Financial assets at fair value through profit or loss: trading securities and exchange memberships

Exchange membership assets are a range of unlisted CME seats, listed CME shares and unlisted LME shares, which are deemed an operating membership that is required for trading on the CME and LME respectively.

	2019	2018
	£'000	£'000
Trading securities	56,962	23,264
Other financial assets - CME shares	6,234	5,914
Other financial assets - LME shares	310	295
Other financial assets - CME seats	1,848	2,800
Total	65,354	32,273

Notes to the financial statements *(continued)*

14. Trade and other receivables

	2019	2018
	£'000	£'000
Amounts due from brokers	151,535	143,487
Trade receivables due from related parties	11,911	12,162
Rental deposits	4,086	4,121
Other receivables	4,051	5,152
Prepayments and accrued income	9,857	11,994
	181,440	176,916

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 (2018: none).

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

15. Current asset investments held at amortised cost

	2019	2018
	£'000	£'000
Money market funds	27,282	27,104
Short term bond funds	9,997	9,972
	37,279	37,076

16. Trade and other payables

	2019	2018
	£'000	£'000
Current		
Trade and other payables	716	588
Amounts due to related parties	76,932	38,885
Accrued expenses	18,912	19,110
Deferred bonus	565	-
	97,125	58,583
Non-current		
Deferred bonus	1,527	1,212
	1,527	1,212

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

Notes to the financial statements *(continued)*

17. Capital and reserves

Share capital

	Preference shares of £1 each 2019	**Ordinary shares of £1 each 2019**	Preference shares of £1 each 2018	Ordinary shares of £1 each 2018
In issue at the beginning of year and fully paid	1	69,770,000	1	69,770,000
Issued during the year - fully paid	-	-	-	-
In issue at the end of year and fully paid	**1**	**69,770,000**	1	69,770,000

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, at the discretion of the directors, 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 have been made. Ordinary shares carry the right to vote (with one share carrying one vote) on resolutions of the Company..Ordinary shares were issued on 30 April 2015.

18. Financial instruments and risk management

18(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 the Company's performance whilst monitoring risks against key indicators.

Key Risk Indicators (KRI's) are used to monitor the Company's potential 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.

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

18(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 using the definitions that follow:

- 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 the 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 2019 £'000	Fair value 2019 £'000	Level 1 2019 £'000	Level 2 2019 £'000	Level 3 2019 £'000
Assets					
Trading securities (note 13)	56,962	56,962	56,962	-	-
Money market funds	27,282	27,282	27,282	-	-
Short term bond funds	9,997	9,997	9,997	-	-
Exchange memberships (note 13)	8,392	8,392	6,234	2,158	-
Total financial assets	**102,633**	**102,633**	**100,475**	**2,158**	-
Liabilities					
Trading securities	56,417	56,417	56,417	-	-
Total financial liabilities	**56,417**	**56,417**	**56,417**	-	-

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

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

	Carrying amount 2018 £'000	Fair value 2018 £'000	Level 1 2018 £'000	Level 2 2018 £'000	Level 3 2018 £'000
Assets					
Trading securities	23,264	23,264	23,264	-	-
Money market funds	27,104	27,104	27,104	-	-
Short term bond funds	9,972	9,972	9,972	-	-
Exchange memberships	9,009	9,009	6,209	2,800	-
Total financial instruments	69,349	69,349	66,549	2,800	-
Liabilities					
Trading securities	23,796	23,796	23,796	-	-
	23,796	23,796	23,796	-	-

18(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 consists of the Company's cash held at bank, cash held at the clearing brokers, the receivables due from related companies and investments in money market funds.

The credit risk associated with banking and money market 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 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 the Company's credit risk requirement on a Pillar 1 and Pillar 2 basis in line with Company's ICAAP

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

18(c) Credit risk (continued)

Exposure to credit risk

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

	2019	2018
	£'000	£'000
Amounts due from brokers	151,535	143,487
Cash and cash equivalents	132,775	45,465
Money market funds and short term bond funds	37,279	37,076
Trade receivables due from related parties	11,911	1,752
Other receivables	8,137	9,273
Accrued income	7,993	9,576
	349,630	246,629

18(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 financial liabilities held at fair value, taxation and other working capital obligations that primarily comprise occupancy and compensation payments and amounts due to related parties. All of these balances are considered to be repayable on demand and the anticipated cash outflows needed to settle these obligations are considered to approximate to the carrying amount shown on page 12.

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.

18(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 money market funds.
- Security price risk: a low level of risk associated with the movement in the fair value of the securities during the time they are held in the Company's possession due to the immaterial net positions held.

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

18(e) Market risk (continued)

Market risk - Foreign currency risk

The Company manages its exposure to foreign currencies in accordance with its FX Policy, which aims to minimise 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 based on the carrying amount for monetary financial instruments at the statement of financial position date is as follows:

Profile

	2019	2018
	£'000	£'000
US Dollar	31,542	61,778
Euro	37,720	(43,018)
Australian Dollar	(9,880)	(11,664)
Other	3,132	(6,054)
Net exposure	**62,514**	1,042

Sensitivity analysis

The Company's exposure to movements in foreign currency 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 2019	(2,867)	3,505	(3,429)	4,191
Increase/(decrease) in net profit as at 31 December 2019	(2,867)	3,505	(3,429)	4,191

2018:

	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 2018	(5,616)	6,864	3,911	(4,780)
Increase/(decrease) in net profit as at 31 December 2018	(5,616)	6,864	3,911	(4,780)

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

18(e) Market risk (continued)

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 money market funds.

At the statement of financial position date, the Company had the following assets that were exposed to variable interest rate:

	2019 £'000	2018 £'000
Variable rate instruments		
Cash and cash equivalents	132,775	45,465
Money market funds	37,279	37,076
	170,053	82,541

Sensitivity analysis

A change of 50 basis points in interest rates at the statement of financial position date would cause an annualised increase/(decrease) in net assets and profit by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position 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 2019	850	(850)
Profit exposure at 31 December 2019	850	(850)

	Increase by 50bps £'000	Decrease by 50bps £'000
Increase/(decrease) in net assets as at 31 December 2018	413	(413)
Profit exposure at 31 December 2018	413	(413)

Market risk - Security 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.

Notes to the financial statements *(continued)*

18. Financial instruments and risk management *(continued)*

18(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.

18(g) Capital management

The Company manages its shareholders' equity according to the XTX Group's capital management policy. As at 31 December 2019 total shareholders' equity was £258.3m (2018: £203.1m).

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.

19. Related parties

The Company receives quantitative research services from XTX Research LLP. The Company provides certain management and back office services to XTX Markets PTE Limited and XTX Markets LLC.

	Sales to	Administrative expenses	Receivables outstanding	Payables outstanding
	2019	**2019**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
XTX Holdings Limited	-	-	-	32,438
XTX Markets PTE Limited	35,103	-	5,584	-
XTX Markets LLC	12,578	-	4,189	-
XTX Markets SAS	6,007	-	1,628	-
XTX Services LLC	-	434	313	-
Linear Technology Solutions (Shanghai) Limited	-	-	-	-
Linear Technology Solutions (Cayman) Limited	746	-	162	-
XTX Research LLP	1,476	109,138	-	44,494
XTX Investments Limited	-	-	9	-
XTX Investments UK Limited	-	-	8	-
XTX Midco Limited	-	-	14	-
XTX Topco Limited	-	-	4	-
	55,910	**109,572**	**11,911**	**76,932**

Notes to the financial statements *(continued)*

19. Related parties *(continued)*

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 2019 there were no guarantees in place for any related party receivables or payables. For the year ended 31 December 2019, 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 84% per cent of the voting shares of the Company through their ownership of XTX Topco Limited. The members of the Board of Directors are listed on page 1 and page 5 of these financial statements.

There are no amounts receivable from members of the Board of Directors as at 31 December 2019. 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 Limited "the Parent Company" which is the immediate parent company of the Company domiciled in the Cayman Islands and tax resident in the UK. The Company's ultimate parent company is XTX Topco Limited, an entity domiciled in Cayman Islands and tax resident in the UK. The registered address of XTX Topco Limited is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, Ky1-9008, Cayman Islands. The Company's ultimate controlling party is Alex Gerko.

The Company's immediate and ultimate controlling parties have no requirement to produce statutory consolidated financial statements that incorporate the results of the Company.

21. Events after the reporting period

Subsequent to the reporting date of 31 December 2019, the rapid spreading of the Corona virus (Covid-19) and the resulting changes of the market environment has introduced new challenges and risks to the Company. The Company has continued to operate profitably and without any material business disruption. The Company took early decisive steps to move to working from home. This reduced the potential risk of multiple employees contracting the virus at the same time and hence the probability of business interruptions from staff falling ill at the same time.

The Company has continued to follow its risk management approach as set out in Note 18 above, in particular for risks that have been brought into focus by the Covid-19 pandemic such as adverse market moves, counterparty failure or disruption to the operation of global markets including market closure, and the Company has accordingly increased its management and monitoring of those risks.

Counterparty credit risk, monitored in particular through credit ratings and credit default swap spreads, has been maintained within risk appetite as has diversification of cash balances across high quality institutions and currencies. Therefore, the Company is well placed to effectively manage and limit any impact as a result of an adverse currency move or a counterparty failure.

Market risk, in particular securities price risk, has been closely monitored and maintained within appetite and within capital capacity under both Pillar 1 and Pillar 2.

The Company has also performed detailed reverse stress testing considering a range of scenarios that could cause its business model to fail, the likelihood of which was found to be remote. Further details regarding the directors' going concern assessment are provided in note 2.

As such it is considered that there is no need to restate any balances as at 31 December 2019 and it is appropriate to adopt the going concern concept.