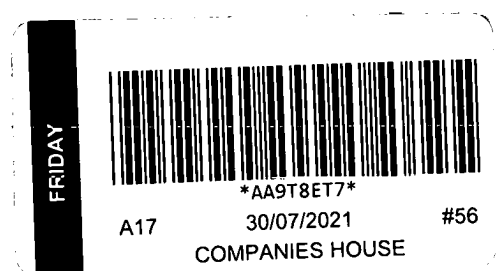


Registered number 09415174

XTX Markets Limited

Annual report and financial statements

For the year ended 31 December 2020



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Directors and officers

Directors

A Gerko

Z Amrolia

D Ireland (appointed 23rd April 2020)

Non-Executive Directors

N Beattie (chair)

D Paterson

Company secretary

M Freville

Independent auditor

Ernst & Young LLP

25 Churchill Place

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 2020

The directors present their strategic report for XTX Markets Limited ("the Company") for the year ended 31 December 2020.

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 part of the wider XTX Markets group (the "Group") and is a wholly owned subsidiary of XTX Holdings Limited (incorporated in Cayman Islands and UK tax resident). It is regulated by the Financial Conduct Authority ("the FCA") as a full scope IFPRU investment firm.

During 2020 the XTX Group took steps to rebalance the risks associated with its global operations and separated non-trading operations and the Group's key intellectual property from trading activities. To this end all staff employment contracts of the Company as well as the ownership of intellectual property were moved to XTX Markets Technologies Limited, a company incorporated under the laws of the United Kingdom which is also a wholly owned subsidiary of XTX Holdings Limited.

For the year ended 31 December 2020 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 2020 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 £149.9m (2019: £138.7m) from net trading revenues of £651.9m (2019: £339.8m). Administrative expenses were £442.0m (2019: £142.7m). While the Company's administrative expenses grew significantly, it was as expected and in line with the group re-organisation 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 the service fees paid to a related entity, technology infrastructure costs, market data and variable compensation costs.

As previously mentioned, all staff employment contracts of the Company as well as the ownership of intellectual property were moved to XTX Markets Technologies Limited. This led to a proportionate increase in the administrative expenses of the Company during 2020 in-line with where economic value is generated. The net profit after tax margin for the year was 23% (2019: 41%).

Shareholder's equity at 31 December 2020 was £233.6m (2019: £258.3m). This was after £174.6m (2019: £83.6m) of retained profits being used to pay interim dividends to the immediate parent company in line with the treasury policy of the XTX Group which seeks to optimise the capital base of the Group entities.

The current primary key performance indicator of the Company are return on assets and net revenues. For the year ended 31 December 2020, the return on assets was 39% (2019: 31%). Net revenues grew 92% (2019: 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.

The Company was the largest electronic Spot FX liquidity provider globally for the second year running (Euromoney 2020) and was also the largest European equities (systematic internaliser) liquidity provider across the whole of 2020 (Rosenblatt 2020) and continues to build out its growing client franchise.

Consideration of the interests of key stakeholders

The board of directors ("the Board") is committed to ethical business conduct and expects the highest standards of integrity to be followed by the Directors and all employees. The Directors 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.

Strategic report (*continued*)

For the year ended 31 December 2020

The Board's primary objective is promoting the success of the Company in the interests of its stakeholders. The Company aims to use its leading technology to help promote more fair and efficient financial markets.

The Board regularly assesses the effectiveness of the Company's governance arrangements and its long term value creation strategies. In arriving at these decisions the Board has assessed the likely consequences of any decision in the long term, the need to foster the Company's business relationships with suppliers, and other counterparties, the impact of the broader Company's operations on the broader community and the desirability of the Company maintaining a reputation for high standards of business conduct.

Examples of specific stakeholder considerations undertaken by the Board during 2020 included, but were not limited to, the critical analysis and assessment of major strategic decisions, for example the handling of the COVID-19 issue, the movement of employees to XTX Markets Technologies Limited and the Company's Brexit strategy.

Shareholders:

The Board ensures that shareholder views are understood prior to decision-making. It therefore considers other companies in the wider XTX Markets group (the "Group") to be important stakeholders and gives consideration to any operational or financial interaction between them. Considering the long-term success of the Group, the board approved paying £174.6m (2019: £83.6m) in interim dividends to the immediate parent in line with the treasury policy of the XTX Group which seeks to optimise the capital base of the Group entities.

Prior to the employees moving across to a related entity, 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. All the relevant technology equipment was provided to the employees to enable a seamless transition to remote working that was required as a result of the Covid-19 pandemic. Training and development opportunities such as management training were provided throughout the year. In order to improve both physical and mental health and wellbeing of the employees, appropriate resources and access to the relevant professional health experts at no cost to the employees were put in place.

Further, after the success of the first employee engagement survey in 2019, a further comprehensive employee survey was undertaken at the end of 2020 at the direction of the Board and the findings were a consideration in subsequent decisions the Board took.

Suppliers

The Board promotes a policy of 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 2020, the average time taken to pay a supplier of the Company was 16.5 days (2019: 16.5 days).

Regulators and market standards:

The Company is directly authorised and regulated by the FCA and fully complies with the relevant rules and guidelines in all respects. The broader Group is encouraged to take an open and co-operative approach to the regulator and positively embraces the FCA's 11 principles of business.

The Brexit impact on the Group was seamlessly managed through the incorporation of a French legal entity, XTX Markets SAS and repositioning the trading book appropriately.

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.

Decisions were taken also in line with good business standards and when taking decisions, the Board take into account the views of industry codes, regulators, exchanges and counterparties.

Strategic report (continued)

For the year ended 31 December 2020

The wider community:

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 £13.8m to charities during 2020 lead by a £10m donations 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). The other charities the Company supported included Great Ormond Street children's hospital charity, Kings College Maths school, Dravet syndrome UK charity as well as the Trussell Trust to support food supplies to those in need due to Covid-19.

Future outlook

The Board remains focused on ensuring the business delivers on managing risks, building sustainability and developing an appropriate framework for growth.

The Board continually assesses the optimum distribution of risk across the Group and it is considering further separation of proprietary trading from counterparty focused trading. It is also considering a plan to move certain products that are only traded on a proprietary basis to a Group company XTX Markets Trading Limited subjected to receiving relevant regulatory approvals. XTX Markets Trading Limited will be 100% owned by XTX Holdings (UK) Limited, an intermediate UK holding company. As part of a corporate re-organisation, the legal ownership of the Company is also expected to be transferred from XTX Holdings Limited to XTX Holdings (UK) Limited.

The Company has plans to launch new trading strategies and continue to grow its Systematic Internaliser (SI) in the UK and in Europe and expand its counterparty offering. The Company will be registered as a swap dealer in order to enable trading certain products with US persons. The Company is expected to continue to trade profitably to support organic growth. The Board is continually assessing the changing market and regulatory landscape to ensure it can evolve and adapt to changes in counterparty and operational demands. Except for the proposed changes discussed above, the directors do not anticipate further changes in the Company's core activities for the foreseeable future.

Principal risks and uncertainties

Since the first quarter of 2020, the Coronavirus (Covid-19) pandemic and the resulting changes of the market environment has introduced new challenges and risks to the Company. While the Company has so far successfully navigated through those risks, the board remains focussed on potential risks and mitigating strategies as the Covid-19 pandemic gradually recedes.

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 19 to the financial statements.

By order of the board,



David Ireland

Director

21 April 2021

Directors' report

For the year ended 31 December 2020

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2020.

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
D Ireland (appointed 23rd April 2020)

Non-Executive Directors

N Beattie (Chair)
D Paterson

Dividend

Ordinary Interim dividends of £174.6m (2019:£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 2020 (2019: £83.6m).

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 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 June 2022 which show continuous profit growth. Further, an extreme stress scenario of all trading being suspended 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.

Due to Coronavirus (Covid-19) the Company successfully transitioned to and operated predominantly a remote working environment with no operational interruption. Also, financial markets, in general, continue to function effectively and therefore there is no evidence for additional concerns.

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 (2019: £nil).

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 2020

Fostering the business relationships with stakeholders

The Board is satisfied that they have acted in accordance with the Companies (miscellaneous reporting) Regulations 2018 schedule 7.11B(1) requirements and have taken decisions having 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.

Streamlined energy and carbon reporting

According to the requirements of the UK government's Streamlined Energy and Carbon Reporting (SECR) policy, the Company's SECR disclosures for the year ended 31 December 2020 are shown below. Comparative information is not required in the first year of reporting.

Total energy consumption used to calculate emissions	1,154,752 kWh
Emissions from combustion of gas tCO ₂ e	nil
Emissions from purchased electricity in tCO ₂ e (scope 2)	276.4
Total gross tCO ₂ e emissions	276.4
Intensity ratio tCO ₂ e per net revenue £ mil	0.42

The Directors are keen to promote the consumption of resources in a manner that fosters the long-term sustainability of the business and the environment in which it operates. The board has adopted a carbon policy with effect from the 2020 financial year of buying offset carbon credits to reduce the net carbon footprint to zero.

The Company used the UK government published greenhouse gas reporting conversion factors for 2020.

By order of the board

David Ireland



Director

21 April 2021

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) in conformity with the Companies Act 2006. 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; 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 for the year ended 31 December 2020 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to April 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

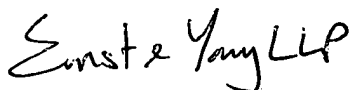
Independent auditor's report to the members of XTX Markets Limited (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the relevant Financial Conduct Authority ('FCA') rules and regulations.
- We understood how XTX Markets Limited is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, Head of Compliance, Head of Risk and the Chairman of the Audit Committee. We corroborated our understanding through our review of board and committee meeting minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage or influence the results. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how senior management monitors these controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals, journals posted around year end and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management, and focused testing.

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.



James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 April 2021

Statement of comprehensive income
for year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net revenues	3	651,865	339,814
Administrative expenses		(441,960)	(142,720)
Operating profit	4	209,905	197,094
Finance and other income	7	3,145	2,544
Finance and other expense	7	(10,086)	(3,277)
Profit before tax		202,964	196,361
Taxation	8	(53,052)	(57,627)
Profit for the year		149,912	138,734

All amounts relate to continuing operations.

The notes on pages 15 to 34 form part of these financial statements.

Statement of financial position
at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	10	11,566	17,905
Intangible assets	11	31	114
Deferred tax asset	12	5,850	3,502
Right-of-use assets	13	10,771	13,003
		28,218	34,524
Current assets			
Cash and cash equivalents		16,777	132,775
Financial assets at fair value through profit or loss	14	88,093	65,354
Trade and other receivables	15	240,353	181,440
Current asset investments held at amortised cost	16	15,328	37,280
		360,551	416,849
Total assets		388,769	451,373
Current liabilities			
Financial liabilities at fair value through profit or loss	19	65,436	56,417
Trade and other payables	17	76,690	97,125
Corporation tax payable		-	23,316
		142,126	176,858
Non-current liabilities			
Deferred bonus	17	-	1,527
Lease liability	13	13,065	14,729
Total liabilities		155,191	193,114
Net assets		233,578	258,259
Equity			
Share capital	18	69,770	69,770
Retained earnings		163,808	188,489
Total equity		233,578	258,259

The notes on pages 15 to 34 form part of these financial statements.

These financial statements were approved by the board of directors on 21st April 2021 and were signed on its behalf by:



David Ireland
Director
Company registered number: 09415174

Statement of changes in equity
for year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at the beginning of the year	69,770	188,489	258,259
Profit for the year	-	149,912	149,912
Dividends paid	-	(174,593)	(174,593)
Balance at 31 December 2020	69,770	163,808	233,578

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

The notes on pages 15 to 34 form part of these financial statements.

Statement of cash flows
for year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit for the year before tax		202,964	196,361
<i>Adjustments for:</i>			
Depreciation	10	13,140	14,781
Amortisation	11	83	257
Net finance expense	7	5,126	365
Net right of use assets	13	568	1,726
		221,881	213,490
Taxation			
Tax paid		(81,532)	(54,878)
Changes in working capital:			
Net cash outflow arising from trading activities		(14,435)	(1,077)
Increase in trade receivables		(58,079)	(22,691)
Decrease in other receivables		1,982	1,689
(Decrease)/increase in trade and other payables		(21,962)	55,335
		(92,494)	33,256
Net cash inflow from operating activities		47,855	191,868
Cash flows from investing activities			
Interest and dividends received	7	276	1,059
Interest and dividends paid	7	(5,402)	(1,424)
Acquisition of property, plant and equipment	10	(6,800)	(21,036)
Purchase of exchange memberships	14	715	617
Net cash received/(paid) for investment in money market funds	16	21,951	(204)
Net cash inflow/(outflow) from investing activities		10,740	(20,988)
Cash flows from financing activities			
Dividends paid to immediate parent		(174,593)	(83,570)
Net cash (outflow) from financing activities		(174,593)	(83,570)
Net (increase)/decrease in cash and cash equivalents		(115,998)	87,310
Cash and cash equivalents at 1 January 2020		132,775	45,465
Cash and cash equivalents at 31 December 2020		16,777	132,775

The notes on pages 15 to 34 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 2020 were authorised for issue in accordance with a resolution of the directors on 21 April 2021.

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 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.

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.

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 from 1st January 2021.

- IFRS 17 Insurance Contracts
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Definition of Material – Amendments to IAS 1 and IAS 8
- Covid-19-Related Rent Concessions – Amendment to IFRS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- The Conceptual Framework for Financial Reporting
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1

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).

Notes to the financial statements (*continued*)

2. Accounting policies (*continued*)

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 June 2022 which show continuous profit growth. Further, given the Covid-19 situation, an extreme stress scenario of all trading being suspended 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.

The directors note that the Company had net current assets of £218.4m at 31 December 2020 which included £32.1m of liquid resources comprising £16.8m of cash at bank and £15.3m current asset investments held at amortised cost. Further, £207.1m 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, and subsequently measured at amortised cost or 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.

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.5 Financial instruments (continued)

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 19.

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 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 third year.
- IT office equipment - straight-line basis over 3 years.

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

2.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Amortisation of intangible assets are charged to the statement of comprehensive income over the estimated useful life of each intangible asset. The amortisation methods and estimated useful lives are as follows:

Notes to the financial statements (*continued*)

2. Accounting policies (*continued*)

2.7 Intangible assets

- 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.

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

2.8 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 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.

Share based payments

Certain employees are eligible to receive remuneration in the form of share based payments whereby employees are granted with the ultimate parent company's shares that are settled in cash. A liability is recognised for the fair value of cash-settled transaction. The fair value is measured initially using the internal valuation model. The fair value is expensed over the period until the vesting date.

2.9 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 service fee income received from related companies for the provision of certain management and back office services. These revenues are recognised at the point when the related services are provided.

2.10 Other income and expenses

Lease payments

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

2.10 Other income and expenses (continued)

Administrative expenses

All administrative expenses are recognised on an accruals basis.

Corporate hedge

Corporate hedge is calculated by recognising the profit or loss generated from hedging foreign currencies which represents the difference between proceeds received on disposal and the initial cost of acquisition, including unrealised profits or losses on open positions. Profit or loss is recognised net of all costs that are recognised on an accruals basis as incurred.

2.11 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.

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.

2.12 Impairment of financial assets

Under IFRS 9, the Company assesses whether an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL is required. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months ("12mECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime expected credit loss or "LTECL").

The Company applies the low credit risk simplification on its financial assets. At every reporting date, the Company evaluates whether the financial assets are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making the evaluation, the Company reassesses the change in credit risk of the financial assets.

The Company considers a financial asset in default when the relevant counterparty has failed to settle the contractual payments by the contractual due date. The contractual due date varies depending on the nature of the financial asset. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. In such cases, the Company will treat these financial assets as being credit impaired if the credit enhancements are unlikely to recover the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the financial statements *(continued)*

3. Revenue

	2020	2019
	£'000	£'000
Net trading revenues	651,865	339,814
	<u>651,865</u>	<u>339,814</u>

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 £435.5m for the year ended 31 December 2020 (2019: £190.0m).

4. Operating profit

Included in operating profit are the following amounts:

	2020	2019
	£'000	£'000
Depreciation	13,140	14,781
Amortisation	83	257
Losses / (gains) on foreign exchange	11,896	1,257
Amounts payable to the company's auditor in respect of:		
Audit of financial statements	170	109
Taxation compliance services	9	9
Leases costs:	2,279	2,301
Depreciation	1,657	1,809
Interest	622	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:

	2020	2019
Directors	4	4
Support staff	38	62
	<u>42</u>	<u>66</u>

The aggregate payroll costs of these persons were as follows

	2020	2019
	£'000	£'000
Wages and salaries	12,566	16,055
Social security costs	1,687	2,105
Contributions to defined contribution plans	388	575
	<u>14,641</u>	<u>18,735</u>

Notes to the financial statements *(continued)*

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:

	2020 £'000	2019 £'000
Directors' remuneration	554	626

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0.3m (2019: £0.4m). As of 1 November 2020 a proportion of the directors' remuneration was paid by another Group company. No directors received any pension contributions during the year ended 31 December 2020 (2019: £nil).

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

	2020 £'000	2019 £'000
Finance income		
Interest income on bank deposits	8	78
Interest income from trading activities	665	864
Interest income from money market funds and short term bond funds	47	178
Dividend income - trading	2,203	621
Dividend income – non trading	148	-
Corporate hedge	-	803
Unrealised gain on investments held at fair value through profit or loss (note 14)	74	-
Total income on financial assets	3,145	2,544
Finance expense		
Interest expense from trading activities	1,789	864
Dividend expense from trading activities	2,896	990
Interest expense from lease	622	492
Corporate hedge	4,779	-
Unrealised loss on investments held at fair value through profit or loss (note 14)	-	931
Total expense on financial liabilities	10,086	3,277

8. Taxation

(a) Analysis of the tax expense for the year

	2020 £'000	2019 £'000
Current tax charge	54,331	67,414
Prior year adjustment-CT	1,068	(1,099)
Double tax relief	-	(6,604)
Deferred tax credit	(2,063)	(1,951)
Prior year adjustment-DT	162	(132)
Rate change	(446)	-
Total tax expense	53,052	57,627

Notes to the financial statements (continued)

8. Taxation (continued)

(b) Factors affecting the tax charge for the year

The UK standard effective rate of corporation tax for 2020 is 19% (2019: 19%). The tax charge for the year is higher (2019: higher) than the UK standard effective rate of corporation tax for the period of 19%. The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	202,964	196,361
Tax using the marginal UK corporation tax rate of 27% (2019: 27%)	54,800	53,017
Effects of:		
Rate difference	(2,446)	(1,583)
Non-deductible expenses	49	132
Non-taxable income	-	-
Overseas tax	-	7,292
Group relief	(230)	-
Prior year adjustment	1,230	(1,231)
Non qualifying fixed assets	(351)	-
Total tax expense	<u>53,052</u>	<u>57,627</u>

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 19% plus any surcharges, as required under International Financial Reporting Standards. 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 £5.8m 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.

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 2020

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.	651,865	41	202,964	53,052	-

Notes to the financial statements (continued)

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

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	-

10. Property, plant and equipment

	2020 Leasehold assets £'000	2020 IT equipment £'000	2020 Fixtures & fittings £'000	2020 Total £'000
Cost				
Balance at beginning of year	4,563	38,750	2,850	46,163
Acquisitions	69	6,731	-	6,800
Balance at end of year	<u>4,632</u>	<u>45,481</u>	<u>2,850</u>	<u>52,963</u>
Depreciation and impairment				
Balance at beginning of year	1,052	26,362	843	28,257
Depreciation charge for the year	470	12,286	384	13,140
Balance at end of year	<u>1,522</u>	<u>38,648</u>	<u>1,227</u>	<u>41,397</u>
Net book value at 31 December 2020	<u>3,110</u>	<u>6,833</u>	<u>1,623</u>	<u>11,566</u>
Net book value at 31 December 2019	<u>3,509</u>	<u>12,389</u>	<u>2,008</u>	<u>17,906</u>

Notes to the financial statements (continued)

11. Intangible Assets

	2020 Software £'000
Cost	
Balance at beginning of year	653
Acquisitions	-
	<hr/>
Balance at end of year	653
	<hr/>
Depreciation and impairment	
Balance at beginning of year	539
Depreciation charge for the year	83
	<hr/>
Balance at end of year	622
	<hr/>
Net book value at 31 December 2020	31
	<hr/>
Net book value at 31 December 2019	114
	<hr/>

12. Deferred tax asset

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

	Assets 2020 £'000	Assets 2019 £'000
Timing differences between capital allowances and depreciation of fixed assets	5,226	3,000
Timing differences in respect of deferred compensation	624	504
	<hr/>	<hr/>
	5,850	3,504
	<hr/>	<hr/>

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	3,000	2,226	5,226
Timing differences in respect of deferred compensation	504	120	624
	<hr/>	<hr/>	<hr/>
	3,504	2,346	5,850
	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(continued)*

13. 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:

	2020	2019
	£'000	£'000
Depreciation expense of right-of-use assets	1,657	1,809
Interest expense on lease liabilities	622	492
	<u>2,279</u>	<u>2,301</u>

Below are the carrying amounts of right-of-use assets recognised and the movements during 2020:

	2020	2019
	£'000	£'000
At the beginning of the year	13,003	-
Reclassification of the lease	-	14,812
Adjustments	(575)	-
Depreciation expense	(1,657)	(1,809)
	<u>10,771</u>	<u>13,003</u>
At the end of the year		

Below are the carrying amounts of lease liabilities and the movements during 2020:

	2020	2019
	£'000	£'000
At the beginning of the year	14,729	-
Reclassification of the lease	-	15,378
Interest expense	622	492
Payments	(2,286)	(1,141)
	<u>13,065</u>	<u>14,729</u>
At the end of the year		
Current	1,633	1,660
Non-Current	11,432	13,069
Maturity analysis of the lease liability		
Less than one year	1,633	1,660
Between one and five years	6,533	7,421
More than five years	4,899	5,648

Notes to the financial statements *(continued)*

14. 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.

	2020	2019
	£'000	£'000
Trading securities	80,416	56,962
Other financial assets - CME shares	5,504	6,234
Other financial assets - LME shares	320	310
Other financial assets - CME seats	1,853	1,848
	<hr/>	<hr/>
Total	88,093	65,354
	<hr/>	<hr/>

15. Trade and other receivables

	2020	2019
	£'000	£'000
Amounts due from brokers	207,069	151,535
Trade receivables due from related parties	14,113	11,911
Deposits	4,073	4,086
Other receivables	2,315	4,051
Prepayments and accrued income	9,967	9,857
Corporate tax receivable	2,816	-
	<hr/>	<hr/>
	240,353	181,440
	<hr/>	<hr/>

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 (2019: nil). The carrying value of all trade and other receivables approximates to fair value.

Trade receivables were assessed to have no significant increase in credit risk since initial recognition and the relevant contracts are entered into with counterparties of an investment grade. These financial assets are not credit-impaired as at origination and as of year-end and there was no modification of contractual cash flows on these financial assets that resulted in a derecognition during the year. There were no transfers in ECL staging during the year and the loss allowance of these financial assets is measured at an amount equal to a 12-month ECL, which is not material.

16. Current asset investments held at amortised cost

	2020	2019
	£'000	£'000
Money market funds	5,328	27,282
Short term bond funds	10,000	9,997
	<hr/>	<hr/>
	15,328	37,279
	<hr/>	<hr/>

The carrying value of all current asset investments held at amortised cost approximates to fair value.

Notes to the financial statements (continued)

17. Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade and other payables	1,387	716
Amounts due to related parties	60,790	76,932
Accrued expenses	14,513	18,912
Deferred bonus	-	565
	<u>76,690</u>	<u>97,125</u>
Non-current		
Deferred bonus	-	1,527
	<u>-</u>	<u>1,527</u>

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

18. Capital and reserves

Share capital

	Preference shares of £1 each 2020	Ordinary shares of £1 each 2020	Preference shares of £1 each 2019	Ordinary shares of £1 each 2019
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	<u>1</u>	<u>69,770,000</u>	<u>1</u>	<u>69,770,000</u>

In respect of preference share, the Company may declare a discretionary annual preference dividend 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.

Notes to the financial statements (continued)

19. Financial instruments and risk management

19(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.

19(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 2020 £'000	Fair value 2020 £'000	Level 1 2020 £'000	Level 2 2020 £'000	Level 3 2020 £'000
Assets					
Trading securities (note 14)	80,416	80,416	80,416	-	-
Money market funds	5,328	5,328	5,328	-	-
Short term bond funds	10,000	10,000	10,000	-	-
Exchange memberships (note 14)	7,677	7,677	5,824	1,853	-
Total financial assets	103,421	103,421	101,568	1,853	-
Liabilities					
Trading securities	65,436	65,436	65,436	-	-
Total financial liabilities	65,436	65,436	65,436	-	-

Notes to the financial statements *(continued)*

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

19(b) Fair values of financial instruments *(continued)*

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	2019	2019	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000
Assets					
Trading securities (note 14)	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 14)	8,392	8,392	6,234	2,158	-
Total financial instruments	<u>102,633</u>	<u>102,633</u>	<u>100,475</u>	<u>2,158</u>	<u>-</u>
Liabilities					
Trading securities	<u>56,417</u>	<u>56,417</u>	<u>56,417</u>	<u>-</u>	<u>-</u>
	<u>56,417</u>	<u>56,417</u>	<u>56,417</u>	<u>-</u>	<u>-</u>

19(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)*

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

19(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:

	2020	2019
	£'000	£'000
Amounts due from brokers	207,069	151,535
Cash and cash equivalents	16,777	132,775
Money market funds and short term bond funds	15,328	37,279
Trade receivables due from related parties	14,113	11,911
Other receivables	9,205	8,137
Accrued income	8,336	7,993
	<u>270,828</u>	<u>349,630</u>

Amounts due from brokers pertain mainly to cash balances and trade transactions awaiting settlements. Credit risk relating to cash balances and unsettled transactions is assessed to be insignificant due to the brokers being of an investment grade.

The credit risk management practises relating to the recognition and measurement of ECLs as well as the definitions of default and credit impaired financial assets are disclosed in Note 2.12. As at 31 December 2020, there were no financial assets that are past due or impaired or would otherwise be past due or impaired.

19(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 14.

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.

19(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)

19. Financial instruments and risk management (continued)

19(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

	2020 £'000	2019 £'000
US Dollar	88,207	31,542
Euro	6,238	37,720
Australian Dollar	42,047	(9,880)
Other	10,313	3,132
Net exposure	<u>146,805</u>	<u>62,514</u>

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	10% increase in AUD rate £'000	10% decrease in AUD rate £'000
Increase/(decrease) in net assets as at 31 December 2020	(8,019)	9,801	(567)	693	(3,822)	4,672
Increase/(decrease) in net profit as at 31 December 2020	(8,019)	9,801	(567)	693	(3,822)	4,672

2019:

	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

Notes to the financial statements (continued)

19. Financial instruments and risk management (continued)

19(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:

	2020 £'000	2019 £'000
Variable rate instruments		
Cash and cash equivalents	16,777	132,775
Money market funds and short term bond funds	15,328	37,279
	<u>32,105</u>	<u>170,053</u>

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 2020	161	(161)
Profit exposure at 31 December 2020	161	(161)

	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)

Market risk - Security price risk

Level 1 Investments:

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 manages its equity price risk for securities held at intra-day and end of day through appropriate real time monitoring. Most trading positions are closed intra-day and the residual overnight positions held are appropriately hedged. As a result, the Company does not consider any sensitivity analysis to have a significant impact on the financial performance or the position of the Company.

Any fair value changes to the level 1 investments are recorded in the statement of comprehensive income on a monthly basis.

Notes to the financial statements *(continued)*

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

19(e) Market risk *(continued)*

Level 2 and level 3 investments:

The Company monitors on an ongoing basis the market prices of level 2 investments. Any fair value changes to the level 2 investments are recorded in the statement of comprehensive income on a monthly basis. The Company did not held any level 3 investments as at 31 December 2020.

19(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.

19(g) Capital management

The Company manages its shareholders' equity according to the XTX Group's capital management policy. As at 31 December 2020 total shareholders' equity was £233.6m (2019: £258.3m).

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.

20. Related parties

The Company receives quantitative research services from XTX Research LLP. The Company provides certain management and back office services to XTX Markets Technologies Limited and other trading companies of XTX group.

	Sales to	Administrative expenses	Receivables outstanding	Payables outstanding
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
XTX Markets Technologies Limited	-	174,423	-	-
XTX Research LLP	1,735	139,361	-	-
Other trading companies of XTX group	55,588	41,975	14,113	-
	<u>57,323</u>	<u>355,759</u>	<u>14,113</u>	<u>-</u>

Notes to the financial statements (continued)

20. 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 2020 there were no guarantees in place for any related party receivables or payables. For the year ended 31 December 2020, 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 2020. 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.

21. 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 190 Elgin Avenue, 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.