

UK Registered number 09415174

XTX Markets Limited

Annual report and financial statements

For the year ended 31 December 2021



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## **Directors and officers**

### **Directors**

A Gerko  
Z Amrolia  
D Ireland

### **Non-Executive Directors**

N Beattie (chair)  
D Paterson  
S Harry (appointed on 1 January 2022)

### **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 2021**

The directors present their strategic report for XTX Markets Limited ("the Company") for the year ended 31 December 2021.

#### **Review of the Company's business**

##### **Background**

The Company is a proprietary electronic trading company, incorporated under the laws of the United Kingdom ("UK") trading in Equity, FX, Fixed Income and Commodity markets. The Company is part of the wider XTX Holdings Group (the "Group") and is a wholly owned subsidiary of XTX Holdings (UK) Limited (incorporated in UK). It is regulated by the UK Financial Conduct Authority as a full scope IFPRU investment firm (class 2 investment firm with effect from 1 January 2022) and by the National Futures Association in the United States as a swap dealer. The Company is a private limited company.

During 2021 the Group took steps to distinguish its trading on exchanges and similar venues from its direct to counterparty trading activities and moved to a model where quoting directly to counterparties is conducted primarily from the Company and the proprietary trading on exchanges and similar venues from XTX Markets Trading Limited, a company incorporated under the laws of the United Kingdom. In addition, the Company became a subsidiary of XTX Holdings (UK) Limited.

For the year ended 31 December 2021 and for the foreseeable future, the principal activity of the Company is to trade on its own account.

##### **Financial position and performance**

The trading results of the Company for the period ending 31 December 2021 is shown in the statement of comprehensive income on page 11, the financial position of the Company as at 31 December 2021 is shown in the statement of financial position on page 12 and the statement of cash flows on page 14. The current primary key performance indicator of the Company are return on assets and net revenues. For the year ended 31 December 2021, the return on opening net assets was 12% (2020: 58%). Net revenues fell 18% (2020: 92% growth), due to the cessation with effect from 1 January 2021 of trading in EU equities markets as a result of the UK's withdrawal from the EU and in 2021 having ceased to provide services to affiliates.

The profit after tax margin for the year was 5% (2020: 23%) giving a profit after tax of £28.9m (2020: £149.9m). The management consider that the Company's underlying performance and its continued growth have exceeded expectations.

Shareholder's equity at 31 December 2021 was £252.4m (2020: £233.6m). This was after £10.0m (2020: £174.6m) of retained profits being used to pay interim dividends to the immediate parent company in line with the treasury policy of the Group which seeks to optimise the capital base of the Group entities.

XTX Markets Limited cemented its place as a top 3 electronic Spot FX liquidity provider globally (Euromoney 2020/2021) and was also the largest European equities (systematic internaliser) liquidity provider across the whole of 2020 & 2021 (Rosenblatt 2020/2021) 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 2021

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. The Board assesses 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 Company's operations on the broader community, the desirability of the Company maintaining a reputation for high standards of business conduct, and the need to act fairly between shareholders of the Company.

Examples of specific stakeholder considerations undertaken by the Board during 2021 included, but were not limited to, the critical analysis and assessment of major strategic decisions, for example the move of the proprietary trading business to XTX Trading Limited and the continuing impact on operations, and staff working arrangements in particular, from the Covid pandemic.

#### *Shareholders:*

The Board ensures that shareholder views are understood prior to decision-making. It therefore considers other companies in 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 £10.0m (2020: £174.6m) 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.

The Board took an active role in some of the key decisions implemented by the senior management of the Company.

#### *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 2021, the average time taken to pay a supplier of the Company was 22.6 days (2020: 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 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 2021

### *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 £29,000 (2020: £13.8m) to charities during 2021 in support of the UK Mathematics Trust.

### **Future outlook**

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

The Company has plans to launch new trading strategies and continue to grow its Systematic Internaliser (SI), expand its counterparty offering and obtain permission 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**

The Board meets each quarter to review the risks facing the Company against the risk appetites and framework set out by the board. A description of the Company's principal operational and financial risks and the Company's risk and capital management policies is set out in note 19 to the financial statements

By order of the Board,



**David Ireland**

Director

22 April 2022

## **Directors' report**

### **For the year ended 31 December 2021**

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2021.

#### **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

#### **Non-Executive Directors**

N Beattie (Chair)  
D Paterson  
S Harry (appointed on 1 January 2022)

#### **Dividend**

Ordinary interim dividends of £10.0m (2020:£174.6m) 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 2021.

#### **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 period extending to at least 30 April 2023.

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 at least 30 April 2023. 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.

The ongoing conflict in Ukraine has not resulted in any material impact in the assessment of going concern for the group. The directors are monitoring this situation closely for any developments that may alter their current assessment.

#### **Future outlook**

Please refer to the relevant section under strategic report.

#### **Events after the reporting period**

The Board declared an interim dividend of £80m on 10th March 2022 and paid it on 14th March 2022.

#### **Political contributions**

The Company made no political donations and did not incur any political expenditure during the year (2020: £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](http://www.xtxmarkets.com). These disclosures are unaudited.

## **Directors' report (continued)**

**For the year ended 31 December 2021**

### **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 are shown below.

	<b>FY2021</b>	<b>FY2020</b>
Total energy consumption used to calculate emissions (kWh)	970,235	1,154,752
Emissions from combustion of gas tCO <sub>2</sub> e	nil	nil
Emissions from purchased electricity in tCO <sub>2</sub> e (scope 2)	nil	276.4
Total gross tCO <sub>2</sub> e emissions	nil	276.4
Intensity ratio tCO <sub>2</sub> e per net revenue £mil	N.A	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. In particular, we have pledged to work continually to reduce our carbon emissions wherever possible and to remove any excess carbon through high-quality carbon removal credits.

The Company has adopted a carbon policy with effect from the 2020 financial year of voluntarily buying carbon removal credits in order to reduce the net carbon footprint to zero. Our net zero strategy is to focus on purchasing credits that remove atmospheric carbon and store it durably (eg for 1,000+ years). We do not purchase 'avoidance' credits or other low-quality credits.

In the 2021 financial year the total energy consumption was down 16%. All energy consumption came from renewable sources, so the total gross tCO<sub>2</sub>e emissions for the period are nil.

The Company used the UK government published greenhouse gas reporting conversion factors for 2020 and 2021.

By order of the Board



**David Ireland**  
Director

22 April 2022

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 UK-adopted International Accounting 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 2021 which comprise of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, statement of cash flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 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 30 April 2023, which is at least 12 months from when the financial statements are authorised for issue.

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 this gives rise to 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.

We have nothing to report in this regard.

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

### **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 those that relate to the reporting framework (UK adopted international accounting standards) 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 2022

**Statement of comprehensive income**  
*for year ended 31 December 2021*

	Note	2021 £'000	2020 £'000
Net revenue	3	531,558	651,865
Administrative expenses		(492,337)	(441,960)
<b>Operating profit</b>	4	<b>39,221</b>	209,905
Finance and other income	7	5,866	3,145
Finance and other expense	7	(7,182)	(10,086)
<b>Profit before tax</b>		<b>37,905</b>	202,964
Taxation	8	(9,041)	(53,052)
<b>Profit for the year</b>		<b>28,864</b>	149,912

All amounts relate to continuing operations.

The notes on pages 15 to 36 form part of these financial statements.

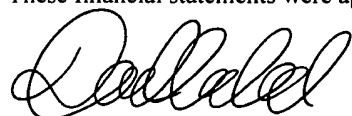
## Statement of financial position

at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	6,210	11,566
Intangible assets	11	2	31
Deferred tax asset	12	4,451	5,850
Trade and other receivables	15	4,100	-
Right-of-use assets	13	9,114	10,771
		<u>23,877</u>	<u>28,218</u>
<b>Current assets</b>			
Cash and cash equivalents		72,622	16,777
Financial assets at fair value through profit or loss	14	62,872	88,093
Trade and other receivables	15	213,914	240,353
Current asset investments held at amortised cost	16	14,198	15,328
		<u>363,606</u>	<u>360,551</u>
<b>Total assets</b>		<u><u>387,483</u></u>	<u><u>388,769</u></u>
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	14	44,185	65,436
Trade and other payables	17	79,527	76,690
Lease liabilities	13	1,813	1,633
		<u>125,525</u>	<u>143,759</u>
<b>Non-current liabilities</b>			
Lease liabilities	13	9,516	11,432
<b>Total liabilities</b>		<u><u>135,041</u></u>	<u><u>155,191</u></u>
<b>Net assets</b>		<u><u>252,442</u></u>	<u><u>233,578</u></u>
<b>Equity</b>			
Share capital	18	69,770	69,770
Retained earnings		182,672	163,808
<b>Total equity</b>		<u><u>252,442</u></u>	<u><u>233,578</u></u>

The notes on pages 15 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 April 2022 and were signed on its behalf by:



**David Ireland**

Director

22 April 2022

Company registered number: 09415174

**Statement of changes in equity**  
*for year ended 31 December 2021*

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total Equity £'000</b>
Balance at 1 January 2021	69,770	163,808	233,578
Profit for the year	-	28,864	28,864
Dividends paid	-	(10,000)	(10,000)
<b>Balance at 31 December 2021</b>	<b>69,770</b>	<b>182,672</b>	<b>252,442</b>

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total Equity £'000</b>
Balance at 1 January 2020	69,770	188,489	258,259
Profit for the year	-	149,912	149,912
Dividends paid	-	(174,593)	(174,593)
<b>Balance at 31 December 2020</b>	<b>69,770</b>	<b>163,808</b>	<b>233,578</b>

The notes on pages 15 to 38 form part of these financial statements.

**Statement of cash flows**  
*for year ended 31 December 2021*

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit for the year before tax		37,905	202,964
<i>Adjustments for:</i>			
Depreciation	10	6,646	13,140
Amortisation	11	29	83
Net finance expense	7	1,078	5,126
Net right of use assets (income)/expense	13	(79)	568
<i>Changes in working capital:</i>			
Net cash outflow arising from trading activities		(3,096)	(14,435)
Decrease/(increase) in trade receivables	15	23,425	(58,079)
Decrease in other receivables	15	1,813	1,982
(Decrease)/increase in trade and other payables	17	2,836	(21,962)
		<u>70,557</u>	<u>129,387</u>
Tax paid		(10,541)	(81,532)
<b>Net cash inflow from operating activities</b>		<u><b>60,016</b></u>	<u><b>47,855</b></u>
<b>Cash flows from investing activities</b>			
Interest and dividends received	7	1,873	276
Interest and dividends paid	7	(2,951)	(5,402)
Acquisition of property, plant and equipment	10	(1,290)	(6,800)
Sale of exchange memberships	14	7,066	715
Net cash received for current asset investments	16	1,131	21,951
<b>Net cash inflow from investing activities</b>		<u><b>5,829</b></u>	<u><b>10,740</b></u>
<b>Cash flows from financing activities</b>			
Dividends paid to immediate parent		(10,000)	(174,593)
<b>Net cash outflow from financing activities</b>		<u><b>(10,000)</b></u>	<u><b>(174,593)</b></u>
Net (increase)/decrease in cash and cash equivalents		55,845	(115,998)
<b>Cash and cash equivalents at 1 January</b>		<u>16,777</u>	<u>132,775</u>
<b>Cash and cash equivalents at 31 December</b>		<u><b>72,622</b></u>	<u><b>16,777</b></u>

The notes on pages 15 to 36 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 principal activity of the Company was to trade in global financial markets on its own account.

### 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 UK-adopted International Accounting Standards (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.

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.

No accounting standards were adopted during year ending 2021. At the date of authorisation of these financial statements, the Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Annual Improvements to IFRSs 2018 - 2020	1 January 2022
Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

#### 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 period extending to at least 30 April 2023.

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 at least 30 April 2023. 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.

#### 2.4 Foreign currencies

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 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.

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.

## Notes to the financial statements (*continued*)

### 2. Accounting policies (*continued*)

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

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value 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 fair value 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 short-term deposits in the statement of financial position comprise cash at banks and on hand that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

##### *Current asset investments*

Current asset investments are highly liquid investments that typically have a maturity profile of less than 1 year from the date of acquisition. These are recognised initially at fair value 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 improvements - 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.
- Artwork and memorabilia are not depreciated.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

## Notes to the financial statements (*continued*)

### 2. Accounting policies (*continued*)

#### 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:

- 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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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

#### 2.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Company as a lessee*

The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

##### *i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The Company depreciates these assets on a straight-line basis over the period of the lease. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

##### *ii) Lease Liabilities*

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

##### *iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### 2.9 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 Group during the designated deferral period. These awards are recognised in the statement of comprehensive income on a straight-line basis over the period to which they relate to.

#### 2.10 Net revenue

Revenue are comprised of proprietary trading. Proprietary trading revenue is calculated by recognising the profit or loss generated from trading activities which represents the difference between proceeds received on disposal and the initial cost of acquisition, including unrealised profits or losses on open positions. 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

#### 2.11 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*)

#### 2.11 Other income and expenses (*continued*)

##### *Administrative expenses*

All administrative expenses are recognised on an accruals basis. These expenses include amounts payable under intercompany service arrangements for services provided to the Company by other entities within the group.

##### *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. No hedge accounting is applied.

#### 2.12 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.

#### 2.13 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

	2021 £'000	2020 £'000
Net trading revenues	531,558	651,865
	<u>531,558</u>	<u>651,865</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 £127.4m for the year ended 31 December 2021 (2020: £435.5m).

### 4. Operating profit

Included in operating profit are the following amounts:

	2021 £'000	2020 £'000
Depreciation	6,646	13,140
Amortisation	29	83
Losses / (gains) on foreign exchange	(2,878)	11,896
Amounts payable to the company's auditor in respect of:		
Audit of financial statements	127	170
Taxation services	18	9
Leases costs:		
Depreciation	1,657	1,657
Interest	546	622

### 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:

	2021	2020
Directors	-	4
Support staff	-	38
	<u>-</u>	<u>42</u>

The aggregate payroll costs of these persons were as follows

	2021 £'000	2020 £'000
Wages and salaries	-	12,566
Social security costs	-	1,687
Contributions to defined contribution plans	-	388
	<u>-</u>	<u>14,641</u>

All staff employment contracts of the Company were moved to XTX Markets Technologies Limited in 2020.

## 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:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	<b>514</b>	<b>554</b>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2020: £0.3m).

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Finance income		
Interest income on bank deposits	-	8
Interest income from trading activities	1,327	665
Interest income from money market funds and short term bond funds	-	47
Dividend income - trading	2,665	2,205
Dividend income – non trading	99	148
Other income	1,775	-
Unrealised gain on investments held at fair value through profit or loss	-	74
Total income on financial assets	<b>5,866</b>	<b>3,145</b>
Finance expense		
Interest expense from trading activities	1,734	1,789
Dividend expense from trading activities	2,497	2,896
Interest expense from lease	546	622
Interest expense	54	-
Corporate hedge	1,544	4,779
Unrealised loss on investments held at fair value through profit or loss	807	-
Total expense on financial liabilities	<b>7,182</b>	<b>10,086</b>
Finance income - trading	3,993	2,869
Finance expense - trading	(4,230)	(4,684)
Net finance (expense) - trading	<b>(237)</b>	<b>(1,815)</b>
Finance income – non trading	1,873	276
Finance expense – non trading	(2,951)	(5,402)
Net finance income/(expense) – non trading	<b>(1,078)</b>	<b>(5,126)</b>



## ***Notes to the financial statements (continued)***

### **8. Taxation**

#### **(a) Analysis of the tax expense for the year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Current tax charge	8,319	54,331
Overseas tax	248	-
Prior year adjustment-CT	(710)	1,068
Double tax relief	(216)	-
Deferred tax charge/(credit)	(168)	(2,063)
Prior year adjustment-DT	1,063	162
Rate change	505	(446)
	<hr/>	<hr/>
Total tax expense	<b>9,041</b>	<b>53,052</b>
	<hr/>	<hr/>

#### **(a) Factors affecting the tax charge for the year**

The UK standard effective rate of corporation tax for 2021 is 19% (2020: 19%). The tax charge for the year is higher (2020: higher) than the UK standard effective rate of corporation tax for the period of 19%. The differences are explained below:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	37,905	202,964
Tax using the marginal UK corporation tax rate of 27% (2020: 27%)	10,234	54,800
Effects of:		
Rate difference	(1,495)	(2,446)
Non-deductible expenses	25	49
Excess overseas tax	32	-
Group relief	(109)	(230)
Prior year adjustment	354	1,230
Non qualifying fixed assets	-	(351)
	<hr/>	<hr/>
Total tax expense	<b>9,041</b>	<b>53,052</b>
	<hr/>	<hr/>

On 3 March 2021 it was announced that the UK corporation tax rate would increase from 19% to 25% from 1 April 2023 and the change in tax rate was substantively enacted on 24 May 2021 i.e. before the balance sheet date. These rates have been considered when calculating the closing deferred tax balances at the balance sheet date. The Company meets the definition of an entity subjected to the banking surcharge as per Part 7A CTA 2010 and thus subjected to an 8% surcharge on profits in excess of £25.0m per year.

## 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 2021

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.	531,558	-	37,905	9,041	-

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	-

### 10. Property, plant and equipment

	2021 Leasehold improvements £'000	2021 IT equipment £'000	2021 Fixtures & fittings £'000	2021 Total £'000
<b>Cost</b>				
Balance at beginning of year	4,632	45,481	2,850	52,963
Additions	72	1,218	-	1,290
Balance at end of year	<u>4,704</u>	<u>46,699</u>	<u>2,850</u>	<u>54,253</u>
<b>Depreciation and impairment</b>				
Balance at beginning of year	1,522	38,648	1,227	41,397
Depreciation charge for the year	486	5,776	384	6,646
Balance at end of year	<u>2,008</u>	<u>44,424</u>	<u>1,611</u>	<u>48,043</u>
<b>Net book value at 31 December 2021</b>	<u>2,696</u>	<u>2,275</u>	<u>1,239</u>	<u>6,210</u>
<b>Net book value at 31 December 2020</b>	<u>3,110</u>	<u>6,833</u>	<u>1,623</u>	<u>11,566</u>

## Notes to the financial statements *(continued)*

### 10. Property, plant and equipment *(continued)*

	2020 Leasehold assets £'000	2020 IT equipment £'000	2020 Fixtures & fittings £'000	2020 Total £'000
<b>Cost</b>				
Balance at beginning of year	4,563	38,750	2,850	46,163
Additions	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>
<b>Depreciation and impairment</b>				
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>
<b>Net book value at 31 December 2020</b>	<u>3,110</u>	<u>6,833</u>	<u>1,623</u>	<u>11,566</u>
<b>Net book value at 31 December 2019</b>	<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

	2021 Software £'000	2020 Software £'000
<b>Cost</b>		
Balance at beginning of year	653	653
Acquisitions	-	-
	<u>653</u>	<u>653</u>
Balance at end of year	<u>653</u>	<u>653</u>
<b>Depreciation and impairment</b>		
Balance at beginning of year	622	539
Depreciation charge for the year	29	83
	<u>651</u>	<u>622</u>
Balance at end of year	<u>651</u>	<u>622</u>
<b>Net book value at beginning of the year</b>	<u>31</u>	<u>114</u>
<b>Net book value at end of the year</b>	<u>2</u>	<u>31</u>

### 12. Deferred tax asset

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

	2021 £'000	2020 £'000
Timing differences between capital allowances and depreciation of fixed assets	4,451	5,226
Timing differences in respect of deferred compensation	-	624
	<u>4,451</u>	<u>5,850</u>

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	5,226	(775)	4,451
Timing differences in respect of deferred compensation	624	(624)	0
	<u>5,850</u>	<u>(1,399)</u>	<u>4,451</u>

## 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:

	2021 £'000	2020 £'000
Depreciation expense of right-of-use assets	1,657	1,657
Interest expense on lease liabilities	546	622
	<u>2,203</u>	<u>2,279</u>

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

	2021 £'000	2020 £'000
As at 1 January	10,771	13,003
Adjustments	-	(575)
Depreciation expense	<u>(1,657)</u>	<u>(1,657)</u>
As at 31 December	<u>9,114</u>	<u>10,771</u>

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

	2021 £'000	2020 £'000
As at 1 January	13,065	14,729
Interest expense	546	622
Payments	<u>(2,282)</u>	<u>(2,286)</u>
As at 31 December	<u>11,329</u>	<u>13,065</u>
Current	1,813	1,633
Non-Current	9,516	11,432
<b>Maturity analysis of the lease liability</b>		
Less than one year	1,813	1,633
Between one and five years	9,516	6,533
More than five years	-	4,899

## Notes to the financial statements (*continued*)

### 14. Financial instruments at fair value through profit or loss

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. Financial instruments held for trading consists of long stock, long bonds and derivative positions.

	2021 £'000	2020 £'000
<b>Financial assets at fair value through profit or loss</b>		
<b>Current</b>		
Financial instruments held for trading	62,261	80,416
Exchange memberships	611	7,677
<b>Total</b>	<b>62,872</b>	<b>88,093</b>

During the year, as part of migration the Company's proprietary trading on exchanges and similar venues to XTX Trading Limited, CME and LME shares and CME seats were transferred to XTX Trading Limited.

	2021 £'000	2020 £'000
<b>Financial liabilities at fair value through profit or loss</b>		
<b>Current</b>		
Financial instruments held for trading	44,185	65,436

### 15. Trade and other receivables

	2021 £'000	2020 £'000
<b>Non-current</b>		
Deposits	4,100	-
<b>Current</b>		
Amounts due from clearing brokers	202,960	207,069
Amount due from related parties	112	14,113
Deposits	-	4,073
Other receivables	594	2,315
Prepayments and accrued income	4,534	9,967
Corporate tax receivable	5,714	2,816
	<b>213,914</b>	<b>240,353</b>

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

No amounts are considered to be past due or impaired (2020: 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.

## Notes to the financial statements (continued)

16.	Current asset investments	2021 £'000	2020 £'000
Money market funds		-	5,328
Short term bond funds		14,198	10,000
		<u>14,198</u>	<u>15,328</u>

The carrying value of all current asset investments held at amortised cost approximates to fair value given they are short dated in nature.

### 17. Trade and other payables

	2021 £'000	2020 £'000
<b>Current</b>		
Trade and other payables	9,564	1,387
Amounts due to related parties	60,813	60,790
Accrued expenses	9,150	14,513
	<u>79,527</u>	<u>76,690</u>

### 18. Capital and reserves

Authorised shares	2021	2020
Ordinary shares of £1 each	69,770,000	69,770,000
<b>Ordinary shares issued and fully paid</b>	<b>£ '000</b>	<b>£ '000</b>
As at 1 January	69,770	69,770
At 31 December	<u>69,770</u>	<u>69,770</u>
<b>Preference shares issued and fully paid</b>	<b>2021</b>	<b>2020</b>
As at 1 January	1	1
At 31 December	<u>1</u>	<u>1</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.

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.

## Notes to the financial statements *(continued)*

### 18. Capital and reserves *(continued)*

Ordinary interim dividends of £10.0m (2020:£174.6m) was declared on 17<sup>th</sup> March 2021 on were paid on 18<sup>th</sup> March 2021 to the immediate parent.

### 19. Financial instruments and risk management

#### 19(a) Overview

The Risk Management Framework of the Company 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 on-going 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) Market risk

##### Market risk - Foreign currency risk

The Company manages its exposure to foreign currencies in accordance with its Treasury Policy, which aims to minimise foreign currency risk within trading operations to an appropriate level, whilst ensuring that exposures do not exceed established limits, and hold surplus capital in a diversified basket of currencies. 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, gain/loss on the corporate hedge can be found in note 7.

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

	2021 £'000	2020 £'000
US Dollar	72,611	88,207
Euro	44,785	6,238
Australian Dollar	405	42,047
Other	32,684	10,313
Net exposure	<u>150,485</u>	<u>146,805</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.



## Notes to the financial statements (continued)

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

#### 19(b) Market risk (continued)

##### Market risk - Foreign currency risk (continued)

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 2021	(6,601)	8,068	(4,071)	4,976
Increase/(decrease) in net profit as at 31 December 2021	(6,601)	8,068	(4,071)	4,976

	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

##### 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:

	2021 £'000	2020 £'000
<b>Variable rate instruments</b>		
Cash and cash equivalents	72,622	16,777
Short term bond funds	14,198	15,328
	<u>86,820</u>	<u>32,105</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.

## Notes to the financial statements (continued)

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

#### 19(b) Market risk (continued)

##### Market risk – Interest rate risk (continued)

	Increase by 50bps £'000	Decrease by 50bps £'000
Increase/(decrease) in net assets as at 31 December 2021	320	(320)
Profit exposure at 31 December 2021	320	(320)
	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)

##### Market risk - Financial instrument 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 manages its equity price risk for securities held at intra-day and end of day through appropriate real time monitoring. Portfolio trading models in cash-equities will dynamically hedge their exposure to reduce risk exposures on an ongoing basis. In other asset classes, trading positions are typically reduced prior to overnight market closures, reducing exposures.

At the end of the reporting period, if the prices of financial instruments held have been 5% (2020: 5%) higher/lower with all other variables held constant, the Company's profit before tax would have been £0.2m (2020: £1.1m) higher/lower, arising as a result of higher/lower fair value gains on net financial assets at fair value through profit or loss.

#### 19(c) 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.

## Notes to the financial statements (continued)

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

#### 19(c) Fair values of financial instruments (continued)

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 2021 £'000	Fair value 2021 £'000	Level 1 2021 £'000	Level 2 2021 £'000	Level 3 2021 £'000
<b>Assets</b>					
Financial instruments held for trading (note 14)	62,261	62,261	62,261	-	-
Short term bond funds	14,198	14,198	14,198	-	-
Exchange memberships (note 14)	619	619	-	619	-
<b>Total financial assets</b>	<b>77,078</b>	<b>77,078</b>	<b>76,459</b>	<b>619</b>	<b>-</b>
<b>Liabilities</b>					
Trading securities	44,185	44,185	44,185	-	-
<b>Total financial liabilities</b>	<b>44,185</b>	<b>44,185</b>	<b>44,185</b>	<b>-</b>	<b>-</b>

	Carrying amount 2020 £'000	Fair value 2020 £'000	Level 1 2020 £'000	Level 2 2020 £'000	Level 3 2020 £'000
<b>Assets</b>					
Financial instruments held for trading (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	-
<b>Total financial instruments</b>	<b>103,421</b>	<b>103,421</b>	<b>101,568</b>	<b>1,853</b>	<b>-</b>
<b>Liabilities</b>					
Financial instruments held for trading	65,436	65,436	65,436	-	-
	<b>65,436</b>	<b>65,436</b>	<b>65,436</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements *(continued)*

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

#### 19(d) 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 using regulatory and internal metrics

##### *Exposure to credit risk*

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

	2021 £'000	2020 £'000
Amounts due from clearing brokers	202,960	207,069
Cash and cash equivalents	72,622	16,777
Money market funds and short term bond funds	14,198	15,328
Amount due from related parties	112	14,113
Other receivables	594	9,205
Accrued income	2,670	8,336
	<u>293,156</u>	<u>270,828</u>

Amounts due from clearing 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 clearing 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 2.13. As at 31 December 2021, there were no financial assets that are past due or impaired or would otherwise be past due or impaired.

#### 19(e) 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.

## Notes to the financial statements (*continued*)

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

#### 19(e) Liquidity risk (*continued*)

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.

2021:	Within 1 year £'000	Between 1 to five years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	44,185	-	-
Trade and other payables	9,564	-	-
Accrued expenses	9,150	-	-
Lease liabilities	1,813	9,516	-
Amounts due to related parties	60,813	-	-
2020:	Within 1 year £'000	Between 1 to five years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	65,436	-	-
Trade and other payables	1,387	-	-
Accrued expenses	14,513	-	-
Lease liabilities	1,633	6,533	4,899
Amounts due to related parties	60,790	-	-

#### 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 categories. A number of material scenarios are selected for each category and are assessed against certain criteria, such as reputational impact, likely level of capital losses, internal and external loss events and probability of occurrence, to validate and enhance the Group's operational risk control framework.

#### 19(g) Capital management

The Company manages its shareholders' equity according to the XTX Group's capital management plan. As at 31 December 2021 total shareholders' equity was £252.4m (2020: £233.6m).

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.

## Notes to the financial statements (*continued*)

### 20. Related parties

The Company receives quantitative research services, management and back office services from XTX Markets Technologies Limited. It also incurs transfer pricing expenses to other affiliates of the XTX Group.

	Sales to	Administrative expenses	Receivables outstanding	Payables outstanding
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Other Affiliates	-	461,156	112	60,813

	Sales to	Administrative expenses	Receivables outstanding	Payables outstanding
	2020	2020	2020	2020
	£'000	£'000	£'000	£'000
Other affiliates	57,323	355,759	14,113	-

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 2021 there were no guarantees in place for any related party receivables or payables. For the year ended 31 December 2021, 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 2021. 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 (UK) Limited "the Parent 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 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.

### 22. Events after the reporting period

The Board declared an interim dividend of £80m on 10th March 2022 and paid it on 14th March 2022.