

XTX Markets Limited

Registered number 9415174

Annual report and financial statements

31 December 2015



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Contents

| | |
|---|----|
| Directors and Officers | 1 |
| Strategic report | 2 |
| Directors' report | 3 |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 4 |
| Independent auditor's report to the members of XTX Markets Limited | 5 |
| Statement of Comprehensive Income | 7 |
| Balance Sheet | 8 |
| Statement of Changes in Equity | 9 |
| Cash Flow Statement | 10 |
| Notes | 11 |

Directors and Officers

Directors

A Gerko
Z Amrolia
T Kuschill

Company secretary

Mathieu Freville

Independent auditors

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

Registered office

Leconfield House
Curzon Street
London
W1J 5JA

Company number

Registered in England and Wales: No. 9415174

Strategic report

For the period ended 31 December 2015

The directors present their strategic report for XTX Markets Limited ("the Company") for the period ended 31 December 2015.

Review of the Company's Business

Background

The Company is a 100% subsidiary of XTX Holdings Limited (incorporated in Malta) and was incorporated on 30th January 2015 and started trading on 1st July 2015. The founder of the Company spun out his quantitative trading team from the fund manager, GSA Capital Partners LLP ("GSA") to form an independent proprietary trading company, XTX Markets Limited. Electronic trading activities will be performed by the Company upon receipt of regulatory authorisation from the Financial Conduct Authority ("the FCA"). Throughout 2015, trading was performed through a separate entity within the GSA structure, Green Park Trading 1 ("GPT1"), with the Company providing GSA with trading advisory services.

Principal Activities

For the period ended 31 December 2015, the principal activity of the Company was the provision of trading advisory services to GSA. The Company's electronic trading activities were performed by GPT1, funded via a loan from the Company, with the Company acting as an appointed representative of GSA. The Company has applied for FCA authorisation as an IFPRU investment firm. Once authorised, the trading activities will be migrated from GPT1 to the Company. Upon completion of the migration, the activities in GPT1 will cease and the loan will be repaid in full.

Financial Position and Performance

The financial position of the Company at 31 December 2015 is shown in the Balance sheet on page 8, with trading results shown in the statement of comprehensive income on page 7 and the cash flow statement on page 10.

The Company has produced profits of £38,020,242 from revenue of £72,366,744. The profit before tax is £47,591,528 and the net profit after tax margin for the period is 53%.

Administration costs were £25,088,625. Shareholder's equity is £107,790,242 and has increased by 54% since the issue of share capital on incorporation due to retained profits for the period.

The current key performance indicators of the Company are revenue and profit before tax. Revenues are entirely dependent upon the trading performance of GPT1, which management consider satisfactory in light of advisory services provided and prevailing market conditions. Costs were in line with initial forecasts and the Directors consider these to be appropriate given the levels of business activity during the period.

Future Outlook

The Company expects to receive FCA authorisation in 2016, and proceed with the migration of trading activities from GPT1 to the Company. The Company intends to expand trading activities into further markets. The Company is expected to continue to trade profitably to support organic growth, with new offices in North America and Asia expected to open in future years. The Company is continually assessing the changing market and regulatory landscape to ensure it can evolve and adapt to changes in client and operational demands.

Principal Risks and Uncertainties

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 15 to the financial statements.

By order of the board,

Alex Gerko

Director



31 March 2016

Directors' report

For the period ended 31 December 2015

The directors present their annual report and financial statements of the Company for the period ended 31 December 2015.

Directors

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

A Gerko (appointed 30th January 2015)

Z Amrolia (appointed 2nd October 2015)

T Kuschill (appointed 26th June 2015)

Future Outlook

Future developments of the Company are discussed in the Strategic report.

Dividend

No dividend was paid during the period. The directors do not recommend the payment of a final ordinary dividend in respect of the financial period ending 31 December 2015.

Going Concern

The financial statements have been prepared on the going concern basis of accounting. The opinion of the directors is the Company has sufficient liquidity and capital to implement its growth plans and continue in operational existence for the foreseeable future.

In reaching this conclusion the Directors have prepared a detailed financial forecast for 2016 which shows increased profitability and an excess of liquid resources to meet its liabilities as they fall due. Additionally, as part of the Company's Internal Capital Adequacy Assessment Process ("ICAAP"), financial projections have been prepared extending to December 2018 which show continuous profit growth. As part of this process, risks facing the business have been considered and a range of stress tests have been applied to these projections, all of which demonstrate a significant and growing excess of capital resources over requirements, and an ability to remain profitable even under a range of plausible yet severe stresses. Having taken this into account, the Directors are satisfied that the going concern basis of accounts preparation is appropriate.

Financial Instruments

The details of the Company's financial risks are included in note 15.

Political contributions

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

Disclosure of information to auditor

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

Auditor

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

By order of the board

Alex Gerko

Director



31 March 2016

Leconfield House, Curzon Street, London W1J 5JA

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of XTX Markets Limited for the period ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the period then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

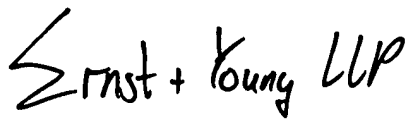
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

31 MARCH 2016

Statement of Comprehensive Income
for period ended 31 December 2015

| | Note | From incorporation on 30 January 2015 to 31 December 2015 £ '000 |
|---|------|---|
| Revenue | 3 | 72,367 |
| Administrative expenses | | <u>(25,089)</u> |
| Operating profit | 4 | 47,278 |
| Financial income | 7 | <u>313</u> |
| Profit before tax | | 47,591 |
| Taxation | 8 | <u>(9,571)</u> |
| Profit and total comprehensive income for the period | | <u><u>38,020</u></u> |

All amounts relate to continuing operations.

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

Balance Sheet
at 31 December 2015

| | Note | 2015 £ '000 |
|--------------------------------|------|-----------------------|
| Non-current assets | | |
| Property, plant and equipment | 9 | 1,054 |
| Deferred tax assets | 11 | <u>44</u> |
| | | 1,098 |
| Current assets | | |
| Trade and other receivables | 12 | 95,339 |
| Cash and cash equivalents | | 40,817 |
| Other financial assets | 10 | <u>3</u> |
| | | 136,159 |
| Total assets | | <u>137,257</u> |
| Current liabilities | | |
| Trade and other payables | 13 | 19,750 |
| Tax payable | | <u>9,615</u> |
| | | 29,365 |
| Non-current liabilities | | |
| Deferred bonus | 13 | 102 |
| Total liabilities | | <u>29,467</u> |
| Net assets | | <u>107,790</u> |
| Equity | | |
| Share capital | 14 | 69,770 |
| Retained earnings | | 38,020 |
| Total equity | | <u>107,790</u> |

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

These financial statements were approved by the board of directors on 31 March 2016 and were signed on its behalf by:

Alex Gerko
 Director
 Company registered number: 9415174



Statement of Changes in Equity

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

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

Cash Flow Statement
for period ended 31 December 2015

| | Note | From incorporation on 30 January 2015 to 31 December 2015 £ '000 |
|---|------|---|
| Cash flows from operating activities | | |
| Profits for the period before tax | | 47,592 |
| <i>Adjustments for:</i> | | |
| Depreciation | 9 | 288 |
| Financial income | 7 | (313) |
| | | <hr/> 47,566 |
| Changes in working capital: | | |
| Increase in trade and other receivables | | (12,543) |
| Increase in trade and other payables | | 19,852 |
| | | <hr/> 7,309 |
| Net cash inflow from operating activities | | <hr/> <hr/> 54,875 |
| Cash flows from investing activities | | |
| Increase in amounts owed from related companies | 12 | (82,796) |
| Interest received | 7 | 313 |
| Acquisition of property, plant and equipment | 9 | (1,342) |
| Investment in CME seat | 10 | (3) |
| Net cash outflow from investing activities | | <hr/> (83,828) |
| Cash flows from financing activities | | |
| Share capital issued during the period | | <hr/> 69,770 |
| Net increase/(decrease) in cash and cash equivalents | | 40,817 |
| Cash and cash equivalents at date of incorporation | | - |
| Cash and cash equivalents at 31 December 2015 | | <hr/> <hr/> 40,817 |

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

Notes

(forming part of the financial statements)

1 Corporate Information

XTX Markets Limited (the “Company”) is a limited liability company incorporated and domiciled in the UK. The financial statements of the Company for the period ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 31 March 2016.

2 Accounting policies

2.1 Basis of preparation

The Company’s financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

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

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

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

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

- Amendments to IAS 1 Disclosure Initiative
- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”
- Amendments to IAS 16 & 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Improvements 2014 – Annual Improvements to IFRSs: 2012-2014 Cycle effective from 1st January 2016

Notes (continued)

2 Accounting policies (continued)

2.2 Measurement convention

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

2.3 Going concern

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

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 balance sheet 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 debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

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

Trade and other payables

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

Investments in debt securities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments such as money market funds, all of which have less than 90 days maturity from the date of acquisition, that are readily convertible to known amounts of cash, and are subject to an insignificant risk of change in value. Any bank overdrafts are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

2 Accounting policies (continued)

2.5 Financial instruments (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the effective interest ("EIR") method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.6 Property, plant and equipment

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

2 Accounting policies (continued)

2.7 Employee benefits

Defined contribution plans

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

Short-term benefits

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

Deferred bonus

Certain employees are eligible to receive discretionary bonuses that vest over a three year period. These deferred awards are guaranteed provided the employee remains employed by the Company during this period, or is designated a 'good leaver' upon exiting the firm. Given the potential for these employees to leave the firm and be categorised as a 'bad leaver', these awards are recognised in the statement of comprehensive income on a straight line basis over three and a half years beginning on 1st July 2015.

2.8 Revenue

Income from trading advisory services is recognised on an accruals basis as it is earned and is recognised net of VAT and any rebates.

2.9 Expenses

Operating lease payments

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

Financing income and expenses

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

2.10 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement 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 balance sheet 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 balance sheet 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.

Notes (continued)

3 Revenue

| | 2015 |
|-----------------------|---------------|
| | £'000 |
| Trading advisory fees | 72,367 |
| | <hr/> |

Revenue relates to services provided in the United Kingdom.

4 Operating profit

Included in operating profit are the following amounts:

| | 2015 |
|---|--------------|
| | £'000 |
| Depreciation | 288 |
| Gains on foreign exchange | (80) |
| Audit of these financial statements: | |
| Amounts receivable by the Company's auditor and its associates in respect of: | |
| Audit of financial statements | 20 |
| Taxation compliance services | 16 |
| Other tax advisory services | 25 |
| Operating leases costs | 213 |

5 Staff numbers and costs

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

| | 2015 |
|---------------|-------------|
| Directors | 3 |
| Support staff | 25 |
| | <hr/> |
| | 28 |
| | <hr/> |

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

| | 2015 |
|---|--------------|
| | £'000 |
| Wages and salaries | 3,588 |
| Holiday pay accrual | 37 |
| Social security costs | 469 |
| Contributions to defined contribution plans | 88 |
| | <hr/> |
| | 4,182 |
| | <hr/> |

6 Directors' remuneration

| | 2015 |
|-------------------------|--------------|
| | £'000 |
| Directors' remuneration | 148 |
| | <hr/> |

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

7 Finance income and expense

| | 2015 |
|---|--------------|
| | £'000 |
| Finance income | |
| Interest income on financial asset held at amortised cost | 301 |
| Interest income on bank deposits | 12 |
| | <hr/> |
| Total interest income on financial assets | 313 |
| | <hr/> |

8 Taxation

| | 2015 |
|---------------------|--------------|
| | £'000 |
| Current tax charge | 9,615 |
| Deferred tax credit | (44) |
| | <hr/> |
| Total tax expense | 9,571 |
| | <hr/> |

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

| | 2015 £'000 |
|--|---------------|
| Profit before taxation | 47,592 |
| Tax using the UK corporation tax rate of 20% | 9,518 |
| Non-deductible expenses | 53 |
| Total tax expense | <u>9,571</u> |

The Finance Act (No.2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. Deferred tax balances should be calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the balance sheet date. Therefore, the deferred tax balances have been calculated with reference to these rates. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% effective from 1 April 2020; this change has not yet been substantively enacted. The maximum effect on the Company's deferred tax balance of the reduction in the UK corporation tax rate to 17% is expected to be £6,542.

9 Property, plant and equipment

| | 2015 Leasehold assets £'000 | 2015 IT equipment £'000 | 2015 Fixtures & fittings £'000 | 2015 Total £'000 |
|--|--------------------------------------|----------------------------------|---|------------------------|
| Cost | | | | |
| Balance at beginning of period | - | - | - | - |
| Acquisitions | 29 | 1,174 | 139 | 1,342 |
| Balance at end of period | <u>29</u> | <u>1,174</u> | <u>139</u> | <u>1,342</u> |
| Depreciation and impairment | | | | |
| Balance at beginning of period | - | - | - | - |
| Depreciation charge for the period | 4 | 261 | 23 | 288 |
| Balance at end of period | <u>4</u> | <u>261</u> | <u>23</u> | <u>288</u> |
| Net book value at end of period | <u>25</u> | <u>913</u> | <u>116</u> | <u>1,054</u> |

Notes (continued)

10 Other financial assets

The AFS financial asset is an unlisted CME seat, which is deemed an operating membership, required for trading on the CME.

| | 2015 £'000 |
|-------------------------------------|---------------|
| Available for sale financial assets | 3 |
| | <u>3</u> |

11 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

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

Movement in deferred tax asset during the period:

| | Beginning of period £'000 | Recognised in Statement of Comprehensive Income £'000 | End of period £'000 |
|--|-------------------------------------|---|----------------------------|
| Timing differences between capital allowances and depreciation of fixed assets | - | 20 | 20 |
| Timing differences in respect of deferred compensation | - | 24 | 24 |
| | <u>-</u> | <u>44</u> | <u>44</u> |

Notes (continued)

12 Trade and other receivables

| | 2015 |
|--|---------------|
| | £'000 |
| Trade receivables due from related parties | 10,537 |
| Financial asset held at amortised cost | 82,796 |
| Other receivables | 1,706 |
| Prepayments | 300 |
| | <hr/> |
| | 95,339 |
| | <hr/> |

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

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

No amounts are considered to be past due or impaired.

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

13 Trade and other payables

| | 2015 |
|-------------------------------------|---------------|
| | £'000 |
| Current | |
| Amounts due to fellow subsidiaries | 16,648 |
| Other payables and accrued expenses | 3,102 |
| | <hr/> |
| | 19,750 |
| | <hr/> |
| Non-Current | |
| Deferred bonus | 102 |
| | <hr/> |
| | 102 |
| | <hr/> |

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

Notes (continued)

14 Capital and reserves

Share capital

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

In respect of preference shares, the Company may declare a discretionary annual preference dividend (which will be apportioned amongst the preference shareholders in proportion to the number of preference shares they hold) equal to any revenues earned from the sale, licensing or other exploitation of the Company's Original IP. Upon any return of capital, 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 (continued)

15 Financial instruments and risk management

15 (a) Overview

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

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

The XTX Markets 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:

15 (b) Fair values of financial instruments

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

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

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

| | Carrying amount 2015 £'000 | Fair value 2015 £'000 | Level 1 2015 £'000 | Level 2 2015 £'000 | Level 3 2015 £'000 |
|--|-------------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Available for sale financial assets (note 10) | | | | | |
| CME seat | 3 | 3 | - | 3 | - |
| | — | — | — | — | — |
| | 3 | 3 | - | 3 | - |
| Total financial instruments | == | == | == | == | == |

Notes (continued)

15 Financial instruments and risk management (continued)

15 (c) Credit risk

Financial risk management

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

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

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

Exposure to credit risk

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

| | 2015 |
|--|-----------------------|
| | £'000 |
| Available for sale financial assets | 3 |
| Cash and cash equivalents | 40,817 |
| Financial asset held at amortised cost | 82,796 |
| Trade receivables due from related parties | 10,537 |
| Other receivables | 1,706 |
| Prepayments | 300 |
| | <u>136,159</u> |

Notes (continued)

15 Financial instruments and risk management (continued)

15 (d) Liquidity risk

Financial risk management

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

The Company seeks to ensure it maintains sufficient financial resources to meet its obligations as they fall due through the application of the XTX 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.

15 (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.
- Interest rate risk: a low level of risk associated with adverse interest rate movements impacting cash deposits and the financial asset held at amortised cost.

Market risk – Foreign currency risk

The Company manages its exposure to foreign currencies in accordance with the XTX Markets Foreign Currency Policy, which aims to minimise foreign currency risk to an appropriate level, whilst ensuring that exposures do not exceed established limits. Any exposure over these limits would need to be converted via a spot transaction into GBP. Due to the Company's operations being predominately in GBP, the Company is exposed to low levels of non-GBP exposure. The Company does not currently hedge its exposures to foreign currency risk.

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments. There are no derivative exposures.

Profile

31 December 2015

| | £'000 |
|--------------|---------------|
| Sterling | 94,020 |
| US Dollar | 2,858 |
| Euro | (18) |
| Other | (13) |
| | <hr/> |
| Net exposure | 96,847 |
| | <hr/> <hr/> |

Notes (continued)

15 Financial instruments and risk management (continued)

15 (e) Market risk (continued)

Market risk – Foreign currency risk (continued)

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 would have had the following impact on the Company:

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

Market risk – Interest rate risk

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

Profile

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

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

Notes (continued)

15 Financial instruments and risk management (continued)

15 (e) Market risk (continued)

Market risk – Interest rate risk (continued)

Sensitivity analysis

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

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

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

Market risk – Equity price risk

The Company's exposure to equity price risk arises from its investment in CME seats which are classified as available for sale financial assets and are shown on the balance sheet as other financial assets (see note 10). Due to the immaterial size of these assets, the Company has minimal sensitivity to equity price risk changes.

15 (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 has a low risk appetite for operational risk given that this source of risk is by far the most likely to result in a material loss to the business.

The Company has identified the operational risks facing the business. A suite of Key Risk Indicators (KRI's) has been implemented to provide early warnings of elevated levels of operational risk and increased likelihoods of events occurring

Operational Risk stress scenarios have been developed and modelled in conjunction with the Management Committee and staff on a worst case basis. The scenarios selected followed a holistic review of all risks facing the business which were narrowed down to identify the most appropriate and representative list of key operational risk scenarios facing the Company.

Notes (continued)

15 Financial instruments and risk management (continued)

15 (g) Capital management

The Company manages its shareholders' equity as capital. As at 31 December 2015 total shareholders' equity was £107,790,242. The Company is aiming to grow the capital base organically through the profits after taxation and does not intend to pay dividends for the forthcoming years.

The Company manages its capital adequacy in advance of authorisation by the FCA and has conducted an Internal Capital Adequacy Assessment Process ("ICAAP") to ensure that upon authorisation, 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.

16 Operating leases

At 31 December 2015, non-cancellable operating lease rentals are payable as follows:

| | 2015 |
|----------------------------|--------------|
| | £'000 |
| Less than one year | 422 |
| Between one and five years | 211 |
| More than five years | - |
| | <hr/> |
| | 633 |
| | <hr/> |

During the period £212,772 was recognised as an expense in the statement of comprehensive income in respect of operating leases.

17 Related parties

Identity of related parties with which the Company has transacted

As described in the strategic report, the Company's trading activities are operated out of GPT1, which has been funded by the Company via a senior unsecured loan for £82,795,724. The Company provides trading advisory services to GSA which acts as the investment manager of GPT1. Invoices to GSA for these services are typically settled within one month.

The Company receives quantitative research from a related party, XTX Research LLP. These payables are in the form of management services. The payables are not secured or interest-bearing, and are settled typically in the month following the accounting year end date.

Notes (continued)

17 Related parties (continued)

Related party transactions

| | Sales to | Administrative expenses incurred from | Receivables outstanding | Payables outstanding |
|------------------------------|---------------|---|----------------------------|-------------------------|
| | 2015 | 2015 | 2015 | 2015 |
| | £'000 | £'000 | £'000 | £'000 |
| XTX Holdings Limited | - | - | 10 | - |
| XTX Research LLP | - | 17,609 | - | 16,648 |
| GSA Capital Partners LLP | 72,367 | - | 10,527 | - |
| Green Park Trading 1 Limited | - | - | 82,796 | - |
| GSA Capital Services Limited | - | 201 | - | - |
| | <u>72,367</u> | <u>17,810</u> | <u>93,333</u> | <u>16,648</u> |

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management compensation

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

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

18 Ultimate parent company and parent company of larger group

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

The consolidated financial statements of XTX Holdings Limited are available to the public and may be obtained from the Maltese Registry of Companies.

19 Subsequent events

Following the period ended 31 December 2015 and up to the date of signing the financial statements, the Company entered into a new non-cancellable 10 year operating lease rental for £22,311,425 over the 10 year period.