

UK Registered number 09415174

XTX Markets Limited

Annual report and financial statements

For the year ended 31 December 2022



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Directors and officers

Directors

Z Amrolia (appointed as chair 1st October 2022)
N Beattie (resigned 1st October 2022)
H Buehler (appointed 31 March 2023)
A Gerko
S Harry (appointed 12 May 2022)
D Ireland
D Paterson

Company secretary

M Freville

Independent auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered office

R7
14-18 Handyside Street
London
N1C 4DN

Company number

Registered in England and Wales: No. 09415174

Strategic report

For the year ended 31 December 2022

The directors present their strategic report for XTX Markets Limited ("the Company") for the year ended 31 December 2022.

Review of the Company's business

Background

The Company is a private limited company, incorporated under the laws of the United Kingdom ("UK"). The Company's principal activity is to trade on its own account fully electronically in equity and FX 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 Class 2 investment firm under MIFIDPRU and by the National Futures Association ("NFA") of the United States as a swap dealer. For the year ended 31 December 2022 and for the foreseeable future, the principal activity of the Company is to trade on its own account. No changes to the principal activity are anticipated in the foreseeable future.

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.

Financial position and performance

The trading results of the Company for the period ending 31 December 2022 is shown in the statement of comprehensive income on page 11, the financial position of the Company as at 31 December 2022 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 indicators of the Company are return on assets and net revenue. For the year ended 31 December 2022, the return on opening net assets was 3% (2021: 12%). Net revenue was £136.4m (2021: 531.6m), it fell 74% due to the cessation certain activities that are now undertaken by an affiliate following the steps taken to distinguish counterparty and proprietary trading activities, as referenced above.

The profit after tax margin for the year was 4% (2021: 5%) giving a profit after tax of £6.6m (2021: £28.9m). Management consider profit after tax margin to be a less important performance indicator, as the majority of the Company's cost base is highly geared to revenue, and thus profits after tax are expected to be relatively stable going forward. Net revenue is considered by the management to be the best performance indicator. The directors consider that the Company's underlying performance and its continued growth have exceeded expectations.

Shareholder's equity at 31 December 2022 was £178.8m (2021: £252.4m). This was after £80.0m (2021: £10.0m) 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 and efficiently use the capital base of the Group entities, while ensuring a robust capital base is maintained to support Company's trading activities.

XTX Markets Limited is consistently a top 5 liquidity provider globally in FX (Euromoney 2018 to present) and is the largest European equities (systematic internaliser) liquidity provider and has been for 3 years running (Rosenblatt FY 2020/2021/2022) and continues to build out its growing counterparty 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 all staff. 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 2022

The Board's primary objective is promoting the success of the Company in the interests of its key stakeholders, including but not limited to Shareholders, regulators and suppliers. 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.

During 2022, activities were undertaken by the Board regarding the considerations of stakeholders. Examples of this 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, previously undertaken in XTX Markets Limited, and the continuing impact on operations.

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 £80.0m (2021: £10.0m) 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.

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. Management have implemented operational improvements to the accounts payable process during 2022 which will ensure greater reliability, efficiency and transparency of the Company's payment processes. The Company's standard payment terms are 30 days from the date the invoice was received. According to the published payment practices data for 2022, the average time taken to pay third party suppliers of the Company was 28.2 days (2021: 22.6 days).

Regulators and market standards:

The Company is a staunch advocate of fair and efficient financial markets and aims to use leading technology to promote fairer financial markets. The Company is directly authorised and regulated by the FCA and NFA, 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 and metals Global Codes 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 counterparts.

Strategic report (continued)

For the year ended 31 December 2022

The wider community:

The Board is 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 Groups corporate philanthropy focuses on STEM education and maximum impact giving (alongside an employee matching programme). Since 2017, the Group has donated over £70m to charities and good causes, establishing us as a major donor in the UK and globally. Our support also came to the fore during Covid (being the first donor to the NHS Charities Together campaign with a £10m donation) and when the war in Ukraine started. In the year 2022, the Group made donations totalling £43m, with £24m supporting causes in Ukraine.

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 continue to grow its counterparty facing business in 2023 and beyond. 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 in 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 18 to the financial statements

By order of the Board,



David Ireland

Director

24 April 2023

Directors' report

For the year ended 31 December 2022

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2022.

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 (appointed as chair 1st October 2022)
D Ireland
N Beattie (resigned 1st October 2022)
D Paterson
S Harry (appointed 12 May 2022)
H Buehler (appointed 31 March 2023)

Dividend

Ordinary interim dividends of £80.0m (2021: £10.0) 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 2022.

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 31 July 2024.

In reaching this conclusion the directors have prepared a detailed financial forecast which shows 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 31 July 2024. 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.

Financial risk management

The Company's activities may expose it to certain financial risks including interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seeks to minimise the potential adverse effects of the risks outlined in note 18.

Events after the reporting period

The Board declared interim dividends of £55m and paid it on 28 March 2023.

Political contributions

The Company made no political donations and did not incur any political expenditure during the year (2021: £nil).

Pillar 3 disclosure

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

Directors' report (continued)

For the year ended 31 December 2022

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.

Professional indemnity

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this 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.

	FY2022	FY2021
Total energy consumption used to calculate emissions (kWh)	146,331	970,235
Emissions from combustion of gas tCO ₂ e	nil	nil
Emissions from purchased electricity in tCO ₂ e (scope 2)	nil	nil
Total gross tCO ₂ e emissions	nil	nil
Intensity ratio tCO ₂ e per net revenue £mil	N.A	N.A

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 Group adopted a carbon policy in 2020 of voluntarily buying carbon removal credits in order to reduce its 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. The carbon credits are expensed to the Statement of Comprehensive Income.

In the 2022 financial year the total energy consumption within the Group was down 11%. All energy consumption came from renewable sources, so the total gross tCO₂e emissions for the period are nil. Company consumption is reduced due to aforementioned movement of activities to XTX Markets Trading Limited.

The Company used the UK government published greenhouse gas reporting conversion factors for 2021 and 2022.

By order of the Board

David Ireland
 Director



24 April 2023
 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 assume 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 2022 which comprise 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 21 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 2022 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 31 July 2024, 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.

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.

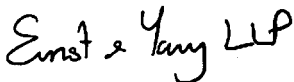
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant those that relate to the reporting framework (UK adopted international accounting standards) and relevant tax compliance regulations. In addition, we concluded 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, Chief Compliance Officer, Head of Operational 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
26 April 2023

Statement of comprehensive income
for year ended 31 December 2022

		Year Ended 31 December 2022	Year Ended 31 December 2021
	Note	£'000	£'000
Net revenue	3	136,361	531,558
Administrative expenses		(130,620)	(492,337)
Finance and other income	6	3,343	5,866
Finance and other expense	6	(2,264)	(7,182)
Profit before tax		6,820	37,905
Taxation	7	(208)	(9,041)
Profit for the year		6,612	28,864

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 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	9	4,192	6,210
Intangible assets	10	-	2
Deferred tax asset	11	4,295	4,451
Trade and other receivables	14	4,104	4,100
Right-of-use assets	12	7,457	9,114
		20,048	23,877
Current assets			
Cash and cash equivalents		40,582	72,622
Financial assets at fair value through profit or loss	13	23,951	62,872
Trade and other receivables	14	143,517	213,914
Current asset investments held at amortised cost	15	-	14,198
		208,050	363,606
Total assets		228,097	387,483
Current liabilities			
Financial liabilities at fair value through profit or loss	13	32,714	44,185
Trade and other payables	16	6,813	79,527
Lease liabilities	12	1,813	1,813
		41,340	125,525
Non-current liabilities			
Lease liabilities	12	7,704	9,516
Total liabilities		49,044	135,041
Net assets		179,054	252,442
Equity			
Share capital	17	69,770	69,770
Retained earnings		109,284	182,672
Total equity		179,054	252,442

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 2023 and were signed on its behalf by:

David Ireland

Director

21 April 2023

Company registered number: 09415174



Statement of changes in equity
for year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022	69,770	182,672	252,442
Profit for the year	-	6,612	6,612
Dividends paid	-	(80,000)	(80,000)
Balance at 31 December 2022	69,770	109,284	179,054

	Share capital £'000	Retained earnings £'000	Total Equity £'000
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)
Balance at 31 December 2021	69,770	182,672	252,442

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

Statement of cash flows
for year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the year before tax		6,820	37,905
<i>Adjustments for:</i>			
Depreciation	9	2,757	6,646
Amortisation	10	2	29
Net finance expense	6	(175)	1,078
Net right of use assets (income)/expense	12	(157)	(79)
<i>Changes in working capital:</i>			
Net cash outflow arising from trading activities		27,028	(3,096)
Decrease/(increase) in trade receivables	14	73,273	23,425
Decrease in other receivables	14	657	1,813
(Decrease)/increase in trade and other payables	16	(72,709)	2,836
		37,496	70,557
Tax paid		(3,592)	(10,541)
Net cash inflow from operating activities		33,904	60,016
Cash flows from investing activities			
Interest and dividends received	6	657	1,873
Interest and dividends paid	6	(482)	(2,951)
Acquisition of property, plant and equipment	9	(739)	(1,290)
Sale of exchange memberships	13	422	7,066
Net cash received for current asset investments	15	14,198	1,131
Net cash inflow from investing activities		14,056	5,829
Cash flows from financing activities			
Dividends paid to immediate parent		(80,000)	(10,000)
Net cash outflow from financing activities		(80,000)	(10,000)
Net increase/(decrease) in cash and cash equivalents		(32,040)	55,845
Cash and cash equivalents at 1 January		72,622	16,777
Cash and cash equivalents at 31 December		40,582	72,622

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 in England with a registered address of R7, 14-18 Handyside Street, London N1C 4DN.

The principal activity of the Company is 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 revenue, expenses, assets or liabilities; or the accompanying disclosures.

No accounting standards were adopted during the year 2022. 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 are 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
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	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

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 31 July 2024.

In reaching this conclusion the directors have prepared a detailed financial forecast which shows 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 31 July 2024. 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.

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, derivatives, 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.

Notes to the financial statements (*continued*)

2. Accounting policies (*continued*)

2.5 Financial instruments (*continued*)

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Financial assets and liabilities held at fair value through profit or loss are recognised and de-recognised on the trade date for the transaction which is deemed to be the point at which the Company transfers the rights or obligations of ownership from a third party. Gains and losses arising from changes in the fair value of financial assets and liabilities are included in the statement of comprehensive income in the period in which they arise. Fair values are determined using the fair value hierarchy discussed further in note 19.

Trade and other receivables

Trade and other receivables are recognised initially at 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 applies 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 Net revenue

Revenue comprises income from 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 for realised profits or losses and the difference between the fair value on open positions at the reporting date and the initial cost of acquisition for unrealised profits or losses. 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.

2.10 Other income and expenses

Lease payments

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

Financing income and expenses

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

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.

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.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

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 Fair Value through profit and loss ("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. 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)

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

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Net trading revenue	136,361	531,558
	<u>136,361</u>	<u>531,558</u>

Trading 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 totalled £36.7 for the year ended 31 December 2022 (2021: £127.4m).

4. Profit before tax

Profit before tax is stated after charging the following amounts:

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Depreciation	2,757	6,646
Amortisation	2	29
Losses / (gains) on foreign exchange on non trading activities	(1,482)	(2,878)
Amounts payable to the company's auditor in respect of:		
Audit of financial statements	57	127
Taxation services	-	18
Lease costs:		
Depreciation	1,657	1,657
Interest	469	546

5. Directors' remuneration

The aggregate amount of remuneration payable by the Company to individuals operating in their capacity as directors of the Company during the year is as follows. The cost borne by the Company represents an apportionment of the overall cost of services provided to the Group.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Directors' remuneration	<u>388</u>	<u>514</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2021: £nil).

Notes to the financial statements *(continued)*

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

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Finance income		
Interest income from trading activities	854	1,327
Dividend income - trading	1,832	2,665
Dividend income – non trading	-	99
Other income	657	1,775
	<u>3,343</u>	<u>5,866</u>
Finance expense		
Interest expense from trading activities	-	1,734
Dividend expense from trading activities	1,782	2,497
Interest expense from lease	469	546
Interest expense	13	54
Movement on inventory positions	-	1,544
Unrealised loss on investments held at fair value through profit or loss	-	807
	<u>2,264</u>	<u>7,182</u>
Finance income - trading	2,686	3,993
Finance expense - trading	(1,782)	(4,230)
	<u>904</u>	<u>(237)</u>
Net finance income/(expense) - trading		
Finance income – non trading	657	1,873
Finance expense – non trading	(482)	(2,951)
	<u>175</u>	<u>(1,078)</u>
Net finance income/(expense) – non trading		

Notes to the financial statements (continued)

7. Taxation

(a) Analysis of the tax expense for the year

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Current UK tax charge	595	8,319
Overseas tax	213	248
Prior year adjustment-current tax	(629)	(710)
Double tax relief	(128)	(216)
Deferred tax charge/(credit)	325	(168)
Prior year adjustment-DT	(172)	1,063
Rate change	4	505
	<hr/>	<hr/>
Total tax expense	208	9,041
	<hr/>	<hr/>

(a) Factors affecting the tax charge for the year

The UK standard effective rate of corporation tax for 2022 was 19% (2021: 19%). The tax charge for the year is higher (2021: higher) than the applicable UK standard rate of corporation tax for the period of 19%. The differences are explained below:

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Profit before taxation	6,821	37,905
Tax using the applicable UK corporation tax rate of 19% (2021: 19%)	1,296	10,234
Effects of:		
Rate difference	12	(1,495)
Non-deductible expenses	6	25
Excess overseas tax	76	32
Group relief	-	(109)
Prior year adjustment	(801)	354
Exempt amounts	30	-
Income not taxable	(410)	-
Capital super-deduction	(1)	-
	<hr/>	<hr/>
Total tax expense	208	9,041
	<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 is thus subjected to an 8% surcharge on profits in excess of £25.0m per year.

Notes to the financial statements (continued)

8. Country-by-country reporting

Under the Financial Services and Markets Act 2000 Statutory Instruments 3188) the company is required to publish the following information:

Year ended 31 December 2022

Location	Nature of activities	Revenue £'000	No of full time employees	Profit before taxation £'000	Total tax expense £'000	Subsidies received £'000
UK	Proprietary electronic trading.	136,361	-	6,820	208	-

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	Proprietary electronic trading.	531,558	-	37,905	9,041	-

9. Property, plant and equipment

	2022 Leasehold improvements £'000	2022 IT equipment £'000	2022 Fixtures & fittings £'000	2022 Total £'000
Cost				
Balance at beginning of year	4,704	46,699	2,850	54,253
Additions	722	17	-	739
Balance at end of year	<u>5,426</u>	<u>46,716</u>	<u>2,850</u>	<u>54,992</u>
Depreciation and impairment				
Balance at beginning of year	2,008	44,424	1,611	48,043
Depreciation charge for the year	492	1,884	381	2,757
Balance at end of year	<u>2,500</u>	<u>46,308</u>	<u>1,992</u>	<u>50,800</u>
Net book value at 31 December 2022	<u>2,926</u>	<u>408</u>	<u>858</u>	<u>4,192</u>
Net book value at 31 December 2021	<u>2,696</u>	<u>2,275</u>	<u>1,239</u>	<u>6,210</u>

Notes to the financial statements *(continued)*

9. Property, plant and equipment *(continued)*

	2021 Leasehold improvements £'000	2021 IT equipment £'000	2021 Fixtures & fittings £'000	2021 Total £'000
Cost				
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>
Depreciation and impairment				
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>
Net book value at 31 December 2021	<u>2,696</u>	<u>2,275</u>	<u>1,239</u>	<u>6,210</u>
Net book value at 31 December 2020	<u>3,110</u>	<u>6,833</u>	<u>1,623</u>	<u>11,566</u>

Notes to the financial statements *(continued)*

10. Intangible Assets

	2022 Software £'000	2021 Software £'000
Cost		
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>
Amortisation and impairment		
Balance at beginning of year	651	622
Amortisation charge for the year	2	29
	<u>653</u>	<u>651</u>
Balance at end of year	<u>653</u>	<u>651</u>
Net book value at beginning of the year	<u>2</u>	<u>31</u>
Net book value at end of the year	<u>-</u>	<u>2</u>

11. Deferred tax asset

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

	2022 £'000	2021 £'000
Timing differences between capital allowances and depreciation of fixed assets	4,294	4,451
Timing differences in respect of trading	1	-
	<u>4,295</u>	<u>4,451</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	4,451	(157)	4,294
Timing differences in respect of deferred compensation	-	1	1
	<u>4,451</u>	<u>(156)</u>	<u>4,295</u>

Notes to the financial statements *(continued)*

12. Leases

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

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	1,657	1,657
Interest expense on lease liabilities	469	546
	<u>2,126</u>	<u>2,203</u>

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

	2022 £'000	2021 £'000
As at 1 January	9,114	10,771
Depreciation expense	(1,657)	(1,657)
As at 31 December	<u>7,457</u>	<u>9,114</u>

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

	2022 £'000	2021 £'000
As at 1 January	11,329	13,065
Interest expense	469	546
Payments	(2,282)	(2,282)
As at 31 December	<u>9,516</u>	<u>11,329</u>
Current	1,813	1,813
Non-Current	7,703	9,516
Maturity analysis of the lease liability		
Less than one year	1,813	1,813
Between one and five years	7,703	9,516
More than five years	-	-

Notes to the financial statements *(continued)*

13. Financial instruments at fair value through profit or loss

Financial instrument assets held for trading consist of long stock, long bonds and derivative positions and liabilities consist of 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 consist of long stock, long bonds and derivative positions.

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
Current		
Financial instruments held for trading	23,763	62,261
Exchange memberships	188	611
	<hr/>	<hr/>
Total	23,951	62,872
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 £'000	2021 £'000
Financial liabilities at fair value through profit or loss		
Current		
Financial instruments held for trading	32,714	44,185

14. Trade and other receivables

	2022 £'000	2021 £'000
Non-current		
Lease deposits	4,104	4,100
Current		
Amounts due from clearing brokers	132,325	202,960
Amount due from related parties	129	112
Other receivables	93	594
Prepayments and accrued income	1,717	4,534
Corporate tax receivable	9,253	5,714
	<hr/>	<hr/>
	143,517	213,914
	<hr/> <hr/>	<hr/> <hr/>

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 (2021: 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)*

15. Current asset investments

	2022 £'000	2021 £'000
Short term bond funds	-	14,198
	<u>-</u>	<u>14,198</u>

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

16. Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade and other payables	2,533	9,564
Amounts due to related parties	1,247	60,813
Accrued expenses	3,033	9,150
	<u>6,813</u>	<u>79,527</u>

17. Capital and reserves

Authorised shares	2022	2021
Ordinary shares of £1 each	69,770,000	69,770,000
	2022	2021
Ordinary shares issued and fully paid	£ '000	£ '000
As at 1 January	69,770	69,770
At 31 December	<u>69,770</u>	<u>69,770</u>
	2022	2021
Preference shares issued and fully paid		
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)*

17. Capital and reserves *(continued)*

Ordinary interim dividends of £80.0m (2021:£10.0) was declared on 17th March 2022 on were paid on 18th March 2022 to the immediate parent.

18. Financial instruments and risk management

18.1 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. 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.

18.2 Market risk

Market risk - Foreign currency risk

The Company manages its exposure to foreign currencies in accordance with the Group's 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 group 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 the established limits is eliminated or hedged via various financial instruments, principally FX spot or forward trades and futures.

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

Profile

	2022 £'000	2021 £'000
US Dollar	62,161	72,611
Euro	1,481	44,785
Swiss Franc	12,564	11,622
Canadian Dollar	7,391	1,443
Other	415	20,024
	<hr/>	<hr/>
Net exposure	84,012	150,485
	<hr/>	<hr/>

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)

18. Financial instruments and risk management (continued)

18.2 Market risk (continued)

Market risk - Foreign currency risk (continued)

A 10% change in GBP to USD, GBP to CHF and GBP to CAD would have had the following impact on the company:

	10% increase in USD rate £'000	10% decrease in USD rate £'000	10% increase in CHF rate £'000	10% decrease in CHF rate £'000	10% increase in CAD rate £'000	% decrease in CAD rate £'000
Increase/(decrease) in net assets as at 31 December 2022	(6,216)	6,216	(1,256)	1,256	(739)	739
Increase/(decrease) in net profit as at 31 December 2022	(6,216)	6,216	(1,256)	1,256	(739)	739

	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 2021	(8,019)	9,801	(567)	693	(3,822)	4,672
Increase/(decrease) in net profit as at 31 December 2021	(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 short term bond funds.

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

	2022 £'000	2021 £'000
Variable rate instruments		
Cash and cash equivalents	40,582	72,622
Amounts due from clearing brokers	132,325	202,960
Short term bond funds	-	14,198
	<u>172,907</u>	<u>107,780</u>

Sensitivity analysis

A change of 200 basis points (bps) 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. In the current year, management has chosen to use a sensitivity analysis of 200 basis points for interest rate risk, compared to the 50bps used in previous years. This change in sensitivity is due to recent interest rate fluctuations and the evolving economic climate. Management believes that the

Notes to the financial statements (continued)

18. Financial instruments and risk management (continued)

18.2 Market risk (continued)

Market risk – Interest rate risk (continued)

200bps sensitivity better reflects the potential impact of interest rate changes on the company's financial position and performance, considering the current market conditions and interest rate outlook.

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 200bps £'000	Decrease by 200bps £'000
Annualised increase/(decrease) in net assets based on net assets as at 31 December 2022	3,458	(3,458)
Annualised increase/(decrease) in profit based on net assets at 31 December 2022	3,458	(3,458)

	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)

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, it remains exposed to adverse market movements during the time that the positions are held, which if realised would 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 dynamically hedge their exposure to reduce risk exposures. In other asset classes, trading positions are typically reduced prior to overnight market closures, reducing exposures.

At the end of the reporting period, had the prices of financial instruments held been 5% (2021: 5%) higher (or lower) with all other variables held constant, the Company's profit before tax would have been -£1.0m (2021: £0.2m) lower (or higher, respectively), arising as a result of higher (or lower) fair value gains on net financial assets held at fair value through profit or loss.

18.3 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)

18. Financial instruments and risk management (continued)

18.3 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 2022 £'000	Fair value 2022 £'000	Level 1 2022 £'000	Level 2 2022 £'000	Level 3 2022 £'000
Assets					
Financial instruments held for trading (note 13)	23,763	23,763	23,763	-	-
Short term bond funds	-	-	-	-	-
Exchange memberships (note 13)	188	188	9	179	-
Total financial assets	23,951	23,951	23,772	179	-
Liabilities					
Financial instruments held for trading (note 13)	32,714	32,714	32,714	-	-
Total financial liabilities	32,714	32,714	32,714	-	-

	Carrying amount 2021 £'000	Fair value 2021 £'000	Level 1 2021 £'000	Level 2 2021 £'000	Level 3 2021 £'000
Assets					
Financial instruments held for trading (note 13)	62,261	62,261	62,261	-	-
Short term bond funds	14,198	14,198	14,198	-	-
Exchange memberships (note 13)	619	619	-	619	-
Total financial instruments	77,078	77,078	76,459	619	-
Liabilities					
Financial instruments held for trading	44,185	44,185	44,185	-	-
Total financial liabilities	44,185	44,185	44,185	-	-

Notes to the financial statements (continued)

18. Financial instruments and risk management (continued)

18.4 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 counterparties that the Company trades with directly.

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:

	2022 £'000	2021 £'000
Amounts due from clearing brokers	132,325	202,960
Cash and cash equivalents	40,582	72,622
Money market funds and short term bond funds	-	14,198
Amount due from related parties	129	112
Other receivables	93	594
Accrued income	1,717	2,670
	<u>174,914</u>	<u>293,156</u>

Amounts due from clearing brokers pertain mainly to cash balances and trade transactions awaiting settlement. 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 practices 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 2022, there were no financial assets that were past due or impaired.

18.5 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 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 payments and amounts due to related parties. Under the liquidity management framework a these balances are considered to be payable on demand and the anticipated cash outflows needed to settle these obligations are considered to approximate to the carrying amount shown on page 14.

The Company seeks to ensure it maintains sufficient financial resources to meet its obligations as they fall due through the application of the Company's liquidity management framework. The framework determines a target level of liquidity to hold against forecasted net outflows and performs a range of plausible yet severe stresses to ensure that the Company's liquidity resources are adequate to ensure that its liabilities can be met at all times. The framework is assessed for appropriateness at least annually via the Company's Internal Capital and Risk Assessment ("ICARA") process.

Notes to the financial statements *(continued)*

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

18.5 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.

2022:	Within 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	32,714	-	-
Trade and other payables	2,533	-	-
Accrued expenses	3,033	-	-
Lease liabilities	1,813	7,703	-
Amounts due to related parties	1,247	-	-
2021:	Within 1 year £'000	Between 1 and 5 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	-	-

18.6 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 Group assesses its exposure to these operational risk categories. A number of material scenarios are selected for each category and are assessed against certain criteria, such as 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.

18.7 Capital management

The Company manages its shareholders' equity according to the XTX Group's capital management plan. As at 31 December 2022 total shareholders' equity was £177.0m (2021: £252.4m).

The Company manages its capital adequacy via real time monitoring and has conducted an ICARA process 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. The Company is regulated by the UK Financial Conduct Authority as a Class 2 investment firm under MIFIDPRU and by the National Futures Association ("NFA") of the United States as a swap dealer, and complied with the capital requirements thereof throughout the period.

Notes to the financial statements (*continued*)

19. 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.

	Revenue	Administrative expenses	Receivables outstanding	Payables outstanding
	2022	2022	2022	2022
	£'000	£'000	£'000	£'000
Other affiliates	-	118,201	129	1,247

	Revenue	Administrative expenses	Receivables outstanding	Payables outstanding
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Other affiliates	-	461,156	112	60,813

The revenue 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 2022 there were no guarantees in place for any related party receivables or payables. For the year ended 31 December 2022, 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% percent of the voting shares of the Company through their ownership of shares in XTX Topco Limited. The members of the Board of Directors are listed on pages 1 and 5 of these financial statements.

There are no amounts receivable from members of the Board of Directors as at 31 December 2022. 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 5.

20. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of XTX Holdings (UK) Limited, a company incorporated in England and Wales and tax resident in the UK. The Company's ultimate parent company is XTX Topco Limited, an entity incorporated in Cayman Islands and tax resident in the UK. The Company's ultimate controlling party is Alex Gerko.

XTX Holdings (UK) Limited produce consolidated financial statements statutory consolidated financial statements that incorporate the results of the Company. The Company's ultimate controlling party has no requirement to produce statutory consolidated financial statements.

21. Events after the reporting period

The Board declared interim dividends of £25m and £30m on the 28th of February and 1st of March respectively and paid it on 28 March 2023.