

**Marex Financial**

Annual Report and Financial Statements

Year ended 31 December 2019

Registration Number 05613061

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**Marex Financial (formerly Marex Financial Limited)**

**COMPANY INFORMATION**

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<b>Country of Incorporation</b>	England and Wales
<b>Legal Form</b>	Private unlimited company
<b>Directors</b>	R J Reid P R Tonucci S J Van Den Born N G W Grace
<b>Company Secretary</b>	S Linsley
<b>Registered Office</b>	155 Bishopsgate, London, EC2M 3TQ
<b>Auditor</b>	Deloitte LLP Hill House, 1 Little New Street, London, EC4A 3TR
<b>Bankers</b>	Lloyds Bank plc 25 Gresham Street, London, EC2V 7HN Bank Leumi (UK) plc 20 Stratford Place, London, W1C 1BG HSBC Bank plc Level 19, 8 Canada Square, London, E14 5HQ Barclays Bank plc 1 Churchill Place, London, E14 5HP

**DIRECTORS' REPORT**

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The directors present their report and audited financial statements of Marex Financial ('the Company' or 'the firm') for the year ended 31 December 2019. In the prior year the Company was a limited liability company known as 'Marex Financial Limited'. Marex Financial then re-registered as an unlimited liability company on 8<sup>th</sup> November 2018 and remains a subsidiary of Marex Spectron Group Limited ('Marex Spectron' or 'the Group').

**About Marex Financial**

Marex Financial is a leading independent global commodity specialist, providing clients with extensive access to financial and physical markets.

We provide our clients with unrivalled breadth and depth across two core services:

- Market Making
- Commercial Hedging

With the dominant franchise in many major metal and agricultural products, we have a broad and diverse client base that includes the largest blue-chip commodities producers, consumers and traders, as well as leading banks, hedge funds, asset managers and brokers.

Marex Financial is regulated in the UK by the Financial Conduct Authority (FCA), which also regulates the Group under consolidated supervision.

Marex Spectron is an efficient, robust and scalable business. With such a comprehensive product and service offering, we are thoroughly embedded in the global commodity infrastructure. As part of the wider Marex Spectron Group, we are currently connected to 37 major global exchanges, including the London Metal Exchange, where we are a Category 1 Member and Ring Dealer, the CME Group (CME) and the Intercontinental Exchange (ICE). In 2019, the Group cleared over 183 million contracts on exchange and executed over 31 million trades for our clients, compared with 120 million contracts and 29 million trades in 2018.

To succeed in our markets and to attract institutional clients, we have built an offering that is much more than just exchange access, it is also about data and intelligence. As funds and money managers increasingly rely on quantitative data, we are supporting their trading and execution decisions with innovative content, enhanced data and better technology capabilities. To enable this, we are investing in intelligence (including proprietary systems and models), content (quotes, reports and quantitative as well as fundamental research) and advanced technical systems.

**CORE SERVICES**

For the first time, we have re-categorised our business into core components: Market Making and Commercial Hedging. We believe this is a clearer way to explain what our firm does and demonstrates how we are providing consistent services across the commodity markets.

**Market Making**

In Market Making we are providing liquidity across all key commodity markets including Metals (Base, Ferrous and Precious Metals), Agriculture (Cocoa, Coffee, Grains, Livestock and Sugar) and Energy (Crude Oil, Residual Fuel-Oil, Middle Distillates, Naphtha, Gasoline, Natural Gas, Coal and Dry Freight). This includes traditional market making, as well as separate trading activities.

**Commercial Hedging**

Commercial Hedging is our exchange traded futures business in which we are providing our clients with extensive execution and clearing services in Metals (Base, Ferrous and Precious Metals), Agricultural products (Cocoa, Coffee, Grains, Livestock and Sugar) and financial futures and options. Commercial Hedging also includes our customised hedging and structured notes businesses.

**Support**

Underpinning each of these services is a global back-office infrastructure, focused on operational excellence and employing the most talented individuals.

**Culture**

Culture continues to be of the utmost importance for our business. Our culture is grounded in five key principles:

***Respect***

Clients are at the heart of our business, with superior execution and superb client service the foundation of the firm. We respect our clients and always treat them fairly.

***Personal integrity***

Doing business the right way is the only way. We hold ourselves to a high ethical standard in everything we do – our clients expect this, and we demand it of ourselves.

***Collaborative***

We work in teams - open and direct communication and the willingness to work hard and collaboratively are the basis for effective teamwork. Working well with others is necessary for us to succeed at what we do.

***Developing our people***

Our people are the basis of our competitive advantage. We look to “grow our own” and make Marex Spectron the place ambitious, hardworking, talented people choose to build their careers.

***Adaptable***

Our size and flexibility are an advantage. We are big enough to support our clients' various needs, and adaptable and nimble enough to respond quickly to changing conditions or requirements. A non-bureaucratic, but well-controlled environment fosters initiative as well as employee satisfaction.

**Directors**

The following directors have held office throughout the year and to the date of this report, except where noted:

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	Appointed	Resigned
R J Reid		
P R Tonucci		
S J Van Den Born		
R S Watts		11 April 2019
N G W Grace	27 June 2019	

**Indemnity of directors**

Each Director is indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by them in the proper exercise of their duties. Directors who have resigned during the year also benefit from the same indemnity arrangement. In addition, the directors are covered by an insurance policy.

**Directors' statement as to disclosure of information to the Auditor**

Each of the persons, who is a director at the date of approval of this report, confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Charitable and political contributions**

Marex Financial budgets to spend \$100,000 per annum to support employees in their charitable fundraising activities. It does this by donating 50% of the sum raised by the employee to the chosen charities. In order to ensure that the fund can be accessed by as many employees as possible, donations from the Company are capped at \$4,000 per fundraising event. The total charitable donations from this programme were \$52,886 during the year ended 31 December 2019 (2018: \$63,253).

No contributions were made for political purposes during the year (2018: \$nil).

**Foreign exchange**

The following foreign exchange rates have been used in the preparation of these financial statements:

	2019		2018	
	Average Rate	Year-end Rate	Average Rate	Year-end Rate
GBP / USD	1.2771	1.3265	1.3355	1.2762
EUR / USD	1.1195	1.1213	1.1811	1.1466

**Going concern**

After reviewing the Company's annual budget, liquidity requirements, plans and financial arrangements as well as the economic situation in the context of the Coronavirus Covid-19 discussed in note 31 and in note 3(b) to the Financial Statements the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and for at least 12 months from the date of signing of the balance sheet and confirm that the Company is a going concern. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

**Events after the reporting period**

Events since the statement of financial position date are disclosed in note 31.

**Legal Provisions**

During the year, the Company settled a legal provision, details of which can be found in note 23(b).

**Dividends**

The Company did not declare or make any dividend payments during the year ended 31 December 2019 (2018: \$nil).

**Financial risk management**

Financial risk management objectives are included in the strategic report.

**Future developments**

Future developments are included in the Chief Executive Officer's review.

**Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Group website.

**Auditor**

The auditor, Deloitte LLP, has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor pursuant to sections 485 – 488 of the Companies Act 2006.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and 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. In accordance with 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.

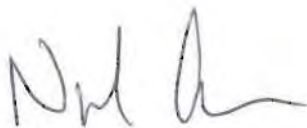
In preparing these financial statements, International Accounting Standard ('IAS') 1 requires directors to:

- properly select and apply accounting policies;
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:



N G W Grace  
Director  
6 May 2020



**Chief Executive Officer's Review**

I am delighted to report that 2019 was another record year for the Company, with the strongest financial results to date. This was despite various headwinds that included the Fed lowering rates three times, global trade tensions and commodities coming under increased pressure by a slower global demand outlook. Most recently, the global outbreak of Coronavirus Covid-19 has seen the business respond decisively to protect clients and staff, as well as preserving the financial position of the Company.

Our gross revenue in 2019 was \$245.2 million, marginally higher than the previous year's \$242.6 million, while net revenue was \$157.4 million, compared with \$151.2 million in 2018. Over the past three years, we have consistently increased our revenues (2019: \$245.2m; 2018: \$242.6m; 2017: \$189.9m) and at the same time have materially transformed the scope, scale and ambition of our firm.

Management EBITDA for the year was \$41.8 million, compared with \$40 million in 2018 and \$25.5 million in 2017. PBT for 2019 was \$26.2 million, a very significant increase on the \$4.2 million in 2018.

Highlights from the year included:

- Record results across financial metrics (gross revenues, net revenues, EBITDA and PBT).
- Significantly growing our OTC derivative business, Marex Solutions - both financially and physically - demonstrating that we can build a successful business from scratch.
- Successfully restructuring Pro Trader as Marex Clearing Services to focus on large wholesale customers.
- Diversifying our sources of liquidity through the launch of a new structured notes business, Marex Financial Products.
- S&P Global Ratings reaffirming its BBB long-term and A-2 short-term issuer credit ratings on Marex Financial.
- Spearheading innovation, through the October launch of a unique global copper smelting index, alongside Earth-i Ltd, that matches artificial intelligence and machine learning analytics with high definition satellite imagery of global copper smelters.

**Chief Executive Officer's Review (Continued)**

**Culture**

Over the past few years, we have sought to develop an even stronger culture that represents Marex Spectron. We know that you cannot grow a business quickly and successfully without addressing culture and change and investing in people. Underpinning our business are our people and we are absolutely committed to investing in and engaging with our employees to build a better business.

Retaining, hiring and cultivating a talented and diverse workforce is key to our continued success. To facilitate this, in 2019 we implemented new employee-focused initiatives that included smaller, more interactive, Town Hall CEO sessions, ran culture workshops across the Group to discuss our values, and conducted our inaugural employee survey.

This closer engagement has been extremely valuable and has shown that while we are doing a lot of things right, there is still room for improvement. We have already implemented numerous changes that came out of these sessions, including improvements to many of the working environments. We have prioritised further actions and more initiatives will be rolled out in the coming year.

Staff engagement has been critical in ensuring the successful implementation of our business continuity plans in response to the Coronavirus Covid-19 crisis, with over 90% of our staff working from home. We have continued to operate successfully with all of our controls, operational functions and risk management being maintained to a high standard.

**Brexit**

Our preparations for Brexit have focused on ensuring client business continuity. To achieve this, the Group established a Central Bank of Ireland regulated entity in Dublin as our European headquarters. To the extent that Marex Financial is affected by Brexit, it is intended to migrate European business to this entity.

**Making a difference**

We have been proactively strengthening our diversity and inclusivity programmes, and we are now in the process of developing a social purpose policy. We genuinely want to make a difference and, while we still have a long way to go, these initiatives are more than just aspirational goals, they are where we want Marex Spectron to take the lead in the global commodity market.

Given our position in the industry, we strongly believe that we have a role to play in promoting and supporting environmental sustainability initiatives. We made this clear in October 2019 when we announced our founding sponsorship of a multi-year Research Programme at the Smith School of Enterprise and the Environment at the University of Oxford. This is looking at the transition of capital-intensive industries to environmental sustainability, which includes the role of derivative markets and technology.

**Chief Executive Officer's Review (Continued)**

**Looking ahead**

We believe that our business is well positioned for current and future markets. As these results have shown, we have a robust and highly scalable platform. We have demonstrated that we can successfully integrate large new businesses and manage our costs. We will continue to develop our business organically, but we will also look for new growth opportunities to further our expansion.

We want to continue to diversify our business and strengthen our competitive position across markets, products and regions. The continued growth of the Marex Solutions business has added to the range of products offered to our clients; and the structured notes business has provided us with the means to expand the business further.

We will build on the successes of the past year and a core part of this is to develop an even stronger one-firm culture. This means not just seeing a client with one product, but with multiple value-added offerings from across our business.

**Q1 2020**

The Company's performance in 2020 has been very encouraging as we remain on track for another record year. This demonstrates the resilience and diversification in our franchise. The Coronavirus Covid-19 crisis has challenged us, but we have adapted to the necessary changes to our working environment and have negotiated the situation successfully.

We want to increasingly diversify our business and strengthen our leading position across markets, products and regions.

I would like to take this opportunity to thank all our clients for their continued support and our employees for their dedication and hard work.





I T Lowitt  
Group Chief Executive Officer  
6 May 2020

**Marex Financial (formerly Marex Financial Limited)****STRATEGIC REPORT (CONTINUED)****Review of financial performance**

It was against a backdrop of lower market volatility and three Fed interest rate cuts that we reported yet another year of record revenues and profit before tax. In 2019, our gross revenue was a record \$245.2 million, up from \$242.6 million in 2018. Substantial improvements were achieved in the key financial metrics. Profit Before Tax ('PBT') was \$26.2 million, compared with \$4.1 million in 2018 and \$17.6 million in 2017. Profit before tax (before one-time expenses) decreased to \$32 million from \$36.1 million in 2018 but was still a very good result given the less favourable market conditions. These numbers and our long-term growth trajectory shows the strength of our business model and of our franchise.

The one-time expense of \$5.8 million (\$31.9 million in 2018) relates to the final expenses for a High Court case heard in early 2019 concerning nickel warehouse receipts, where the firm was the victim of fraud.

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2019</b>
	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>v 2018</b>
	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
Revenue	245.2	242.6	189.9	199.1	221.3	2.6
Expenses	(216.0) 	(208.5)	(172.6)	(184.5)	(212.3)	(7.5)
Interest Income	7.1	5.8	3.9	1.8	0.5	1.3
Interest expense	(4.3)	(3.8)	(4.0)	(1.9)	(1.8)	(0.5)
<b>Profit before tax (before one-time expenses)</b>	<b>32.0</b>	<b>36.1</b>	<b>17.2</b>	<b>14.5</b>	<b>7.7</b>	<b>(4.1)</b>
One-time expenses	(5.8)	(32.0)	-	(0.9)	(3.5)	26.2
<b>Profit before tax (before one-time income)</b>	<b>26.2</b>	<b>4.1</b>	<b>17.2</b>	<b>13.6</b>	<b>4.2</b>	<b>22.1</b>
One-time revenues	-	0.1	0.4	-	2.3	(0.1)
<b>Profit before tax</b>	<b>26.2</b>	<b>4.2</b> 	<b>17.6</b>	<b>13.6</b>	<b>6.5</b>	<b>22.0</b>
Tax	(5.1)	(0.4)	(3.5)	(2.9)	(4.9)	(4.7)
<b>Profit after Tax</b>	<b>21.1</b>	<b>3.8</b>	<b>14.0</b>	<b>10.7</b>	<b>1.6</b>	<b>17.3</b>

**Marex Financial (formerly Marex Financial Limited)****STRATEGIC REPORT (CONTINUED)****Review of financial performance (continued)**

In addition to the Statutory Account numbers, management also focuses on key performance indicators ('KPIs') including Adjusted Profit Before Tax ('Adjusted PBT') and Adjusted Earnings Before Income Tax Depreciation and Amortisation ('Management EBITDA'), reflecting the underlying profitability of the business by excluding specific one-time items, the cost of investments, and specific business restructuring costs.

Adjusted PBT for 2019, which excludes non-operating items, was \$32.0 million, \$4.1 million lower than 2018 and \$14.8 million above that of 2017.

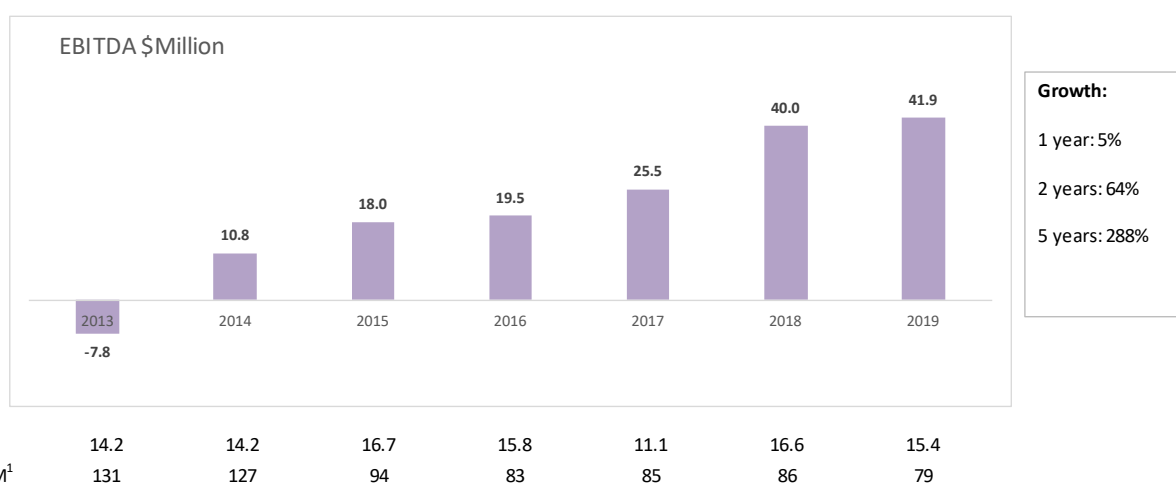
	2019 \$ million	2018 \$ million	2017 \$ million	2016 \$ million	2015 \$ million	2019 v 2018 \$ million
<b>Profit before tax (reported)</b>	<b>26.2</b>	<b>4.2</b>	<b>17.6</b>	<b>13.6</b>	<b>6.5</b>	<b>22.0</b>
<b>Exclude:</b>						
<b>One Time Revenues</b>						
Dividends received	-	(0.1)	-	-	-	0.1
LCH Clearnet share sale	-	-	(0.4)	-	-	-
<b>One Time Expenses</b>						
Warehouse Receipts Legal Matter	5.8	32.0	-	-	-	(26.2)
Intergroup Loan Forgiven	-	-	-	1.4	-	-
Goodwill impairment	-	-	-	-	3.0	-
Leasehold Dilapidations	-	-	-	(0.5)	0.5	-
<b>Profit Before Tax (before one-time Items)</b>	<b>32.0</b>	<b>36.1</b>	<b>17.2</b>	<b>14.5</b>	<b>10.0</b>	<b>(4.1)</b>
<b>Other Non-Op</b>						
Renegotiated dilapidations	-	-	-	0.5	-	-
Restructuring	-	-	-	0.9	-	-
Investments in new initiatives	-	-	3.8	0.3	-	-
<b>Adjusted profit before tax</b>	<b>32.0</b>	<b>36.1</b>	<b>21.0</b>	<b>16.2</b>	<b>10.0</b>	<b>(4.1)</b>

**Review of financial performance (continued)**

EBITDA was a record at \$41.9 million, up \$1.9 million on 2018.

	2019	2018	2017	2016	2015	2019 v 2018
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
<b>Adjusted profit before tax</b>	<b>32.0</b>	<b>36.1</b>	<b>21.0</b>	<b>16.2</b>	<b>10.0</b>	<b>(4.1)</b>
<b>Exclude:</b>						
Depreciation & amortisation	2.3	0.4	0.7	2.1	3.8	1.9
Financing costs	3.3	3.1	3.2	1.8	1.8	0.2
Lease expense relating to right of use asset	0.2	-	-	-	-	0.2
Implied interest cost of debt securities	3.1	-	-	-	-	3.1
Other non-operating costs	1.0	0.4	0.6	(0.6)	2.4	0.6
<b>Management EBITDA</b>	<b>41.9</b>	<b>40.0</b>	<b>25.5</b>	<b>19.5</b>	<b>18.0</b>	<b>1.9</b>

The accounting standard requires the interest expense associated with structured notes, recorded as Debt Securities on the Balance Sheet, to be included within revenue, rather than as financing expense. In determining EBITDA, an interest cost of \$3.1 million was computed by applying the Company's external cost of funds to the amounts raised from structured notes during the year.



<sup>1</sup> Average for the year. Data sourced from Bloomberg for VIX and Bloomberg Commodity Index

Given the breadth of our commodities business, with sizeable businesses in the energy, metals and agricultural sectors, the Bloomberg Commodity Index (BCOM) is a reasonable representation of the markets in which we operate. The 2019 weightings (across 23 raw materials) were Energy 30%, Grains 23%, Industrial Metals 18%, Precious Metals 16%, Softs 7% and Livestock 6%. In 2019, the BCOM index was down 8% (the average close was 79.4 compared with 86.2 in 2018) with the more defensive commodities the best performing.

Similarly, the CBOE VIX index average declined 7.2%.

In spite of these unhelpful conditions, the Company's EBITDA continued its upward trend, with 5% growth on 2018 and a 64% increase on 2017.

**Review of financial performance (continued)**

**Business review**

Marex Financial is organised into distinct business segments: Market Making and Commercial Hedging. Management evaluates the Company's performance on a net revenue basis – i.e. gross revenue of \$245.2 million (see note 5 to the financial statements) and net interest income of \$6.2 million less cost of trade of \$94.0 million (see note 6 to the financial statements). On this basis, the company generated net revenue of \$157.4 million, \$6.2 million higher than 2018.

<b>2019</b> \$ million	<b>Commercial Hedging</b>	<b>Market Making</b>	<b>Total</b>
<b>Base Businesses</b>			
Metals	31.0	46.8	77.8
Agriculturals	12.5	5.1	17.6
Energy	7.2	-	7.2
Other execution & Clearing	15.1	-	15.1
<b>New Businesses</b>			
Marex Solutions	18.8	-	18.8
<b>Corporate</b>	<b>20.9</b>	<b>-</b>	<b>20.9</b>
	<b>105.5</b>	<b>51.9</b>	<b>157.4</b>
	67%	33%	100%

<b>2018</b> \$ million	<b>Commercial Hedging</b>	<b>Market Making</b>	<b>Total</b>
<b>Base Businesses</b>			
Metals	35.2	44.3	79.5
Ags	12.5	8.6	21.1
Energy	6.3	-	6.3
Other execution & Clearing	18.0	-	18.0
<b>New Businesses</b>			
Marex Solutions	7.0	-	7.0
<b>Corporate</b>	<b>19.3</b>	<b>-</b>	<b>19.3</b>
	<b>98.3</b>	<b>52.9</b>	<b>151.2</b>
	65%	35%	100%

**Commercial Hedging**

Commercial Hedging net revenue in 2019 was \$105.5 million, compared with \$98.3 million in 2018, with the increase largely driven by significantly higher revenue from Marex Solutions.

**Review of financial performance (continued)**

**Commercial Hedging (continued)**

A major part of the Commercial Hedging activities is our Metals broking and clearing, which saw net revenue of \$31.0 million, compared with \$35.2 million in 2018. This was in line with lower metal market volatility in 2019 that saw trading volumes generally fall across exchanges and relatively rangebound markets.

In Agriculturals, net revenue from cocoa, coffee, sugar and grains, was \$12.5 million in 2019, which is the same as 2018 despite currency weaknesses, over-supply and structural changes in a number of key supply markets for cocoa, coffee and sugar. Grains experienced higher trading volumes, as heavy rains impacted the Midwest United States.

Marex Solutions, our corporate hedging and structured notes business, generated net revenue of \$18.8 million, which was a 169% increase on 2018's \$7 million. The team continued to increase its offerings and develop geographically, with new offices and higher headcount. The team also continued to develop their proprietary technology, AGILE, which has proved to be a scalable market leading platform. In September, Marex Solutions launched Marex Financial Products, a structured notes business, run by a highly experienced team that also leverages AGILE and has already seen strong inflows of new business.

**Market Making**

Metal market making net revenue in 2019 was \$46.8 million, up from \$44.3 million. Volatility in metals was lower than the previous year, but the team benefited from a profitable second half to the year, as various events, including Indonesia's expedited ban on nickel exports, along with directional moves in gold, zinc and a shift in the aluminium curve, positively impacted revenues.

Agricultural market making was more subdued in 2019, which was in line with the industry, with net revenue of \$5.1 million, down from \$8.6 million in 2018 when the team profited from various tradeable themes.



**Review of financial performance (continued)****Balance sheet**

Shareholders' equity increased by \$21.5 million in 2019 (2018: increased by \$3.4 million). This resulted from the profit after tax of \$21.1 million (2018: \$3.8 million), a negative adjustment of \$0.6 million from the impact of the change in accounting policy for leases under IFRS 16, and a net gain in other capital reserves of \$1 million. Tangible equity increased by \$20.5 million (2018: increased by \$3.4 million)

	<b>2019</b>	<b>2018</b>
	<b>\$'million</b>	<b>\$'million</b>
Shareholders' equity	213.9	192.4
Intangible assets	(2.0)	(1.0)
Goodwill	(3.2)	(3.2)
<b>Tangible equity</b>	<b>208.7</b>	<b>188.2</b>

**Review of financial performance (continued)**

**Balance sheet (continued)**

Overall, total assets on the balance sheet have increased by \$278.2 million (23.5%) year-on-year. Trade receivables increased by \$99.6 million (12.4%) from \$801.4 million to \$901.0 million, year on year, mainly driven by margin requirements with exchanges. The growth in the Solutions business is reflected in the increase in derivative instruments from \$29.0 million to \$91.9 million and equities of \$29.2 million held as hedges. Other receivables have increased by \$78.1 million, primarily driven by amounts due from group undertakings.

\$'million	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	136.4	-	130.2	-
Financial instruments (US Treasuries)	175.9	-	175.6	-
<b>Liquid assets</b>	<b>312.3</b>	-	<b>305.8</b>	-
Trade receivables	901.0	-	801.4	-
Other receivables	109.0	-	30.9	-
Trade payables	-	(935.9)	-	(852.9)
Other payables	-	(39.5)	-	(60.1)
<b>Trade and other receivables / (payables)</b>	<b>1,010.0</b>	<b>(975.4)</b>	<b>832.3</b>	<b>(913.0)</b>
Derivative instruments	91.9	(77.1)	29.0	(48.8)
<b>Net derivative assets / (liabilities)</b>	<b>91.9</b>	<b>(77.0)</b>	<b>29.0</b>	<b>(48.8)</b>
Net tax asset / (liability)	1.4	-	3.8	-
Provisions	-	(0.2)	-	(32.2)
Non-current assets	15.6	-	11.3	-
Equity instruments	29.2	-	-	-
Lease Liability	-	(2.9)	-	-
Issued debt securities	-	(196.2)	-	-
<b>Other</b>	<b>46.2</b>	<b>(199.3)</b>	<b>15.1</b>	<b>(32.2)</b>
	<b>1,460.4</b>	<b>(1,251.7)</b>	<b>1,182.2</b>	<b>(994.0)</b>
<b>Tangible equity</b>		<b>208.7</b>		<b>188.2</b>

**Review of financial performance (continued)**

**Balance sheet (continued)**

*Deployment of equity*

The Company's liquid assets have increased by \$6.5 million (2.1%) from \$305.8 million to \$312.3 million as at 31 December 2019. Cash and cash equivalents have increased by \$6.2 million (4.8%) year-on-year. The company has introduced a new source of financing through the issuance of \$196.2 million of debt securities, in the form of structured notes.

	<b>2019</b>	<b>2018</b>	<b>2019 v 2018</b>
	<b>\$'million</b>	<b>\$'million</b>	<b>\$'million</b>
Cash and cash equivalents	136.4	130.2	6.2
Financial instruments – (Treasuries)	175.9	175.5	0.4
<b>Liquid assets</b>	<b>312.3</b>	<b>305.7</b>	<b>6.6</b>
Trade receivables	901.6	801.4	100.2
Trade payables	(935.7)	(852.9)	(82.8)
<b>Net trade (payables) / receivables</b>	<b>(34.1)</b>	<b>(51.5)</b>	<b>17.4</b>
Derivative instruments – assets	91.9	29.0	62.9
Derivative instruments – liabilities	(77.1)	(48.8)	(28.3)
<b>Net derivative instruments (liabilities) / assets</b>	<b>14.8</b>	<b>(19.8)</b>	<b>34.6</b>
Other receivables	108.7	31.0	77.7
Other payables	(39.8)	(60.1)	20.3
Net tax assets / (liabilities)	1.4	3.8	(2.4)
Issued debt securities	(196.1)	-	(196.1)
Lease liability	(3.0)	-	(3.0)
Equity instruments	29.2	-	29.2
Provisions	(0.2)	(32.2)	32.0
Non-current assets	15.6	11.3	4.3
<b>Other net payables</b>	<b>(83.6)</b>	<b>(46.3)</b>	<b>(37.3)</b>
<b>Tangible equity</b>	<b>208.7</b>	<b>189.2</b>	<b>20.5</b>

**Review of financial performance (continued)**

**Balance sheet (continued)**

***Liquidity***

Company liquidity resources are the cash or assets that can be quickly converted to meet immediate and short-term obligations. The resources include non-segregated cash, unencumbered US Treasuries, LME house forward profits in excess of house margin requirements, and LME house warrant inventory.

The Company has access to the Group's Working Capital Facility, which increased by \$40 million to \$165 million, with Lloyds Bank, Bank Leumi UK, Industrial and Commercial Bank of China Limited London Branch and Barclays bank expanding the size of its commitments from \$25 million to \$35 million each. The facility also includes Allied Irish Bank with a commitment of \$25 million. In addition to increased size, access to same day liquidity increased by \$10 million to \$35 million for improved cash management.

In 2019, the Marex Solutions business significantly grew their structured notes programme, which has become an important source of liquidity for the firm. At year-end, total notes issued was \$196 million with focus on spreading out the maturity profile of the notes issued, as well as maintaining a minimum duration.

***Regulatory capital-***

The Firm is subject to minimum capital requirements as prescribed by the EU and implemented through the Capital Requirements Directive ('the Directive') and the Capital Requirements Regulation ('CRR'), collectively referred to as CRD IV. The Firm is regulated by the FCA.

The Firm has a strong capital base with the Firm's Own Funds composed of instruments qualifying as Common equity Tier 1 capital ('CET 1') instruments. The Firm's minimum capital requirements consist of market, credit and operational risk calculated under standardised methodologies.

As at 31 December 2019 the Firm had Own Funds of \$186.7 million and a total minimum capital requirement ('Pillar 1') of \$84.8 million.

The Firm reported a Pillar 1 excess of \$101.9 million. The main constituent of the Pillar 1 requirement is Market Risk capital charges.

As at 31 December 2019, the Firm reported a capital ratio of 17.60%. The ratio expresses the Firm's capital as a percentage of Total Risk Exposure (Pillar 1 divided by 8%) where the regulatory minimum is 8%. The Firm manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Firm's growth and strategic options. The Firm performs capital projections and stress testing at least annually as part of the Firm's Internal Capital Adequacy Assessment Process ('ICAAP').

**Overview of risk management**

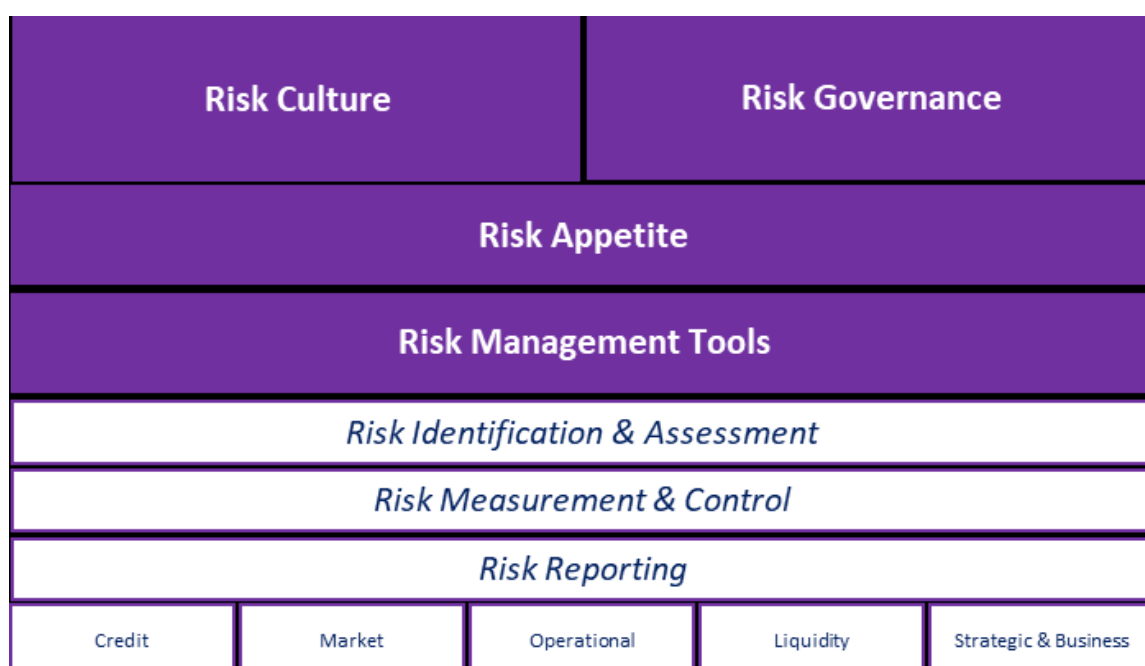
The Company views risk management as a key consideration in delivering its strategic business aims and objectives, whilst ensuring the Company’s long-term sustainability and effective corporate governance. The Company’s business strategy and risk appetite are linked and form the driver for decision-making across the Company to ensure risk taking remains within the defined boundaries to support business strategy, effective management of capital and efficient use of liquidity. The Company views risk management as a key factor in delivering its strategic business aims and objectives whilst ensuring its long-term sustainability and effective corporate governance.

Risk management is not managed solely at a company level, and instead places reliance on the overall risk management function of the Marex Spectron Group Limited (“Group”). To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Marex Spectron Enterprise Wide Risk Management (‘EWRM’) Framework which is enabled by people, processes and systems and sets the foundations and organisational structure for implementing and reviewing risk management practices and activities across the Group.

The Group EWRM Framework is an overarching document that applies to the Group. The Group Board has overall responsibility for ensuring an appropriate governance framework for the Group. The Board maintains oversight over subsidiaries yet is cognisant of the local regulatory responsibilities applicable to Boards of local operations. Subsidiaries may develop their own risk frameworks and policies tailored to their specific business, however in the development and approval of such frameworks and policies they should be consistent with, and have regard for, the principles of the Group EWRM Framework and Group policies. This ensures that all separate legal entities are treated collectively for the purposes of risk identification, assessment and reporting, so the Group has a holistic view of risk.

The Group EWRM Framework is reviewed annually by Risk Management, or more frequently where material changes occur, and approved by the Board every three years. The framework is cascaded to relevant senior management to ensure business and risk strategies are formulated and reported consistently.

**Components of the EWRM Framework**



**Risk Culture**

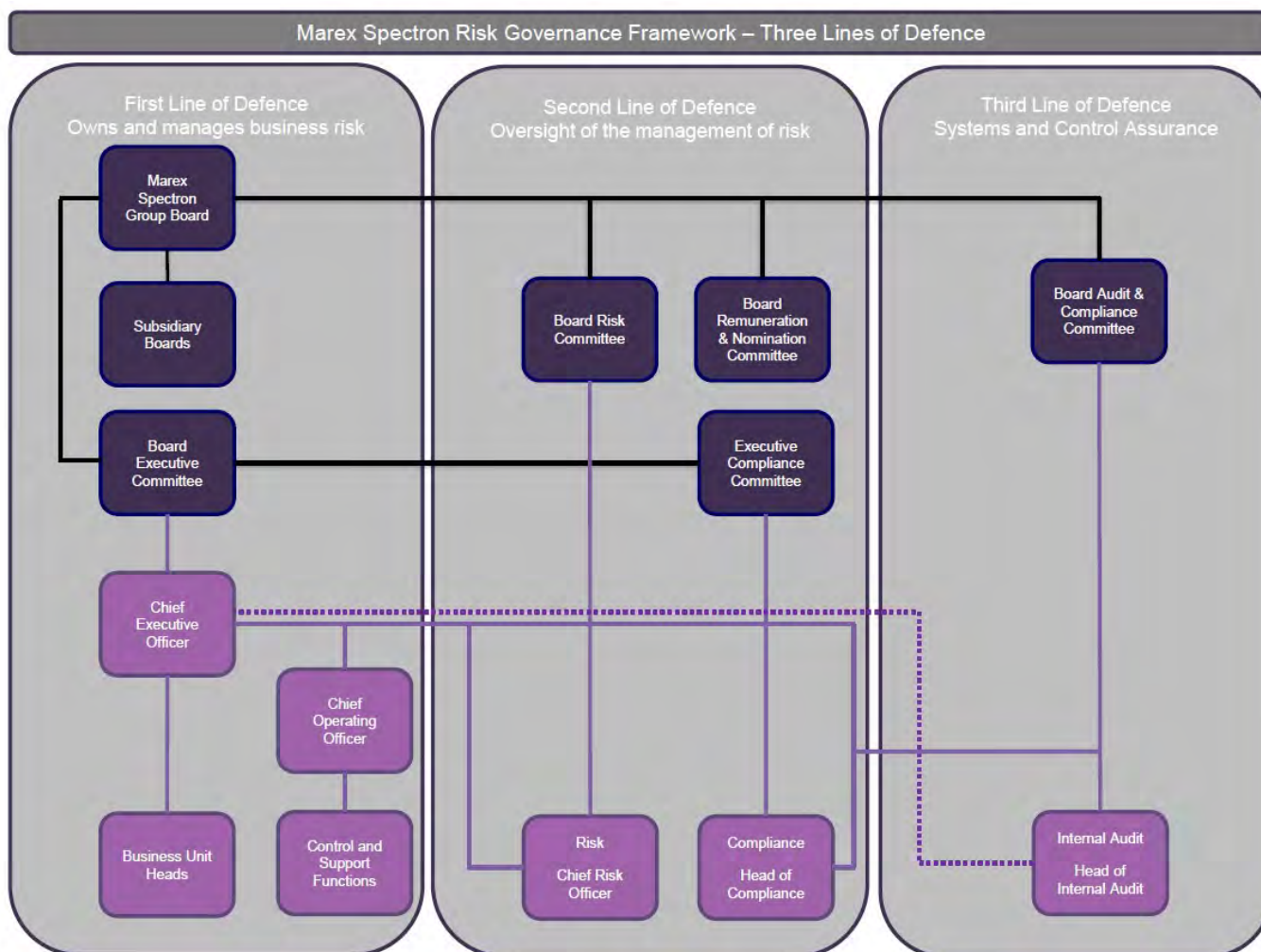
Risk culture describes the values and behaviours present throughout the organisation which shape risk decisions made by each employee. The risk culture is consistent with the Group’s ethics and values, strategic and risk objectives.

The Group identifies, assesses and controls risk to which the Group is exposed to ensure the identified business strategy and objectives are met. Risk is inherent with the Group’s operations and is actively monitored. Risk is categorised according to the Group’s Risk Categorisation Model (‘RCM’), with accompanying mitigation, where possible, to ensure adherence to the stated risk appetite. Additional attention is paid to risks identified as key risks that may pose the biggest threat to the Group, its customers and its reputation. Measured risk taking and effective risk management are fundamental to the core values and culture as a Group. The Group aims to build upon and enhance its reputation with customers, market counterparties and regulators.

Responsibility for risk management resides at all levels within the Group, from the Group Board and the Executive Committee down through the organisation to each business manager, employee and risk specialist. Responsibility for effective review and challenge of risk policies reside with senior managers, risk oversight committees, internal audit, independent group risk function, the Group Board and the Risk Committee.

**Risk Governance**

The Group has adopted the ‘Three Lines of Defence’ model in conjunction with a strong risk culture, good communication and understanding. The approved risk governance model includes the Group Board, the Executive Committee and the Risk Committees that form the management of risk governance within the Group. Within the risk infrastructure, key risk governance personnel are aware of their key roles.



**First Line of Defence**

The first line of defence for day-to-day risk management is with the business units and support functions. They are responsible for understanding and adhering to the risk and control environment. Front line employees must consider the risk / reward trade off in the short and long term and must ensure compliance with all risk policies and limits. The first line is responsible for the ongoing assessment, monitoring and reporting of risk exposures and events.

**Second Line of Defence**

The second line of defence is the internal control function which includes the Risk Management and Compliance Functions. These teams provide independent risk oversight and challenge to the first line, and supervision of the operation of the risk control framework. Responsibilities also include the formulation and maintenance of risk frameworks, policies and risk reporting.

**Third Line of Defence**

The third line of defence is the Groups' Internal Audit Function, who provide independent assurance of the first and second lines. Internal Audit carries out an annual programme of risk-based audits covering all aspects of first- and second-line risk management and risk control activities.

The roles and responsibilities of core functions within the Group are summarised, below:

**Group Board of Directors:**

Sets the overarching risk culture of the Group.

- They set risk appetite, approve and periodically reviews and updates the risk strategies, risk management and control framework, key risk limits and high-level risk policies;
- They monitor the overall risk profile of the business and ensures that the Group maintains adequate financial resources to meet its regulatory and business requirements; and
- They approve and ensure the systems of internal control are functioning effectively, using a defined suite of monitoring management information reports. It receives regular feedback, updates and assurance from the Internal Audit and Risk Committees.

**Group Executive committee:**

The Executive Committee advises and assists the Chief Executive Officer ('CEO') with discharging specific Risk Management responsibilities.

- They review and challenge the overall risk profile and capital position of the business and ensures appropriate actions are taken to ensure risks are managed within the parameters set by the Board;
- Agrees and reviews the strategic and other key risks of the business and monitors the action plans or controls in place to manage these;
- Carries out a review of the impact of new products and business plans on the overall risk profile and capital position of the business; and
- It monitors, reviews and agrees the composition and allocation of capital within the business.

**Group Chief Executive Officer ('CEO')**

- Has overall responsibility for the identification and evaluation of risk and for designing, implementing and maintaining suitable internal systems of control;
- Recommends the Risk Appetite, risk strategies, EWRM Framework, key financial risk limits and high-level policies to the Board; and
- Management of risks within the parameters approved by the Board and changes to internal systems of control as recommended / required by Internal Audit and the Audit Committee are appropriately implemented.

**Group Risk Committee**

The Risk Committee is responsible for oversight and the provision of advice to the Board on the Group's current risk exposures and future risk strategies (including the strategy for capital and liquidity management), the embedding and maintenance throughout the entity of a supportive culture in relation to the management of risk and the establishment of prescriptive rules and procedures in relation to risk.

- It ensures risks are identified, assessed and reported;
- It approves the Groups' risk appetite;
- It approves Group frameworks, policies and limits to guide the business;
- It informs the Group Board on risk related matters on a regular basis; and
- It approves the Group's key risks as per the RCM.

The Risk Committee is responsible for the oversight of risk when approving and monitoring appropriate limits on risk exposures and concentrations across the business. The focus is on core risks to which the Group is exposed.

**Group Chief Risk Officer ('CRO')**

The CRO is the senior executive accountable for enabling the efficient and effective governance of significant risks and related opportunities to our business and its various segments. He is a member of the Executive Committee and guides the committee and Board on the formulation of risk appetite, strategies, policies, delegated authorities and limit structures for the management of risks.

The CRO has a reporting line to the non-executive Chairman of the Risk Committee and to the Group CEO.

**Group Audit and Compliance Committee ('ACC')**

The Group ACC reviews, on behalf of the Group Board, the systems of internal control, including the processes and procedures for:

- Monitoring the operational effectiveness of policies and internal systems of control;
- Identifying and assessing risks and controlling their impact;
- Preventing or detecting fraud; and
- Ensuring compliance with regulatory and legal requirements.



## Risk Appetite

The Group-wide business strategy is aligned with the Group's risk appetite to guide the Groups' business activity and associated risk taking. This ensures structures exist to identify and analyse emerging risks for issues that could become material risks in the future.

Risk appetite is the level of risk the Group Board is willing to take now and over the future planning horizon, given the financial resources of the firm to pursue the stated business and risk strategies. The risk appetite recognises a range of possible outcomes as business plans are implemented. It is set and implemented against the business and risk strategies from the 'top down', cascading from high level objectives set by the Board, down through the Group into the formulation of detailed risk measures by specific departments, trading desks, traders and, where appropriate, to individual risk exposures.

The Group's risk appetite is governed by its Risk Appetite Framework which includes measures that assess risks to ensure the successful delivery of the business and risk strategies. These measures are grounded against key balance sheet and profit and loss figures, as well as other specific measures and qualitative assessments. The framework is responsive to changes in Group's business strategy and plans, which ensures that the Risk Appetite is aligned with changes in the Group's overall strategic goals.

Risk appetite is embedded within The Group's strategy and planning, business decision making, risk management governance and risk management policy. Metrics are monitored and compared to approved risk appetite limits, triggers and capacity for each risk category, which are then presented to the Board ensuring that they are aware of the risks across the Group.

## Risk Management Tools

Risk management tools and methodologies form part of the Group's risk management toolkit and assist in fulfilling the risk mandate in understanding the risks its exposed to, the method to control such risks and the steps to mitigate risks and how to communicate those risks.

The Group has defined its risks using a common risk language, the risk categorisation model, ('RCM'), to provide a framework to consider the range of risks the Group faces, and to communicate these in a common risk language. This model forms an integral part of the EWRM Framework and serves as an effective linkage to risk appetite:

RCM:

<b>Risk Type</b>	<b>Description</b>
<b>Credit Risk</b>	Potential loss incurred where a counterparty fails to perform its contractual obligations in a timely manner. The Group control credit risk using a robust framework for the creation, use and monitoring of credit risk models. Additionally, Risk Management support business decision-making and proactive identification of new risks.
<b>Market Risk</b>	Potential loss arising from fluctuations in the values of traded positions due to changes in the value of price, volatility or interest rates within the financial markets. There are robust procedures to measure and set position limits to control market risk with growth facilitated in a controlled and transparent risk management framework.
<b>Operational Risk</b>	Potential loss from inadequate or failed internal processes, personnel, systems or external events. This category includes Conduct Risk, Legal Risk but excludes Strategic/ Reputational risks. Operational risk is captured, assessed and reported to minimise the frequency and impact of risk events on a cost-benefit basis.
<b>Liquidity Risk</b>	Represents the risk that the Group, although solvent, has insufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.
<b>Compliance/ Legal Risk</b>	Represents the risk to the Group arising from violations of, or non-conformance with, laws, rules and regulations. There is an established Legal and Compliance department to monitor and deal with such risks.
<b>Strategic/ Business Risk</b>	Represents the risk from changes in the business model, including the risk that the Group may not be able to carry out its business plan and desired strategy. It also includes risks arising from the Group's remuneration policy.

Multiple methods and tools are utilised to identify existing and emerging risks within the market, the businesses and individual instruments traded.

### **Risk Measurement & Control**

Key risks identified in the RCM are consistently analysed and measured in accordance with approved policies and processes. Key business controls and procedures are implemented to mitigate the risks highlighted by the risk assessment. The Group uses the measures below to varying degrees.

<b>Limit Type</b>	<b>Description</b>
<b>Sensitivity Limits</b>	Effective and direct method for restricting the size of certain risks. It's easily implemented, simple to understand and manage exposures to. It can be highly granular; e.g. Vega or Delta.
<b>Concentration Limits</b>	Used where exposure to a specific segment of the market is desirable, e.g. country specific credit risk limits.
<b>VaR</b>	The Board VaR limit sets the overall risk appetite in order to meet the Group's business strategy. The CRO has the delegated authority to allocate this limit across business lines (Metals, Ags, CSC Commodities etc) taking into account historic diversification of markets. Desk heads have the autonomy to allocate this VaR to their traders, allowing for diversification. VaR is immediately responsive to increases in market volatility or decreases in diversification and this will force the reduction of positions in times of stress.
<b>Stress Testing Limits</b>	Discussion triggers for risk personnel to engage with senior management on risk concentrations which may cause P&L events. Examines market stress events and as such have a lower probability than the risk captured by VaR. Such a limit breach (or near miss) would prompt discussion around size of actual or potential exposure, and managements' view on business strategy and risk appetite.
<b>Non - Limit Control Measures</b>	Used to restrict undesirable risk concentrations or mitigate risk. e.g. increasing margin rates required to hold exposures to certain underlyings in times of volatility; reducing credit lines (overall / specific); exiting certain types of business or increasing capital to support a desired increase in exposure for a market segment deemed attractive.

### **Risk Reporting**

An important part of the risk management remit is regular and appropriate reporting and communication of risk. In line with the governance structure in place, periodic reporting and risk analysis is presented to the relevant governing bodies as well as the relevant risk takers, including the Board; Risk Committee; the Executive Board; and daily senior management. The escalation procedures for raising significant issues with managers and supervisors are clear and well embedded across the Group.

## **General Risks**

### ***Volatility***

The level of volatility in the markets in which we operate is a key driver for our business. High volatility does not automatically result in enhanced performance for our business, as a high degree of skill and expertise is required in order to ensure that this volatility is converted into positive revenue for the firm; however it does provide a favourable environment for this to happen.

There is a risk to the downside for the firm if volatilities across all commodities decline and remain at historic lows.

### ***Pricing pressure***

Pricing pressure is a potential risk to any business. We mitigate this risk by aiming to provide best in class services to our clients, as well as by enhancing our offering to ensure we are providing more than just price discovery. Our investment in technology and our NEON platform are evidence of this.

### ***Commodity prices***

Whilst our market making and broking activities are driven by volatility rather than price direction, a decline in commodity prices typically results in a flow of capital out of our markets, thereby reducing transaction numbers and volumes. As such, this potentially presents a risk to our revenues and income.

### ***Exchange rules***

Changes enforced by the exchanges are outside of our control and have the potential to impact our business. Changes to rebate structures or the LME rules are examples of such risks.

### ***Cyber***

Information security, data confidentiality, integrity and availability of information are of critical importance to our continued effectiveness. Technology risk is inherent not only to the Group's information technology assets, but also in people and processes inherent with them. In common with other businesses, the Group is continuing to track the cyber threat "universe" and is aware of risks from cyber-attacks seeking to undermine businesses, governments and utilities. This extends to third parties, which also pose a source threat leading to an increase in security of such relationships. The Group maintains active links with peer associations and government agencies to keep abreast of developments as well as, having timely access to cyber threat intelligence.

### ***Geopolitical***

There are many uncertainties in the geo-political and societal environment due to the impact of political activities, which include Brexit, the wider economic climate, which is currently significantly impacted by the Coronavirus Covid-19, digital disruption and societal change.

### ***Brexit***

We continue to closely monitor the UK EU Brexit negotiation risks, which could result in poor business growth and client outcomes. The business believes it is appropriately positioned to operate in any post-Brexit environment.

As a UK-based firm, we recognise that the current political situation, coupled with the Coronavirus Covid-19 pandemic, make the final outcome of the negotiations between the UK and the EU extremely uncertain.

Since the UK's withdrawal from the European Union took effect on 31 January 2020, we now face a transition period until at least 31 December 2020. If, during this period, no agreement is reached on trade, a no-deal Brexit becomes the default outcome. While we would prefer a negotiated exit, we are prepared for any of the potential outcomes.

In particular, over the last year the Group has taken reasonable steps to mitigate where possible the impacts of leaving the EU without a transitional agreement. The Group established a European headquarters in Dublin through a Central Bank of Ireland regulated entity, Marex Spectron Europe Limited ('MSEL'). This allays European concerns as the Group is able to passport regulatory permissions into all EU member states and in June it migrated all European Power clients to MSEL.

**Specific Risks**

***Pandemic***

We share the global community concern over Coronavirus Covid-19, which, in addition to the potential loss of life, could severely impact economies. We are taking appropriate action as a business to continue to provide employees with a safe and healthy work environment, whilst continuing to serve our clients effectively. We are closely monitoring developments with respect to the spread and containment. Business Continuity Plans have been thoroughly reviewed for a pandemic scenario across all businesses and offices. We are facilitating working from home arrangements for staff to ensure business continuity in the event of local office closure, or the requirement for individuals to self-isolate. This aims to ensure efficient deployment of systems, unbroken service and minimal disruption to staff, clients and counterparties.

***Terrorism***

The current terror threat in the UK is substantial meaning "an attack is likely". Attacks by lone wolves and small groups against soft targets have become more common. Our London Office is situated in a targeted location and in the event of such an act, and if deemed necessary, the group would engage its business continuity plan while ensuring staff welfare at all times.

***Regulation***

Regulation continues to add cost to the firm both for compliance as well as capital. There is still an element of uncertainty as to the impact of the new investment review that is due to come into force from April 2021.

***Movement to screens***

There is a risk that more volume moves from voice to screens in the most liquid products. To mitigate this we continually evolve our business entering new markets, shifting focus to less liquid elements of the curve and investing in technology

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

***Section 172(1) Companies Act 2006***

For the year ended 31 December 2019, in order to satisfy the reporting requirements of The Companies (Miscellaneous Reporting) Regulations 2018, the Company forms part of the larger Group which has applied the Wates Corporate Governance Principles for Large Private Companies as a framework against which all of the section 172 reporting requirements can be covered. This section demonstrates how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

a) *the likely consequence of any decision in the long term;*

Strategy, risk and financial and operational resilience of the Company are managed at a Group level. The Group strategic review formulated by the Board Executive Committee which was approved in January 2019 includes the Company and how the Company fits into the wider strategic plan. The Group Board delegated its authority to the Risk Committee for oversight and management of key risks and maintaining the Group's risk profile within the risk appetite set by the Group Board. The Company forms part of the enhanced Enterprise Wide Risk Management Framework operated by the Group reflecting the regulatory feedback and changes in the business. The Company also forms part of the annual internal assessment of capital and liquidity adequacy which allows the Board to monitor the activities of the Group and its results against the targeted financial resilience and liquidity.

b) *the interests of the Company's employees;*

We invest in our people and help them develop their careers. Our people are the basis of our competitive advantage, so we look to grow our own and make our business the place that ambitious, hardworking, and talented people choose to build their careers. We are committed to offering equality of opportunity to all, regardless of gender. We frequently engage with our employees through formal and informal channels. These include face-to-face dialogue between employees and line managers, regular 'Town Halls' and staff breakfasts with the CEO, the Chief Operating Officer hosts staff lunches; culture and conduct workshops were attended by over 400 members of staff.

c) *the need to foster the Company's business relationships with suppliers, customers and others;*

**Suppliers**

We have long-term relationships with a broad range of suppliers around the world. We are committed to high standards and require our suppliers to meet the Marex Spectron Supplier Code of Conduct. As a leader in our space, we take great pride in being a good corporate citizen and are always striving to set the highest standards of ethical conduct, and of corporate and social responsibility. We recognise and are committed to both relevant national and international standards, which we expect our suppliers to abide by, including those set out by the International Labour Organisation, the Bribery Act 2010 and the Equality Act 2010.

*Section 172(1) Companies Act 2006 (continued)*

**Clients**

Our clients are everything, which is why superior execution and superb client service is central to our business. We are always looking for new ways to strengthen our client offerings, such as the partnership with Earth in Global Research and the launch of Marex Financial Products. We believe that the depth and quality of our services differentiates us from many of our competitors. Every day our brokers and traders are interacting with clients. We are also engaging more frequently with the senior management from our clients' firms as we seek to build even deeper relationships.

**Regulators**

The Company is subject to an extensive supervisory and regulatory framework. Changes in this regulatory framework could have a significant effect on our businesses and clients, position and costs, as well as on the financial and economic environment in which it operates. Because of this we maintain a constant and open dialogue with our regulators in the UK and in particular with the Financial Conduct Authority, centralised through the Compliance function.

*d) the impact of the company's operations on the community and environment;*

The Group recognises its role in promoting and supporting environmental sustainability initiatives and as part of the Group, the Company participates in these initiatives. In 2019 the Group announced a founding sponsorship of a multi-year research program at the Smith School of Enterprise and the Environment at the University of Oxford, and the Group Board intends on further strengthening its commitment to sustainability throughout 2020, driven by acquisitions, partnership initiatives and development of a Corporate Social Responsibility Policy and Social Purpose Statement.

*e) the desirability of the company maintaining a reputation for high standards of business conduct;*

The Company has a clearly defined purpose which is outlined in the principles that determine our competitive advantage – providing breadth of coverage and depth of services to a diversified client base across all commodity markets.

The Group Board is responsible for the long-term success of the Company and is the body empowered to set the Group's strategy, objectives and overall direction in line with the Group's purpose. The Group Board is the ultimate governing body of the Group and it plays a pivotal role in execution of the Group's strategy. The Group Board is also key in promoting and embedding the Group's cultural values and ensuring a sound risk management culture and environment.

These principles are embedded in the firm's actions and how it conducts business. These are:

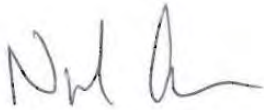
- Respect – Clients are at the very heart of our business, with superior execution and excellent client service the foundation of the firm. We respect our clients and always treat them fairly.
- Personal integrity – Doing business the right way is the only way. We hold ourselves to a high ethical standard in everything that we do. Our clients expect this and we demand it of ourselves.
- Collaborative – We work in teams. Open and direct communication and the willingness to work hard and collaboratively are the basis for effective teamwork. Working well with others is necessary for us to succeed at what we do.
- Developing our people – Our people are the basis for our competitive advantage. We look to 'grow our own' and make Marex Spectron the place ambitious, hardworking, talented people choose to build their careers.
- Adaptable – Our size and flexibility is an advantage. We are big enough to support our clients' needs and we are adaptable and nimble enough to respond quickly to changing conditions or requirements. A non-bureaucratic, but well controlled, environment fosters initiative as well as employee satisfaction.

*Section 172(1) Companies Act 2006 (continued)*

The Directors take the reputation of the Group seriously which is not limited to operational and financial performance. As such the Group's stance on items such as Ethics and the Gender Pay Gap is published on the Group's website ([www.marexspectron.com](http://www.marexspectron.com)).

f) *the need to act fairly as between members of the Company.*

As a wholly owned subsidiary of Marex Spectron Group Limited, the Shareholder's interests are represented by the Directors some of whom also serve on the Group Board and therefore are responsible for setting the direction of the Group as a whole.



N G W Grace  
Director  
6 May 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX FINANCIAL**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Marex Financial ('the Company'):

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

We have audited the financial statements of the Company which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statements of financial position;
- the statement of the changes in equity and movements in reserves;
- the cash flow statement and;
- the related notes 1 to 33.

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.

#### **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**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX FINANCIAL (CONTINUED)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013**

In our opinion the information given in note 33 to the financial statements for the financial year ended 31 December 2019 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX FINANCIAL (CONTINUED)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

### **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.



Mark Rhys, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
6 May 2020

**Marex Financial (formerly Marex Financial Limited)****STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Revenue	5	245,211	242,634
Operating expenses		(215,982)	(208,516)
Finance income	10	7,117	5,833
Finance expense	10	(4,334)	(3,795)
<b>Operating profit</b>	6	<b>32,012</b>	<b>36,156</b>
Other income	9	29	69
Other expense	9	(5,800)	(31,986)
<b>Profit before taxation</b>	11(b)	<b>26,241</b>	<b>4,239</b>
Tax	11(a)	(5,168)	(399)
<b>Profit after taxation</b>		<b>21,073</b>	<b>3,840</b>

**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Profit after taxation		21,073	3,840
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss when specific conditions are met</b>			
Gain on revaluation of investments	16(a)	223	104
Deferred tax (charge) / credit on revaluation of investments	11(c), 21	(38)	39
Gain/(loss) on cash flow hedge reserve	27	793	(620)
<b>Other comprehensive gain / (loss) net of tax</b>		<b>978</b>	<b>(477)</b>
<b>Total comprehensive income</b>		<b>22,051</b>	<b>3,363</b>

All operations are continuing for the current and prior years.

The notes on pages 40 to 105 form part of these financial statements.

**Marex Financial (formerly Marex Financial Limited)****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

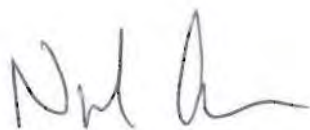
	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	13	3,243	3,243
Intangible assets	14	2,085	1,359
Property, plant and equipment	15	228	297
Investments	16(a)	4,800	4,475
Investments in subsidiaries	16(b)	7,323	5,609
Deferred tax	21	186	351
Financial instruments – unpledged	17	19,967	34,287
Financial instruments – pledged as collateral	17	89,903	45,636
Right of use asset	28	3,035	-
<b>Total non-current assets</b>		<b>130,770</b>	<b>95,257</b>
<b>Current assets</b>			
Equity instruments	29	29,250	-
Derivative instruments	20	91,933	28,983
Financial instruments – unpledged	17	17,118	19,237
Financial instruments – pledged as collateral	17	48,911	76,508
Trade and other receivables	18	1,009,972	832,347
Corporation tax		1,357	3,794
Cash and cash equivalents		136,432	130,249
<b>Total current assets</b>		<b>1,334,973</b>	<b>1,091,118</b>
<b>Total assets</b>		<b>1,465,743</b>	<b>1,186,375</b>

The notes on pages 40 to 105 form part of these financial statements.

**Marex Financial (formerly Marex Financial Limited)****STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019 (CONTINUED)**

	Notes	2019 \$'000	2018 \$'000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative instruments	20	77,043	48,764
Trade and other payables	22	975,419	913,037
Lease liability	28	1,320	-
Debt securities	19	183,253	-
Provisions	23	285	32,179
<b>Total current liabilities</b>		<b>1,237,320</b>	<b>993,980</b>
Debt securities	19	12,946	-
Lease liability	28	1,596	-
<b>Total non-current liabilities</b>		<b>14,542</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,251,862</b>	<b>993,980</b>
<b>Total net assets</b>		<b>213,881</b>	<b>192,395</b>
<b>Equity</b>			
Share capital	25	160,050	160,050
Share premium		5,940	5,940
Retained earnings		47,516	27,008
Revaluation reserve		202	17
Cash flow hedge reserve	27	173	(620)
<b>Total equity</b>		<b>213,881</b>	<b>192,395</b>

The financial statements on pages 34 to 105 were approved and authorised for issue by the Board of Directors and signed on its behalf by:



N G W Grace  
Director  
6 May 2020  
Registration Number: 05613061

The notes on pages 40 to 105 form part of these financial statements.

**Marex Financial (formerly Marex Financial Limited)**

**STATEMENT OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Cash flow hedge reserve \$'000	Total \$'000
At 1 January 2018		160,050	5,940	23,168	(126)	-	189,032
Profit for the period		-	-	3,840	-	-	3,840
Gain on revaluation of investments	16	-	-	-	104	-	104
Deferred tax on revaluation of investments	21	-	-	-	39	-	39
Loss on revaluation of hedge	27	-	-	-	-	(620)	(620)
<b>At 31 December 2018 and 1 January 2019</b>		<b>160,050</b>	<b>5,940</b>	<b>27,008</b>	<b>17</b>	<b>(620)</b>	<b>192,395</b>
Effects of changes in accounting standards	28	-	-	(565)	-	-	(565)
Profit for the period		-	-	21,073	-	-	21,073
Gain on revaluation of investments	16	-	-	-	223	-	223
Deferred tax on revaluation of investments	21	-	-	-	(38)	-	(38)
Gain on revaluation of hedge	27	-	-	-	-	793	793
<b>At 31 December 2019</b>		<b>160,050</b>	<b>5,940</b>	<b>47,516</b>	<b>202</b>	<b>173</b>	<b>213,881</b>

The notes on pages 40 to 105 form part of these financial statements.

**Marex Financial (formerly Marex Financial Limited)****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$'000	2018 \$'000
Profit before tax		26,241	4,239
<b>Adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation of property plant and equipment	6, 15	69	274
Depreciation of right of use asset	6, 28	1,887	-
Amortisation of intangible assets	6, 14	333	79
(Decreases) / increases in provisions	23	(31,894)	31,888
Interest income	10	(7,117)	(5,833)
Interest expense	10	4,334	3,795
Provision for doubtful debts	6, 18	859	1,568
Revaluation of lease liability	28	136	-
<b>Operating cash flows before changes in working capital</b>		<b>(5,152)</b>	<b>36,010</b>
<b>Working capital adjustments:</b>			
Increase in trade and other receivables		(100,357)	(251,919)
Increase in trade and other payables		85,463	331,506
(Increase) / decrease in amounts due from group undertakings		(78,440)	35
(Increase)/decrease in financial instruments – unpledged		(16,670)	16,667
Decrease / (increase) in financial instruments – pledged as collateral		16,439	(17,427)
Increase in derivative instruments – assets		(62,950)	(22,040)
Increase in derivative instruments – liabilities		29,072	39,456
Increase in equity instruments	29	(29,250)	-
Decrease in amounts due to group undertakings		(24,010)	(5,013)
<b>Cash (outflow) / inflow from operating activities</b>		<b>(185,855)</b>	<b>127,275</b>
Corporation tax paid		(1,244)	(5,595)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(187,099)</b>	<b>121,680</b>

The notes on pages 40 to 105 form part of these financial statements.

**Marex Financial (formerly Marex Financial Limited)****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Notes	2019 \$'000	2018 \$'000
<b>Investing activities</b>			
Interest received		7,431	-
Purchase of intangible assets	14	(1,059)	(1,141)
Purchase of investments	16(a)	(102)	-
(Increase)/decrease in investments	16(b)	(1,714)	82
<b>Net cash inflow / (outflow) from investing activities</b>		<b>4,556</b>	<b>(1,059)</b>
<b>Financing activities</b>			
Decrease in short-term borrowings		-	(60,000)
Interest received		-	5,999
Issue of debt securities	19	196,199	-
Capital payment of lease liability		(2,924)	-
Interest paid		(4,549)	(3,785)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>188,726</b>	<b>(57,786)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,183</b>	<b>62,835</b>
<b>Cash and cash equivalents</b>			
Cash available on demand and short-term deposits at 1 January		130,249	67,414
Increase in cash		6,183	62,835
<b>Cash and cash equivalents at 31 December</b>		<b>136,432</b>	<b>130,249</b>

The notes on pages 40 to 105 form part of these financial statements.



**1. GENERAL INFORMATION**

Marex Financial ('the Company') is a company incorporated in England and Wales under the Companies Act. The address of the registered office is 155 Bishopsgate, London EC2M 3TQ. On 8 November 2018, Marex Financial Limited was re-registered as an unlimited company in the name of Marex Financial. The principal activities of the Company and the nature of the Company's operations are set out in note 5 and in the Strategic Report.

The Company financial statements are presented in US Dollars ('USD') which is also the currency of the primary economic environment in which the Company operates.

In preparing these financial statements, the directors have taken the exemption from consolidation afforded in IFRS 10 *Consolidated financial statements*.

**2. ADOPTION OF NEW AND REVISED STANDARDS**

**(a) Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach, with the right-of-use asset measured at its carrying amount as if the Standard had been applied since the commencement date.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

**2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

**(a) Amendments to IFRSs that are mandatorily effective for the current year (continued)**

(b) Impact on Lessee Accounting

*(i) Former operating leases*

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.
- Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of the initial application of IFRS 16

The tables in note 28 show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

**(b) New and revised IFRSs in issue, but not yet effective**

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued, but are not yet effective and, in some cases, had not yet been adopted by the EU:

<b>IFRS 17</b>	Insurance Contracts
<b>IFRS 10 and IAS 28 (amendments)</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
<b>Amendments to IFRS 3</b>	Definition of a business
<b>Amendments to IAS 1 and IAS 8</b>	Definition of material
<b>Conceptual Framework</b>	Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') as endorsed by the European Union ('EU').

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

**(b) Going concern**

In considering going concern, the Directors have reviewed the capital, liquidity and financial position of the Company and concluded that the going concern basis is still appropriate. As a part of this conclusion the Directors took into consideration the recent developments caused by Coronavirus Covid-19 and the potential impact on the Company's capital, liquidity and financial performance through the Group's pandemic stress and reverse stress tests. The Directors considered the results of the pandemic stress scenario and concluded that there was sufficient headroom and available management actions, further supporting the Company continuing to adopt the going concern basis of accounting in preparing the financial statements. The Directors concluded that the Company currently has adequate resources to continue to satisfy its regulatory and other obligations for the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Goodwill**

Goodwill arises on the acquisition of business and represents the excess of the cost of the acquisition (including the fair value of deferred and contingent consideration) of a business combination, over the share of the fair value of identifiable assets acquired and liabilities assumed. Goodwill has an indefinite useful economic life and is measured at cost less any accumulated impairment losses. It is tested for impairment annually and whenever there is an indicator of impairment. Where the carrying value exceeds the higher of the value in use or fair value less cost to sell, an impairment loss is recognised in the income statement.

**(d) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts and volume rebates granted by the Company.

Revenue comprises the following:

- execution and clearing commissions, which are recognised on a trade date basis;
- metals market making, energy broking and foreign exchange trading activity where the Company acts as principal, which is typically recognised on a fair value basis whereby movements in fair values of the position are recognised in the income statement;
- desk facilities, licence and software fees, and market data fees which are recognised on an accruals basis;
- net interest directly relating to the trading activities of the Company are recognised on an accruals basis; and
- other income primarily comprises exchange rebates and is recognised on an accruals basis.

In accordance with accepted practice, those financial instruments held for trading purposes are fair valued and subsequent gains and losses are recognised in the income statement.

**(e) Dividend income**

Dividend income from investments is recognised when the shareholders rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

**(f) Change in presentation**

During the year the Company changed its presentation of interest in the income statement to be included within operating profit to better reflect the activities of the business. There were no changes in profit before tax or after tax as a result of this change.

**(g) Finance income and expense**

Finance income is earned on balances held at exchanges, clearing houses, banks and brokers, and on overdrawn client balances. Finance expenses are paid on overdrawn accounts with brokers and exchanges, client and counterparty balances and short-term borrowings. Finance income and expenses are recognised on an amortised cost basis using the effective interest rate ('EIR') method.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Borrowing costs**

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds and are expensed in the income statement over the period of the borrowing facility.

**(i) Foreign currency translation**

The Company financial statements are presented in US Dollars ('USD'), which is also the currency of the primary economic environment (the functional currency) and the presentational currency of the Company.

Transactions entered into by the Company in a currency other than USD are recorded at the rates prevailing when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of monetary assets and liabilities are similarly recognised immediately in the income statement.

**(j) Employee benefits**

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

Retirement benefits: defined contribution schemes

The Company operates defined contribution schemes. Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses.

As well as the purchase price, cost includes the directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	over the remaining length of the lease or 20% per annum straight-line, where appropriate
Furniture, fixtures and fittings	20% to 50% per annum straight-line
Computer equipment	20% to 50% per annum straight-line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(m) Intangible assets

Internally generated intangible assets (Internally generated software)

Expenditure on internally generated intangible assets is only capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold;
- adequate resources are available to complete the development;
- there is an intention to complete and use or sell the product;
- the Company is able to use or sell the product;
- use or sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over estimated economic useful lives of two to five years, which represents the period that the Company expects to benefit from using or selling the products developed, and is recognised in the income statement.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Intangible assets (continued)**

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated asset can be recognised development expenditure is recognised in profit and loss in the period in which it is incurred.

Software

Software has a finite useful economic life of two to five years with the option of renewal at the end of this period. They are amortised in the income statement on a straight-line basis over the period of the licence.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

**(n) Impairment of non-financial assets**

Impairment tests on goodwill and other intangible assets with indefinite useful lives are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Where the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the income statement.

**(o) Financial instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet both of the following conditions and have not been designated as at fair value through profit or loss ('FVTPL') are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet both of the following conditions and have not been designated as at FVTPL are measured at fair value through other comprehensive income ('FVTOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Company may make the following irrevocable election and/or designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The following accounting policies apply to the subsequent measurement of financial assets.

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the contrary, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Financial assets (continued)

*Amortised cost and effective interest method (continued)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

*Debt instruments classified as at FVTOCI*

US Treasury notes held by the Company are classified as at FVTOCI. The notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these notes as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these notes had been measured at amortised cost. All other changes in the carrying amount of these notes are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When these notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

*Equity instruments designated as at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition; and
- debt instruments that do not meet the amortised cost criteria or the FVOCI criteria are classified as at FVTPL.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit loss ('ECL') for trade receivables. ECLs are a probability-weighted estimate of credit losses based on both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and forward-looking expectation.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Significant increases in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; and
- significant deterioration in external market indicators of credit risk for a particular financial instrument.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk, based on all of the following; (1) the financial instrument has a low risk of default, (2) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (3) adverse changes in economic and business conditions in the long term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria is capable of identifying significant increase in credit risk before the amount becomes past due.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Impairment of financial assets (continued)

*Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company) or partially.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Impairment of financial assets (continued)

*Measurement and recognition of expected credit losses (continued)*

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments; and
- external credit ratings where available.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

The Company classifies its financial liabilities into the following categories, depending on the purpose for which the liability was assumed:

- FVTPL: this category includes financial instruments held for trading. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement; or
- other financial liabilities include the following items: trade and other payables and other short-term monetary liabilities which are recognised at amortised cost; and bank borrowings, such interest-bearing liabilities are subsequently measured at amortised cost using the EIR method, which ensures that any interest expense over the period to repayment is recognised at a constant rate on the balance of the liability carried in the statement of financial position.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (continued)**

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. In circumstances where a financial liability is replaced by the same lender yet the contractual terms are substantially different or modified, the original financial liability will be derecognised at the point of contractual exchange and the new financial liability recognised.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or to realise the assets and liabilities simultaneously.

Derivative instruments

Derivative assets and derivative liabilities at fair value through profit or loss are over-the-counter foreign exchange, precious metal, agricultural and energy contracts.

**(p) Hedge accounting**

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk on firm commitments. Hedges of foreign currency risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of foreign currency forward contracts that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits.

**(r) Cash and non-cash distributions**

The Company recognises a liability to make cash or non-cash distributions to its equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the United Kingdom, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the income statement.

**(s) Client money**

As required by the UK FCA's Client Assets Sourcebook ('CASS') rules, the Company maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. These amounts and the related liabilities to clients, whose recourse is limited to segregated accounts, are not included in the statement of financial position as the Company is not beneficially entitled thereto.

**(t) Debt securities**

Debt securities are the Company's issued debt instruments which contain hybrid financial instruments. Hybrid financial instruments are composed of debt components and embedded derivatives. In accordance with IFRS 9, financial liabilities may be designated at fair value, with gains and losses taken in the income statement within revenue (note 5).

**(u) Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets including, but not limited to, tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Leases (continued)**

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in profit or loss (see note 28).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognised in the period in which the estimate is revised. Significant judgement and estimates are necessary in relation to the following matters:

**(a) Estimates**

- Impairment of non-financial assets

The Company's impairment testing for goodwill and non-financial assets with indefinite useful lives is based on the fair value less costs of disposal. The fair value less costs of disposal calculation is based on available data from similar assets or observable market prices less incremental costs for disposing of the assets and is estimated by using the pre-tax price earnings multiples derived from adjusting comparative peer multiples. This multiple is applied to the pre-tax earnings of each cash generating units ('CGUs') arising in the period. Note 13 describes the assumptions used together with an analysis of sensitivity to changes in key inputs.

- Fair value of financial instruments

The Company determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts, quoted market prices of comparable instruments or unobservable inputs which are considered reasonably possible. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Further information on the carrying amounts of these assets and the sensitivity of those amounts to change in unobservable inputs are provided in note 29.

- Provisions and contingent liabilities

The Company determines the provisions and contingent liabilities based on management's assessment of relevant information and advice available at the time of preparing the financial statements. Outcomes are uncertain and dependent on future events. Where outcomes differ from management's expectations, differences from the amount initially provided are reflected in the income statement in the period the outcome is determined.

- Provisions against trade and other receivables

Using information available at the balance sheet date, the directors make judgements based on experience regarding the level of provision required to account for potentially uncollectible receivables. Additionally, the Company uses historical information to estimate a probability of default and determine future expected credit losses.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(b) Judgements**

The following are critical judgements, apart from those involving estimations, that the Directors have made in the process of preparing the Financial Statements.

- Provisions and contingent liabilities

Provisions are established by the Company based on management's assessment of relevant information and advice available at the time of preparing the Financial Statements. Judgement is required as to whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Judgement is also required as to when contingent liabilities become disclosable. Outcomes are uncertain and dependent on future events.

- Taxation

The Company determines the provision for deferred tax on temporary differences where tax recognition occurs at a different time from accounting recognition.

The Company has recognised deferred tax assets in respect of losses and temporary differences. Deferred tax liabilities are generally recognised for all temporary differences with deferred tax assets being recognised in respect of unused tax losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Company has considered their carrying value as at 31 December 2019 and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**5. REVENUE**

An analysis of the Company's revenue is as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Commercial hedging	187,513	183,505
Market making	57,698	59,129
	<b>245,211</b>	<b>242,634</b>

	<b>North America</b>	<b>Europe</b>	<b>Asia</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2019</b>				
Commercial hedging	-	174,939	12,574	187,513
Market making	-	57,274	424	57,698
<b>Revenue</b>	<b>-</b>	<b>232,213</b>	<b>12,998</b>	<b>245,211</b>

	<b>North America</b>	<b>Europe</b>	<b>Asia</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2018</b>				
Commercial hedging	7	164,420	19,078	183,505
Market making	-	57,108	2,021	59,129
<b>Revenue</b>	<b>7</b>	<b>221,528</b>	<b>21,099</b>	<b>242,634</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**6. OPERATING PROFIT**

This has been arrived at after charging / (crediting):

	Notes	2019 \$'000	2018 \$'000
Staff costs	8	73,517	71,352
Costs of trade		94,025	96,603
Depreciation of property, plant and equipment	15	69	274
Depreciation of right of use asset	28	1,887	-
Amortisation of intangible assets	14	333	79
Provision for doubtful debts	18(b)	859	1,568
Management recharges - in		59,338	44,756
Management recharges - out		(32,119)	(24,357)
Foreign exchange gains / (losses)		201	(90)

**7. AUDITOR'S REMUNERATION**

The analysis of the auditor's remuneration is as follows:

	2019 \$'000	2018 \$'000
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>		
Audit of the Company's annual accounts	330	301
<b>Total audit fees</b>	<b>330</b>	<b>301</b>
	2019 \$'000	2018 \$'000
<b>Fees payable to the Company's auditor for other services comprise:</b>		
Audit-related assurance services	-	45
Other taxation advisory services	-	6
Other services	28	59
<b>Total non-audit fee</b>	<b>28</b>	<b>110</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**8. STAFF COSTS**

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Front office	124	116
Control & support	223	211
<b>Average monthly number of staff</b>	<b>347</b>	<b>327</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Aggregate wages and salaries	63,247	61,400
Employer's National Insurance contributions and similar taxes	8,284	8,034
Short-term monetary benefits	-	176
Defined pension contribution cost	1,225	1,129
Apprenticeship levy	167	159
Redundancy payments	594	454
<b>Total staff costs (note 6)</b>	<b>73,517</b>	<b>71,352</b>

As at 31 December 2019, there were contributions totalling \$239,935 (2018: \$201,038) payable to the defined contribution pension scheme by the Company.

**9. OTHER INCOME AND EXPENSE**

	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Other income</b>			
Dividends received		29	34
Other		-	35
		<b>29</b>	<b>69</b>
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Other expense</b>			
Legal provisions	23	(5,800)	(31,904)
Impairment of subsidiary		-	(82)
		<b>(5,800)</b>	<b>(31,986)</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**10. FINANCE INCOME AND EXPENSE**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Finance income</b>		
Bank interest income	438	725
Interest income on financial instruments	6,679	5,108
	<b>7,117</b>	<b>5,833</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Finance expense</b>		
Bank interest expense	(928)	(755)
Credit facility interest expense	(3,232)	(3,040)
Lease liability interest	(174)	-
	<b>(4,334)</b>	<b>(3,795)</b>

For further details on the credit facility, refer to note 19.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**11. TAXATION****(a) Tax charge**

	Notes	2019 \$'000	2018 \$'000
<b>Current tax</b>			
UK corporation tax on profit for the year		4,993	964
Adjustment in respect of prior years		49	(726)
		<b>5,042</b>	<b>238</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences		126	151
Adjustment in respect of prior years – other		-	10
	21	<b>126</b>	<b>161</b>
<b>Tax charge for the year</b>	11(b)	<b>5,168</b>	<b>399</b>

**(b) Reconciliation between tax charge and profit before tax**

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%). Finance (No. 2) Act 2015 enacted reductions in the UK corporation tax rate to 19.00% with effect from 1 April 2017. Accordingly, UK corporation tax for this accounting period has been calculated at 19.00% of the estimated assessable profits for the period. Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17.00% by 2020 and this reduction in the tax rate will impact the current tax charge in future periods. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020.

	Notes	2019 \$'000	2018 \$'000
<b>Profit before tax</b>		<b>26,241</b>	<b>4,239</b>
Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)		4,986	804
<b>Difference explained by:</b>			
Expenses not deductible for tax purposes		307	82
Income not subject to tax		(5)	(7)
Foreign exchange and other differences		(169)	236
Prior year adjustments		49	(716)
<b>Tax charge for the year</b>	11(a)	<b>5,168</b>	<b>399</b>

**(c) Amounts recognised in other comprehensive income**

Amounts directly recognised in the statement of other comprehensive income relate to FVTOCI financial assets. The amount recognised in 2019 is a deferred tax charge of \$38,000 (2018: deferred tax credit of \$39,000).



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**12. DIVIDENDS PAID AND PROPOSED**

No dividends were paid during the year ended 31 December 2019 (2018: \$ nil).

**13. GOODWILL**

	<u>\$'000</u>
<b>Cost</b>	
At 1 January 2019,	12,902
<b>Cost at 31 December 2019</b>	<u><b>12,902</b></u>
Accumulated impairment losses	(9,660)
<b>Net book value</b>	
<b>At 31 December 2018 and 31 December 2019</b>	<u><u><b>3,242</b></u></u>

**(a) Goodwill impairment testing**

For the purpose of impairment testing, goodwill has been allocated to the cash generating units ('CGUs') which represent the level at which goodwill is monitored and managed:

	<u>Total \$'000</u>
<b>At 31 December 2018 and 31 December 2019</b>	<u><u><b>3,242</b></u></u>

The Company performed the annual impairment test as at 31 December 2019 and 2018. In assessing whether impairment is required, the carrying value of the CGU is compared with the recoverable amount which is determined by fair value less cost of disposal.

**(b) Key assumptions**

- For valuation purposes, we have used the market approach.
- The fair value less cost of disposal is determined by applying a price earnings multiple to the pre-tax earnings of each CGU arising in the period.
- The price earnings multiples applied are derived from comparable peer multiples.
- Comparable peers are those whom our stakeholders evaluate our performance against whilst the price earnings multiples are obtained from third party market data providers. Whilst third party data considers this to be a Level 1 input, management applies a level of judgement in determining the price earning multiple and as such is considered to be a Level 2 input.
- A reduction of the Price earnings multiple of 50% would see no impairment charge recognised in relation to the goodwill assigned to any of the Company's CGU's.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**14. INTANGIBLE ASSETS**

	<b>Software \$'000</b>	<b>Internally generated software \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>			
At 1 January 2018	6,022	300	6,322
Additions	1,141	-	1,141
<b>At December 2018 and 1 January 2019</b>	<b>7,163</b>	<b>300</b>	<b>7,463</b>
Additions	1,059	-	1,059
<b>At 31 December 2019</b>	<b>8,222</b>	<b>300</b>	<b>8,522</b>
<b>Impairment provisions and amortisation</b>			
At 1 January 2018	6,010	15	6,025
Charge for the year (note 6)	19	60	79
<b>At December 2018 and 1 January 2019</b>	<b>6,029</b>	<b>75</b>	<b>6,104</b>
Charge for the year (note 6)	273	60	333
<b>At 31 December 2019</b>	<b>6,302</b>	<b>135</b>	<b>6,437</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>1,920</b>	<b>165</b>	<b>2,085</b>
At 31 December 2018	1,134	225	1,359

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**15. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improve- ments \$'000	Computer equipment \$'000	Furniture, fixtures and fittings \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2018	3,747	13,004	3,207	19,958
Disposals	-	(79)	-	(79)
<b>At 1 January 2019</b>	<b>3,747</b>	<b>12,925</b>	<b>3,207</b>	<b>19,879</b>
Disposals	-	(222)	-	(222)
<b>At 31 December 2019</b>	<b>3,747</b>	<b>12,703</b>	<b>3,207</b>	<b>19,657</b>
<b>Depreciation</b>				
At 1 January 2018	3,575	12,766	3,046	19,387
Charge for the year (note 6)	110	150	14	274
Disposals	-	(79)	-	(79)
<b>At 1 January 2019</b>	<b>3,685</b>	<b>12,837</b>	<b>3,060</b>	<b>19,582</b>
Charge for the year (note 6)	44	20	5	69
Disposals	-	(222)	-	(222)
<b>At 31 December 2019</b>	<b>3,729</b>	<b>12,635</b>	<b>3,065</b>	<b>19,429</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>18</b>	<b>68</b>	<b>142</b>	<b>228</b>
At 31 December 2018	62	88	147	297

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**16. INVESTMENTS****(a) Investments**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>		
At 1 January	4,475	4,371
Additions	102	-
Revaluation	223	104
<b>At 31 December</b>	<b>4,800</b>	<b>4,475</b>
Listed investments	1,756	1,646
Unlisted investments	3,044	2,829
	<b>4,800</b>	<b>4,475</b>

Investments comprise shares and seats held in clearing houses which are deemed relevant to the Company's trading activities and are classified as FVTOCI financial assets and recorded at fair value with changes in fair value reported in equity. The fair value for these investments is determined based on the latest available traded price.

**(b) Investments in subsidiaries**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>		
At 1 January	5,609	5,691
Additions	1,714	-
Impairment	-	(82)
<b>At 31 December</b>	<b>7,323</b>	<b>5,609</b>

The investment in subsidiaries of \$7.3m (2018: \$5.6m) relates to the investments in Carlton Commodities 2004 LLP and Nanolytics Capital Advisors Limited. The increase during the year was driven by the purchase of the remaining equity interest in Carlton Commodities 2004 LLP that was not held by the Company. At the end of each reporting period an impairment review is undertaken in respect of investment in subsidiaries. Impairment is required where the investment exceeds the recoverable amount. Refer to note 4 and note 13 for the methodology of the impairment test.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**16. INVESTMENTS (CONTINUED)****(c) Subsidiaries and undertakings**

The subsidiaries of the Company as at 31 December 2019 are as follows:

Subsidiaries held directly

<b>Name / Registered office</b>	<b>Country of incorporation / Principal place of business</b>	<b>Class</b>	<b>Proportion of ownership interest</b>	<b>Nature of business</b>
Carlton Commodities 2004 LLP 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Partnership interest	100%	Commodity and option trading
Nanalytics Capital Advisors Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	In liquidation

**17. FINANCIAL INSTRUMENTS – PLEDGED AND UNPLEDGED****(a) Pledged as collateral**

Financial instruments pledged as collateral comprise of US Treasuries which will fully mature by 31 December 2020.

During the year, the Company has pledged \$138,812,738 (2018: \$122,144,479) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Company cannot:

- sell or transfer the financial instrument;
- dispose of the financial instrument; or
- have any third-party rights associated with the financial instrument whereby it can be used as security towards any further financing activities.

**(b) Unpledged**

Unpledged financial instruments comprise of \$37,086,540 (2018: \$53,524,003) US Treasuries which will fully mature by 31 December 2020.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**18. TRADE AND OTHER RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts due from exchanges, clearing houses and other counterparties	842,031	744,319
Trade debtors	1,711	2,715
Default funds and deposits	57,254	54,364
Amounts due from group undertakings	105,411	26,971
Loans receivable	654	634
Social security and other taxation	881	-
Other debtors	1,491	1,845
Prepayments	539	1,499
	<b>1,009,972</b>	<b>832,347</b>

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of \$494,723,325 (2018: \$478,390,625) and non-segregated balances of \$347,307,245 (2018: \$265,928,075).

Trade and other receivables disclosed above are measured at amortised cost with the exception of amounts due from exchanges, clearing houses and other counterparties of \$311,461,455 (2018: \$225,143,832) which are classified as fair value through profit or loss.

Included in other debtors is \$0 (2018: \$39,618) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade debtors are assessed on an individual basis for impairment, with a provision of \$1,925,000 (2018:\$2,628,000) recognised for the Company's entire exposure to impaired debtors. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**18. TRADE AND OTHER RECEIVABLES (CONTINUED)**

**(a) Ageing of past due, but not impaired, receivables**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Less than 30 days	341	691
31 to 60 days	231	387
61 to 90 days	121	351
91 to 120 days	99	118
More than 120 days	206	432
	<b>998</b>	<b>1,979</b>

**(b) Reconciliation of the movement in provisions for doubtful debts**

	<b>2019</b>				
	<b>Provision for 12 months ECL \$'000</b>	<b>Provision for lifetime ECL \$'000</b>	<b>Provision for lifetime ECL credit impaired \$'000</b>	<b>Specific provision for lifetime ECL \$'000</b>	<b>Total \$'000</b>
At 1 January	-	-	-	2,628	2,628
Bad debts written off	-	-	-	(1,566)	(1,566)
Charged to the income statement	-	-	-	859	859
Foreign exchange revaluation	-	-	-	4	4
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,925</b>	<b>1,925</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

## (b) Reconciliation of the movement in provisions for doubtful debts (continued)

	<b>2018</b>				
	<b>Provision for 12 months ECL \$'000</b>	<b>Provision for lifetime ECL \$'000</b>	<b>Provision for lifetime ECL credit impaired \$'000</b>	<b>Specific provision for lifetime ECL \$'000</b>	<b>Total \$'000</b>
At 1 January	-	-	-	1,078	1,078
Bad debts written off	-	-	-	(22)	(22)
Charged to the income statement	-	-	-	1,568	1,568
Foreign exchange revaluation	-	-	-	4	4
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,628</b>	<b>2,628</b>



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**19. BORROWINGS**

The Company is able to access liquidity from the Group's revolving credit facility of up to \$165,000,000 with a renewal date of 30 June 2020, for which it is also a guarantor. This facility is renewable annually. As at 31 December 2019, the facility was unutilised (2018: \$nil). The credit agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants throughout the year. Interest on the amount utilised is calculated at a floating rate consisting of currency LIBOR plus a spread. Interest on the unutilised portion is charged at a fixed percentage rate.

**20. DERIVATIVE INSTRUMENTS**

Derivative assets and derivative liabilities comprise of over-the-counter foreign exchange, precious metal, agricultural and energy contracts.

<b>Financial assets</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	49,338	2,789
Agricultural option contracts	12,985	5,200
Energy forward contracts	4,259	4,475
Energy options contracts	715	5,337
Foreign currency forward contracts	16,592	5,724
Foreign currency option contracts	624	2
Precious metal forward contracts	4,953	5,431
Precious metal option contracts	961	25
Credit default swaps	74	-
Equity options	991	-
Emissions forward	228	-
<b>Held for trading derivatives that are designated in hedge accounting relationships:</b>		
Foreign currency forward contracts	213	-
	<b>91,933</b>	<b>28,983</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**20. DERIVATIVE INSTRUMENTS (CONTINUED)**

<b>Financial liabilities</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	40,624	1,846
Agricultural option contracts	9,258	916
Energy forward contracts	1,744	3,559
Energy options contracts	16	2,024
Foreign currency forward contracts	10,160	8,229
Foreign currency option contracts	696	19
Precious metal forward contracts	12,012	14,610
Precious metal option contracts	121	53
Credit default swaps	28	-
Interest rate forward contracts	22	-
Interest rate option contracts		16,888
Equity option contracts	2,319	-
<b>Held for trading derivatives that are designated in hedge accounting relationships:</b>		
Foreign currency forward contracts	43	620
	<b>77,043</b>	<b>48,764</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**21. DEFERRED TAX**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Revaluation of investments	(624)	(586)
Depreciation in excess of capital allowances	746	903
Other	64	34
<b>31 December</b>	<b>186</b>	<b>351</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	351	473
Charged to the income statement (note 11(a))	(126)	(161)
(Charged) / credited to other comprehensive income	(38)	39
Foreign exchange and other differences	(1)	-
<b>31 December</b>	<b>186</b>	<b>351</b>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

Deferred tax balances have been calculated at the effective tax rate ruling at the balance sheet date. Finance (No. 2) Act 2015 reduced the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% from 1 April 2020 and was substantively enacted on 15 September 2016. The reduction of the UK corporation tax rate to 17% has been recognised in the deferred tax charge within the closing deferred tax position. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020. Had this change in rate been effective at the balance sheet date for 2020 and subsequent years, due to revaluation the net deferred tax asset recognised at 31 December 2019 would have been \$208,000.

**Unrecognised deferred tax assets**

The Company has unrecognised deferred tax assets in respect of employee compensation deductions of \$4,775,000 (2018: \$4,594,000). The potential deferred tax asset at 17% (2018: 17%) is \$881,830 (2018: \$781,145). These assets have not been recognised as it is not foreseeable when a tax deduction will arise. There is no expected expiry date on these assets.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**22. TRADE AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts due to exchanges, clearing houses and other counterparties	935,884	852,905
Amounts due to group undertakings	-	24,010
Other tax and social security taxes	1,559	1,393
Other creditors	2,479	1,218
Accruals	35,452	33,471
Deferred income	45	40
	<b>975,419</b>	<b>913,037</b>

Included in the amounts due to exchanges, clearing houses and other counterparties are segregated balances of \$493,339,326 (2018: \$516,027,515) and non-segregated balances of \$442,544,674 (2018: \$336,877,485). No amounts were included in the non-segregated balance of \$442,544,674 which are classified as fair value through profit or loss (2018: \$nil).

The directors consider that the carrying amount of trade and other payables is not materially different to their fair value.

**23. PROVISIONS**

	<b>Legal</b>	<b>Leasehold</b>	<b>Total</b>
	<b>\$'000</b>	<b>dilapida-</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>tions</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>			
At 1 January 2019	31,904	275	32,179
<b>Movement in the year:</b>			
Arising during the year	5,800	10	5,810
Utilised in the year	(37,704)	-	(37,704)
<b>At 31 December 2019</b>	<b>-</b>	<b>285</b>	<b>285</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**23. PROVISIONS (CONTINUED)**

	<b>Legal \$'000</b>	<b>Leasehold dilapida- tions \$'000</b>	<b>Total \$'000</b>
<b>Non-current</b>			
At 1 January 2018	-	291	291
<b>Movement in the year:</b>			
Arising during the year	31,904	-	31,904
Utilised in the year	-	(16)	(16)
<b>At 31 December 2018</b>	<b>31,904</b>	<b>275</b>	<b>32,179</b>

**(a) Leasehold dilapidations**

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. The lease agreement terminates on 22 March 2027.

**(b) Legal**

During 2019 the ongoing warehouse receipts litigation between Marex Financial ('MF'), Natixis S.A. ('Natixis') and Access World Logistics (Singapore) Pte Ltd ('Access World') was concluded. This litigation related to MF brokering five spot purchase contracts of 16 nickel warehouse receipts on behalf of a customer with Natixis providing financing. Prior to the transactions, MF had engaged the relevant warehouse company, Access World, to independently inspect and authenticate the warehouse receipts. It was subsequently discovered by Access World that the warehouse receipts were not genuine. Natixis claimed \$32.1m from MF in respect of their breach of contract claim and Marex joined Access World to the proceedings.

The judgment was handed down on 2 October 2019. Natixis succeeded in their claim against MF for \$32m. Access World was held to have been negligent in carrying out its duties owed to MF and ordered to pay MF €1.3m plus \$45,000 in damages. Based on advice from legal counsel, MF did not appeal the judgment to the Court of Appeal.

The \$5.8 million legal provision recorded during the year relates to the final settlement of the warehouse receipts litigation including interest, insurance and legal fees.

**24. CONTINGENT LIABILITIES**

From time to time the Company is engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews.

The Company's reputation may also be damaged by any involvement, or that of any of its employees or former employees, in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

As outlined above in respect of legal matters or disputes for which a provision has not been made, notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no individual matters which are considered to pose a significant risk of material adverse financial impact on the Company's results or net assets.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**25. SHARE CAPITAL**

	<u>Issued and fully paid</u>		<u>Issued and fully paid</u>	
	<u>2019 Number</u>	<u>2019 \$'000</u>	<u>2018 Number</u>	<u>2018 \$'000</u>
Authorised ordinary shares of \$1.65 each	97,000,001	160,050	97,000,001	160,050
	<u><b>97,000,001</b></u>	<u><b>160,050</b></u>	<u><b>97,000,001</b></u>	<u><b>160,050</b></u>

The rights of the shares are as follows:

<b>Class of share</b>	<b>Rights</b>
Ordinary shares	Full voting rights and right to participate in ordinary dividends ranking pari passu with non-voting ordinary shares. In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares and no right of redemption.

**26. RESERVES**

The following describes the nature and purpose of each reserve within total equity:

<b>Reserves</b>	<b>Description</b>
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount of consideration received over and above the par value of shares.
Retained earnings	Cumulative net gains and losses recognised in the income statement or statement of other comprehensive income.
Revaluation reserve	Cumulative unrealised gains on investments in exchanges that are held as FVTOCI and recognised in equity.
Cash flow hedge reserve	Cumulative unrealised gains and losses on hedging instruments deemed effective cash flow hedges.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**27. CASH FLOW HEDGE RESERVE**

	<b>Cash flow hedge reserve \$'000</b>
At 1 January 2019	(620)
Profit on revaluation	793
<b>At 31 December 2019</b>	<b>173</b>

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**28. OPERATING LEASES****(a) Lease liabilities and right of use assets**

	<b>2019</b>
	<b>Right of use asset \$'000</b>
	<b>2019</b>
	<b>Lease liability \$'000</b>
<b>Right of use assets:</b>	
<b>As at 1 January 2019:</b>	5,143
Release of IAS 17 lease liability	(221)
Depreciation charged to income statement	(1,887)
<b>31 December 2019</b>	<b>3,035</b>
<b>Lease liabilities:</b>	
<b>As at 1 January 2019:</b>	5,708
Interest expense charged to income statement	174
Payment of lease liabilities	(3,102)
FX revaluation	136
<b>At 31 December 2019</b>	<b>2,916</b>

The difference of \$565,347 between the right of use asset and lease liability on 1 January 2019 has been recognised as an adjustment against retained earnings.

All leasing contracts and associated assets and liabilities relate to office space.

Other Operating lease expenses including service charges, utilities, property insurance and maintenance amounted to \$1,165,424 during 2019.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.23%.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**28. OPERATING LEASES (CONTINUED)****(b) Lease commitments**

The Company has entered into commercial leases on its properties. The lessee has the options of renewal on each of these leases subject to negotiation between the Company, as lessee, and each landlord in the period preceding the expiration of each lease. There were no restrictions placed upon the lessee by entering into these leases.

The total future minimum lease payments (including service charge) are due as follows:

	<u>Company</u>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	2,035	3,370
In the second to fifth years inclusive	2,499	4,328
	<b>4,535</b>	<b>7,698</b>

The total sublease receipts included in the income statement during the year is \$433,725 (2018: \$634,095).

The total future minimum sublease receipts are due as follows:

	<u>Company</u>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	451	433
In the second to fifth years inclusive	300	723
	<b>751</b>	<b>1,156</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS**

**Capital risk management**

For the purpose of the Company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 25 and 26. The primary objective of the Company's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current year.

As at 31 December 2019 the Company had capital resources in excess of the external requisite minimum requirements. These requirements are driven by European legislation (Capital Requirements Regulation 'CRR') to ensure the Company has an adequate capital base to support the nature and scale of its operations. Management of regulatory capital forms an important part of the Company's risk governance structure. A robust programme of regular monitoring and review takes place to ensure the Company is in adherence with local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Company's risk appetite, as determined by the Board.

**Debt securities**

Debt securities are structured notes issued by the Company that offer investors returns that are linked to the performance of a variety of asset classes. The market risk associated with these instruments is hedged through futures, options and equity instruments in the underlying products. The costs and revenues resulting from the implicit interest costs and the derivative elements within this portfolio are all recognised in Revenue.

**Equity instruments**

Equity instruments relate to equities purchased to offset the economic exposure arising from the non-host derivative component of the Company's issued debt securities.

**29. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments**

Set out below is an analysis of the Company categories of financial assets as at 31 December 2019.

	<b>FVTPL \$'000</b>	<b>FVTOCI \$'000</b>	<b>Amortised cost \$'000</b>	<b>Total \$'000</b>
<b>Financial assets:</b>				
Cash and cash equivalents	-	-	136,432	136,432
Equity instruments	29,250	-	-	29,250
Financial instruments	-	-	175,898	175,898
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	530,570	842,031
Amounts due from group undertakings	-	-	105,411	105,411
Trade debtors	-	-	1,711	1,711
Default funds and deposits	-	-	57,254	57,254
Loans receivable	-	-	654	654
Other debtors	-	-	1,223	1,223
Investments	-	4,800	-	4,800
Derivative instruments	91,933	-	-	91,933
<b>31 December 2019</b>	<b>432,644</b>	<b>4,800</b>	<b>1,009,153</b>	<b>1,446,597</b>

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Categories of financial instruments (continued)

	FVTPL \$'000	FVTOCI \$'000	Amortised cost \$'000	Total \$'000
<b>Financial assets:</b>				
Cash and cash equivalents	-	-	130,249	130,249
Financial instruments	-	-	175,668	175,668
Amounts due from exchanges, clearing houses and other counterparties	225,144	-	519,175	744,319
Amounts due from group undertakings	-	-	26,971	26,971
Trade debtors	-	-	2,715	2,715
Default funds and deposits	-	-	54,364	54,364
Loans receivable	-	-	634	634
Other debtors	-	-	1,547	1,547
Investments	-	4,475	-	4,475
Derivative instruments	28,983	-	-	28,983
<b>31 December 2018</b>	<b>254,127</b>	<b>4,475</b>	<b>911,323</b>	<b>1,169,925</b>

**29. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

Set out below is an analysis of the Company's categories of financial liabilities as at 31 December 2019. For an analysis of the classification and recognition of financial assets for Company on the adoption of IFRS 9 on 1 of January 2018 refer to note 2(a).

	<b>FVTPL</b>	<b>Amortised</b>	<b>Total</b>
	<b>\$'000</b>	<b>cost</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities:</b>			
Amounts due to exchanges, clearing houses and other counterparties	-	935,884	935,884
Derivative instruments	77,043	-	77,043
Other creditors	-	2,479	2,479
Accruals	-	35,452	35,452
Deferred income	-	45	45
Lease liability	-	2,916	2,916
Issued debt securities	196,199	-	196,199
<b>31 December 2019</b>	<b>273,242</b>	<b>976,776</b>	<b>1,250,018</b>

	<b>FVTPL</b>	<b>Amortised</b>	<b>Total</b>
	<b>\$'000</b>	<b>cost</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities:</b>			
Amounts due to exchanges, clearing houses and other counterparties	-	852,905	852,905
Derivative instruments	48,764	-	48,764
Other creditors	-	1,218	1,218
Accruals	-	33,471	33,471
Amounts due to group undertakings	-	24,010	24,010
Deferred income	-	40	40
<b>31 December 2018</b>	<b>48,764</b>	<b>911,644</b>	<b>960,408</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

## (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

As a member of the LME, the Company is subject to the settlement and margining rules of LME Clear. The majority of products transacted by the Company are LME forward contracts. LME forwards that are in-the-money do not settle in cash until maturity ('prompt') date, while the firm is required to post margin to cover loss-making contracts daily. In accordance with the LME Clear rules, the Company is able to utilise forward profits to satisfy daily margin requirements and are set-off against loss-making contracts. Consequently, amounts due from exchanges, clearing houses and other counterparties are presented on a net basis in the balance sheet.

The effect of offsetting is disclosed, below:

	Gross amount \$'000	Amounts set-off \$'000	Net amount presented \$'000	Non-cash collateral rec'd / (pledged) \$'000	Cash collateral rec'd / (pledged) \$'000	Net amount \$'000
<b>31 December 2019</b>						
<b>Financial assets</b>						
Amounts due from exchanges, clearing houses and other counterparties	1,373,271	(531,240)	842,031	-	-	842,031
<b>Financial liabilities</b>						
Amounts due to exchanges, clearing houses and other counterparties	1,467,124	(531,240)	935,884	(138,813)	-	797,071
<b>31 December 2018</b>						
<b>Financial assets</b>						
Amounts due from exchanges, clearing houses and other counterparties	1,182,718	(438,399)	744,319	-	-	744,319
<b>Financial liabilities</b>						
Amounts due to exchanges, clearing houses and other counterparties	1,291,304	(438,399)	852,905	(122,144)	-	730,761

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives**

The Company's activities expose it to a number of financial risks including market risk, operational risk, credit risk and liquidity risk as discussed in the strategic report.

The Company manages these risks through various control mechanisms and its approach to risk management is both prudent and evolving.

Overall responsibility for risk management rests with the Board. Dedicated resources within the Risk Department control and manage the exposures of the Company's own positions, the positions of its clients and its exposures to its counterparties as well as operational exposures, within the risk appetite set by the Board.

Credit risk

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. Credit risk in the Company principally arises from cash and cash equivalents deposited with third party institutions, exposures from transactions and balances with exchanges and clearing houses, and exposures resulting from transactions and balances relating to customers and counterparties, some of which have been granted credit lines.

The Company only makes treasury deposits with banks and financial institutions that have received approval from Group's Executive Credit and Risk Committee. These deposits are also subject to counterparty limits with respect to concentration and maturity.

The Company's exposure to customer and counterparty transactions and balances is managed through the Company's credit policies and, where appropriate, the use of initial and variation margin credit limits in conjunction with overall position limits for all customers and counterparties. These exposures are monitored both intraday and overnight. The limits are set by the Company's Executive Credit and Risk Committee through a formalised process.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)**
**(c) Financial risk management objectives (continued)**
Credit quality

The table below does not take into account collateral held. All collateral held is in the form of cash received from clients.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
AA and above	796,153	299,362
AA-	55,602	14,741
A+	119,943	51,295
A	36,466	94,904
A-	44,800	4,669
BBB+	2,460	1
Lower and unrated	391,173	704,953
	<b>1,446,597</b>	<b>1,169,925</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Investments	4,800	4,475
Financial instruments	175,898	175,668
Derivative assets	91,933	28,983
Equity shares	29,250	-
Amounts due from exchanges, clearing houses and other counterparties	842,031	744,319
Trade debtors	1,711	2,715
Default funds and deposits	57,254	54,364
Amounts due from group undertakings	105,411	26,971
Loans receivable	654	634
Other debtors	1,223	1,547
Cash and cash equivalents	136,432	130,249
	<b>1,446,597</b>	<b>1,169,925</b>

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Credit quality (continued)

The Company has received collateral in respect of its derivative assets during the year ended 31 December 2019 amounting to \$36,163,348 (2018: \$25,756,365). Collateral was recognised in amounts due to exchanges, clearing houses and other counterparties as at 31 December 2019. All collateral received from clients is cash.

Market risk

The Company's activities expose it to financial risks primarily generated through foreign exchange, interest rate and commodity market price exposures which are outlined in the strategic report.

*Market risk sensitivity*

As principally an intermediary (excluding Marex Solutions), the Company's market risk exposure is modest. It manages this market risk exposure using appropriate risk management techniques within pre-defined and independently monitored parameters and limits.

The Company uses a range of tools to monitor and limit market risk exposures. These include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.

Value at risk ('VaR')

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

The VaR model used by the Company is based upon the Monte Carlo simulation technique. This model derives plausible future scenarios from past series of recorded market rates and prices, taking account of inter-relationships between different markets and rates, including interest rates and foreign exchange rates. The model also incorporates the effect of option features on the underlying exposures.

The Monte Carlo simulation model used by the Company incorporates the following features:

- 5,000 simulations using a variance covariance matrix;
- simulations generated using geometric Brownian motion;
- an exceptional decay factor is applied across an estimation period of 250 days; and
- VaR is calculated to a 1-day, 99.75% one tail confidence level.

The Company validates VaR by comparing to alternative risk measures, for example, scenario analysis and exchange initial margins as well as the back testing of calculated results against actual profit and loss.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations, for example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one-day. This may not fully reflect the market risk arising at times of severe liquidity stress, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99.75% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- the VaR, disclosed below, is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposure; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Value at risk ('VaR') (continued)

The Company recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Company also applies a wide range of stress testing, both on individual portfolios and on the Company's consolidated positions. The VaR as at 31 December 2019 was \$872,589 (2018: \$1,275,766) and the average monthly VaR for the year ended 31 December 2019 was \$1,557,346 (2018: \$1,443,498).

Foreign currency risk

The Company's policy is to minimise volatility as a result of the translation of foreign currency exposure. As such management monitors currency exposure on a daily basis and buys or sells currency to minimise the exposure, in addition to the hedging of material future dated GBP commitments through the use of derivative instruments. It is the policy of the Company to enter into foreign exchange forward contracts to cover these specific future dated GBP commitments.

The associated gains and losses on derivatives hedging GBP commitments were recognised in other comprehensive income and will be removed when the anticipated commitments take place and included in the initial cost of the hedged commitments. In the current year, the Company has designated certain foreign exchange forward contracts as hedging instruments.

The following table details the foreign currency forward contracts, held within derivatives on the statement of financial position, that are designated in hedging relationships, 31 December 2019.

	<b>2019</b>			
<b>Outstanding contracts</b>	<b>Average forward rates</b>	<b>Foreign currency \$'000</b>	<b>Notional value £'000</b>	<b>Fair value Assets \$'000</b>
<b>Derivative designated as Cash flow hedges</b>				
Less than 3 months	1.31828	14,518	11,003	173
		<b>14,518</b>	<b>11,003</b>	<b>173</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

	<b>2018</b>			
	<b>Average forward rates</b>	<b>Foreign currency \$'000</b>	<b>Notional value £'000</b>	<b>Fair value Assets \$'000</b>
<b>Outstanding contracts</b>				
<b>Derivative designated as Cash flow hedges</b>				
Less than 3 months	1.2963	6,692	5,156	94
3 to 6 months	1.3019	6,958	5,339	99
6 to 12 months	1.3112	13,843	10,548	208
More than 12 months	1.3183	14,518	11,003	219
		<b>42,011</b>	<b>32,046</b>	<b>620</b>

The Company has future foreign currency exposure related to material future dated GBP commitments. The Company has entered into foreign exchange forward contracts (for terms not exceeding 14 months) to hedge the exchange rate risk arising from these anticipated future commitments, which are designated as cash flow hedges.

Foreign currency risk (continued)

As at 31 December 2019, the aggregate amount of gains/losses under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future commitments is \$173,173. It is anticipated that these commitments will come due monthly over the course of the next 14 months, at which time the amount deferred in equity will be reclassified to profit or loss.

As at 31 December 2019, no ineffectiveness has been recognised in profit or loss arising from the hedging of these future dated GBP commitments.

*Foreign exchange sensitivity*

The majority of the Company's net assets are in US Dollars which minimises the effect exchange rate fluctuations will have on overall net assets.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Interest rate risk

The Company is exposed to interest rate risk on cash, investments, derivatives, client balances and bank borrowings.

The main interest rate risk is derived from interest-bearing deposits in which the Company invests surplus funds and bank borrowings.

The Company's exposure to interest rate fluctuations is limited through the offset that exists between the bulk of its interest bearing assets and interest bearing liabilities. Since the return paid on client liabilities is generally reset to prevailing market interest rates on an overnight basis, the Company is only exposed for the time it takes to reset its investments which are held at rates fixed for a maturity which does not exceed three months, with the exception of US Treasuries which have a maturity of up to two years.

Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems, or from external events. It is inherent in every business organisation and covers a wide spectrum of issues. Operational risk is managed through systems and procedures in which processes are documented, authorisation is independent, and transactions are monitored and reconciled.

The Company maintains disaster recovery or contingency facilities to support operations and ensure business continuity. The invocation of these facilities is regularly tested.

Compliance or Regulatory risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to the Company. Non-compliance can lead to fines, public reprimands, enforced suspensions of services, or in extreme cases, withdrawal of authorisation to operate.

The Company is subject to authorisation by the LME, DGCX, London Stock Exchange, SGX, Euronext, ICE Futures and Eurex. The Company is regulated in the UK by the FCA (which regulates our Group under supervision).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Concentration risk

To mitigate the concentration of credit risk exposure to a particular single customer, counterparty or group of affiliated customers or counterparties, the Company monitors these exposures carefully and ensures that these remain within pre-defined limits. Large exposure limits are determined in accordance with appropriate regulatory rules.

Further concentration risk controls are in place to limit exposure to clients or counterparties within single countries of origin and operation through specific country credit risk limits as set by the Board Risk Committee.

The largest concentration of cash balances as at 31 December 2019 was 84% (2018: 93%) to a UK-based, A rated global banking group (2018: UK-based, AA- rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2019 was 37% (2018: 40%) to the LME (2018: LME).

Liquidity risk

The Company defines liquidity risk as the failure to meet its day-to-day capital and cash flow requirements. Liquidity risk is assessed and managed under the Individual Liquidity Adequacy Assessment ('ILAA') and Liquidity Risk Framework. To mitigate liquidity risk, the Company has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Company has sufficient resources to meet its margin requirement at clearing houses and third party brokers. In the event of a liquidity issue arising, the Company has recourse to existing global cash resources after which it could draw down on a \$165 million committed revolving credit facility as an additional contingency funding.

There are strict guidelines followed in relation to products and duration into which excess liquidity can be invested. Excess liquidity is invested in highly liquid instruments, such as cash deposits with financial institutions for a period of less than three months and US Treasuries with a maturity of up to two years.

The financial liabilities are based upon rates set on a daily basis, apart from the financing of the warrant positions and the credit facility where the rates are set for the term of the loan.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Financial risk management objectives (continued)**Liquidity risk (continued)*Liquidity risk exposures*

The following table details the Company's available financing facilities and annually committed credit agreements:

	Notes	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Financing facilities</b>			
<b>Unsecured bank overdraft facility, reviewed annually and payable at call:</b>			
Amount used		-	-
Amount unused		-	15,000
		<u>-</u>	<u>15,000</u>
<b>Secured revolving credit facility, reviewed annually:</b>			
Amount used		-	-
Amount unused		165,000	125,000
		<u>165,000</u>	<u>125,000</u>

During 2019 the Company discontinued its committed overdraft facility.

The Company is able to access liquidity from the Group's revolving credit facility of up to \$165,000,000 with a renewal date of 30 June 2020. This facility is renewable annually. As at 31 December 2019, the facility was unutilised (2018: \$nil). The credit agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants throughout the year. Interest on the amount utilised is calculated at a floating rate consisting of currency LIBOR plus a spread. Interest on the unutilised portion is charged at a fixed percentage rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Liquidity risk (continued)

*Liquidity risk exposures*

The following table details the Company's expected undiscounted contractual maturity for non-derivative financial liabilities: Debt securities are presented discounted based on earliest expected call dates. Lease liabilities are undiscounted and contractual.

	<b>On demand \$'000</b>	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Total \$'000</b>
Amounts due to exchanges, clearing houses and other counterparties	935,884	-	-	-	935,884
Lease liability	-	-	1,210	2,017	3,227
Issued debt securities	-	54,463	128,790	12,946	196,199
Other creditors	-	2,479	-	-	2,479
Accruals	144	31,836	3,471	1	35,452
Deferred income	-	45	-	-	45
<b>At 31 December 2019</b>	<b>936,028</b>	<b>88,823</b>	<b>133,471</b>	<b>14,964</b>	<b>1,173,286</b>

	<b>On demand \$'000</b>	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Total \$'000</b>
Amounts due to exchanges, clearing houses and other counterparties	852,905	-	-	-	852,905
Other creditors	-	1,218	-	-	1,218
Accruals	-	33,471	-	-	33,471
Deferred income	-	40	-	-	40
Amounts due to group undertakings	24,010	-	-	-	24,010
<b>At 31 December 2018</b>	<b>876,915</b>	<b>34,729</b>	<b>-</b>	<b>-</b>	<b>911,644</b>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Financial risk management objectives (continued)**Liquidity risk (continued)

Shown below is the Company's expected undiscounted contractual maturity for non-derivative financial assets:

	<b>On demand</b>	<b>Less than 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Total</b>
	<b>\$'000</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Amounts due from exchanges, clearing houses and other counterparties	842,031	-	-	-	842,031
Trade debtors	-	1,711	-	-	1,711
Default funds and deposits	-	57,254	-	-	57,254
Loans receivable	-	654	-	-	654
Other debtors	-	1,223	-	-	1,223
Cash and cash equivalents	136,432	-	-	-	136,432
Amounts due from group undertaking	105,411	-	-	-	105,411
Equity instruments	29,250	-	-	-	29,250
Financial instruments	-	36,043	29,986	109,870	175,899
<b>At 31 December 2019</b>	<b>1,113,124</b>	<b>96,885</b>	<b>29,986</b>	<b>109,870</b>	<b>1,349,865</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Financial risk management objectives (continued)**

	<b>On demand \$'000</b>	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Total \$'000</b>
Amounts due from exchanges, clearing houses and other counterparties	744,319	-	-	-	744,319
Trade debtors	-	2,715	-	-	2,715
Default funds and deposits	-	54,364	-	-	54,364
Loans receivable	450	-	184	-	634
Other debtors	-	1,547	-	-	1,547
Cash and cash equivalents	130,249	-	-	-	130,249
Amounts due from group undertaking	26,971	-	-	-	26,971
Financial instruments	-	25,087	70,658	79,923	175,668
<b>At 31 December 2018</b>	<b>901,989</b>	<b>83,713</b>	<b>70,842</b>	<b>79,923</b>	<b>1,136,467</b>

Both assets and liabilities are included to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**29. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Financial risk management objectives (continued)**

Liquidity risk (continued)

The following table details the Company's expected contractual maturity for derivative financial assets and derivative financial liabilities:

	<b>On demand \$'000</b>	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Total \$'000</b>
Derivative instruments - assets	-	42,030	43,858	6,045	91,933
Derivative instruments - liabilities	-	(33,464)	(30,126)	(13,453)	(77,043)
<b>At 31 December 2019</b>	<b>-</b>	<b>8,566</b>	<b>13,732</b>	<b>(7,408)</b>	<b>14,890</b>
	<b>On demand \$'000</b>	<b>Less than 3 months \$'000</b>	<b>3 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Total \$'000</b>
Derivative instruments - assets	-	13,695	14,151	1,137	28,983
Derivative instruments - liabilities	-	(22,898)	(24,019)	(1,847)	(48,764)
<b>At 31 December 2018</b>	<b>-</b>	<b>(9,203)</b>	<b>(9,868)</b>	<b>(710)</b>	<b>(19,781)</b>

The derivative asset and liability do not meet the offsetting criteria in IAS 32, but the entity has the right of offset in the case of default, insolvency or bankruptcy. Consequently, the gross amount of the derivative asset \$91,933,260 (2018: \$28,983,391) and gross amount of the derivative liability of \$77,042,988 (2018: \$48,764,345) are presented separately in the Company's statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)**
**(c) Financial risk management objectives (continued)**
Fair value measurement

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from 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); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level 2 pricing for investments is based on the latest traded price. The level 2 pricing for derivative instruments is based on counterparty information which provides daily valuations.

The level 3 pricing for derivative instruments are determined using quantitative models that require the use of multiple market inputs including commodity prices, interest and foreign exchange rates to generate continuous yield or pricing curves and volatility factors, which are used to value the position.

The following table shows an analysis of the financial assets and liabilities recorded at fair value shown in accordance with the fair value hierarchy.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets – FVTPL:</b>				
Equity instruments	29,250	-	-	29,250
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	-	311,461
Derivative instruments	-	91,661	272	91,933
<b>Financial assets – FVTOCI:</b>				
Investments	1,756	3,044	-	4,800
<b>Financial liabilities – FVTPL:</b>				
Derivative instruments	-	(77,005)	(39)	(77,043)
Issued debt securities	-	(196,199)	-	(196,199)
<b>At 31 December 2019</b>	<b>342,467</b>	<b>(178,499)</b>	<b>233</b>	<b>164,201</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Financial risk management objectives (continued)**Fair value measurement (continued)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial assets – FVTPL:</b>				
Amounts due from exchanges, clearing houses and other counterparties	225,144	-	-	225,144
Derivative instruments	-	28,922	61	28,983
<b>Financial assets – FVTOCI:</b>				
Investments	1,646	2,829	-	4,475
<b>Financial liabilities – FVTPL:</b>				
Derivative instruments	-	(48,657)	(107)	(48,764)
<b>At 31 December 2018</b>	<hr/> <b>226,790</b> <hr/>	<hr/> <b>(16,906)</b> <hr/>	<hr/> <b>(46)</b> <hr/>	<hr/> <b>209,838</b> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**29. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Financial risk management objectives (continued)**

The following table summarises the movements in the Level 3 balances during the period. Transfers have been reflected if they have taken place.

Asset and liability transfers between Level 2 and Level 3 are primarily due to either an increase or decrease in observable market activity related to an input or a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

Reconciliation of Level 3 fair value measurements of financial assets

	<b>2019 \$'000</b>
<b>Balance at 1 January 2019</b>	<b>61</b>
Purchases	156
Settlements	(135)
<b>Total gains or losses in the period recognised in the income statement:</b>	
Market making	190
<b>Total gains or losses in the period recognised in OCI</b>	
Transfers out of level 3	-
<b>Balance at 31 December</b>	<b>272</b>

Fair value measurement (continued)

## Reconciliation of Level 3 fair value measurements of financial liabilities

	<b>2019 \$'000</b>
<b>Balance at 1 January</b>	<b>107</b>
Purchases	49
Settlements	(126)
<b>Total gains or losses in the period recognised in the income statement:</b>	
Market making	9
<b>Balance at 31 December</b>	<b>39</b>

The Company's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate. The impact of reasonably possible alternative assumptions from the unobservable input parameters shows no significant impact on the Company's net profit, comprehensive income or shareholders' equity.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**30. CLIENT MONEY**

As required by the UK FCA's Client Assets Sourcebook rules and the CFTC's client money rules, the Company maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. These amounts and the related liabilities to clients, whose recourse is limited to segregated accounts, are not included in the statement of financial position as the Company is not beneficially entitled thereto.

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Segregated assets at banks (not recognised)	261,730	269,897
Segregated assets at exchanges, clearing houses and other counterparties (recognised)	494,723	478,391
	<u>756,453</u>	<u>748,288</u>

Segregated assets at exchanges, clearing houses and other counterparties of \$494,723,233 (2018: \$478,390,625) are included on the statement of financial position within trade and other receivables.

**31. EVENTS AFTER THE BALANCE SHEET DATE****Impact of Coronavirus pandemic**

Since the global outbreak of Coronavirus Covid-19, after the year end date, all necessary actions have been undertaken to preserve the financial condition of the Company to ensure that it is able to continue to operate effectively.

Since 23 March, the majority of the Company's employees have been working from home in accordance with Government requirements. The Group has successfully continued to service its clients both in terms of its trade offering and the associated administration.

Whilst market volatility has resulted in a small number of clients being unable to meet their obligations, the overall profitability of the Company for the first quarter of 2020 has nevertheless been ahead of budget after recognising the resulting credit provisions.

Whilst the resulting economic disruption caused by the crisis is likely to create further challenges for the Group in coming months, Management considers that the Company's available liquidity resources are more than sufficient to ensure its continuing status as a going concern and that the Company has sufficient available capital to be able to satisfy its regulatory requirements.

There were no further subsequent events.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**32. RELATED PARTY TRANSACTIONS****(a) Parent and ultimate controlling party**

The immediate parent undertaking is Marex Spectron Group Limited, a private limited company incorporated in England and Wales, in whose financial statements the Company is included. These financial statements are available from its registered office at 155 Bishopsgate, London, EC2M 3TQ.

In the directors' opinion, the ultimate parent and ultimate controlling party of the Company is Amphitryon Limited, a company incorporated in Jersey, Channel Islands.

**(b) Key Management Personnel**

The remuneration paid to key management personnel for their services to the Company was as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Aggregate wages and salaries	9,106	7,985
Short-term monetary benefits	63	61
Defined pension cost	37	38
	<b>9,206</b>	<b>8,084</b>

The remuneration of the highest paid director for their services to the Company was \$2,036,852 (2018: \$1,161,569). As at 31 December 2019, there were 2 directors in the Company's defined contribution scheme (2018: 2).

**(c) Key Management Personnel transactions**

The Company made loans to certain directors associated with equity awards of \$46,464 (2018: \$44,702). In addition, the Company made loans to certain senior current and former employees relating to tax payments associated with equity awards of \$421,489 (2018: \$405,506). The loans are non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

**(d) Transactions with entities having significant influence over the Company**

During the year, the Company received consortium relief amounting to \$1,365,325 from entities that have significant influence over the Company (2018: \$nil). The payable balance at 31 December 2019 was \$2,717,543 (2018: \$1,282,122).



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**32. RELATED PARTY TRANSACTIONS (CONTINUED)**
**(e) Balances and transactions with other group undertakings**

	Amounts owed from related parties 2019 \$'000	Amounts owed from related parties 2018 \$'000	Amounts owed to related parties 2019 \$'000	Amounts owed to related parties 2018 \$'000	Amounts included in operating profits 2019 \$'000	Amounts included in operating profits 2018 \$'000
Carlton Commodities 2004 LLP	-	-	(1,712)	(4,421)	-	-
Marex Hong Kong Limited	-	-	(3,820)	(3,303)	4,964	4,976
Marex Spectron Asia Pte Limited	-	-	(1,376)	(927)	617	1,530
Marex Spectron Group Limited	107,725	20,456	-	-	1,146	455
Marex Spectron International Limited	3,479	8	(7,688)	(11,369)	(19,979)	(22,119)
Nanolytics Capital Advisors Limited (In liquidation)	-	1,041	(66)	-	-	(51)
Spectron Energy (Asia) Pte Limited	360	-	-	(386)	(554)	(131)
Spectron Services Limited	12,105	3,010	-	-	29,499	24,194
Marex Trading Services Gibraltar Limited (Dormant)	-	-	-	(58)	-	83
Marex North America LLC	16,509	-	(14,577)	(3,547)	9,564	47,263
Spectron Energy Inc	4,274	2,456	-	-	(335)	(502)
Energy Broking Ireland Limited	136	-	-	-	(28)	-
Marex Spectron Europe Limited	4,670	-	(2,143)	-	51	-
CSC Commodities (UK) Limited	112	-	(12,568)	-	10,191	-
Marex Spectron USA LLC	12	-	(21)	-	8	-
	<b>149,382</b>	<b>26,971</b>	<b>(43,971)</b>	<b>(24,011)</b>	<b>35,144</b>	<b>55,698</b>

All balances owed to and from related parties listed above are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
**33. COUNTRY-BY-COUNTRY REPORTING**

The disclosure has been prepared in accordance with The Capital Requirements (Country by Country Reporting) Regulation 2013, which came into effect on 1 January 2014. Marex Financial is the only institution (as defined by the EU Capital Requirement Regulation) within the Marex Spectron Group. Marex Financial is regulated by the FCA on a solo basis and has the following subsidiaries:

- Carlton Commodities 2004 LLP (unregulated)

<b>Legal entity / Registered office</b>	<b>Country of incorporation / Principal place of business</b>	<b>Nature of business</b>
Carlton Commodities 2004 LLP 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Commodity and option trading

**(a) Disclosure – For the year ended 31 December 2019**

<b>Legal entity on a consolidated basis</b>	<b>No. employees</b>	<b>Revenue \$'000</b>	<b>Profit before tax \$'000</b>	<b>Taxation paid / (received) \$'000</b>	<b>Public subsidies received \$'000</b>
Marex Financial	347	247,541	27,310	1,244	-

**(b) Disclosure – For the year ended 31 December 2018**

<b>Legal entity on a consolidated basis</b>	<b>No. employees</b>	<b>Revenue \$'000</b>	<b>Profit before tax \$'000</b>	<b>Taxation paid / (received) \$'000</b>	<b>Public subsidies received \$'000</b>
Marex Financial	327	251,289	4,244	5,595	2