Marex Spectron Group Limited

Report and Financial Statements

Period from 1 April 2011 to 31 December 2011

Registered number 05613060

Contents Page

COMPANY INFORMATION

Country of Incorporation

United Kingdom

Legal form

Private limited company

Directors

J C Cohen
S Fink
D A Hallgarten
S J N Heale
J M Isaacs
P Kadas
R B Nagioff
J P Phizackerley
V Pignatti-Morano
G H Prentice
S H Sparke
P M Sugarman

Secretary and registered office

N R Edwards

155 Bishopsgate, London, EC2M 3TQ

Company number

05613060

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Bankers

JP Morgan Chase Bank, 125 London Wall, London, EC2Y 5AJ

HSBC, Level 19, 8 Canada Square, London, E14 5HQ

DIRECTORS' REPORT

The directors present their report and financial statements for the nine months to 31 December 2011 for Marex Spectron Group Limited, formerly Marex Group Limited, and its subsidiaries (together Marex Spectron) or the Group

About Us

Marex Spectron is a leading independent specialist broker focused on Physical and Financial Commodities products, Financial Futures, Foreign Exchange and the provision of services in electronic markets

Marex Spectron provides voice and electronic execution and clearing services for commodity markets in OTC Energy, Metals, Energy Futures, Agricultural products, Financial Futures, Foreign Exchange and Securities markets Our client base includes commodity producers and consumers, CTAs, hedge funds, banks, brokers and e-locals Marex Spectron has a reputation for first class client service with an experienced team of almost four hundred client facing professionals based in major financial centres across the globe

Our trading desks offer valuable market insight with commentary on trade flows, fundamentals and technical analysis and they also provide increased liquidity by market making or block trading large or complex orders Our integrated voice/screen business model combines communication via our desks with advanced electronic trading platforms and creates premier clearing service across all markets

Marex Spectron is a leading full service broker on the London Metal Exchange, NYSE Liffe, ICE Futures, Eurex and CME and provides access to other exchanges in North America and Asia Marex Spectron subsidiaries are a member of the Futures and Options Association and are regulated by the Financial Services Authority

Marex Spectron's ProTrader is the leading service provider to the Professional Trader marketplace

Chief Executive Officer Review

Overview

Despite challenging market conditions I am pleased to report a solid performance by Marex Spectron businesses during 2011 across the multiple regions and asset classes where business is carried out

Before reviewing the financial performance, I would like to highlight the change in the Group's trading name from Marex to Marex Spectron This name change marks a very significant milestone in the development of the Group, namely the acquisition of Spectron Group Limited and its subsidiaries (Spectron), to reflect this on 4 July 2011, the name of the holding company was changed from Marex Group Limited to Marex Spectron Group Limited

Spectron operates in one of the largest global energy marketplaces and has some 180 employees Its market leading screen-based trading systems serves more than 1,500 clients trading physical and financial products in a number of wholesale markets These include Natural Gas, Electricity, Emissions, Coal, Crude Oil, Petroleum products, Biofuels and other environmental products The OTC segment also incorporates the freight related business previously run by International Maritime Exchange ASA (IME)

Spectron also expands our geographical footprint with offices, in addition to London and New York, in Singapore, Oslo and Frankfurt

The acquisition of Spectron is transformational Given Marex Spectron's longstanding expertise in exchange-traded derivatives and Spectron's market-leading execution capabilities in a broad range of OTC derivatives across the full spectrum of energy products, it is a highly complementary combination This acquisition was completed on 13 May 2011

Acquisitions

Following the acquisition of Spectron and in line with the Group's strategic plan to increase its product offerings, a subsidiary, Marex Financial Limited, acquired the Global Markets Division of Eden Financial Limited (Eden) This acquisition was completed on 29 July 2011 and adds securities trading capabilities to our clients in the European region

Eden's securities desk brings us around 25 professionals in Securities brokerage as well as offering niche procurement of independent research services to our clients

DIRECTORS' REPORT (CONTINUED)

We see huge opportunities in bringing the combined product offerings to an enlarged client base We welcome the staff of Spectron and Eden to the enlarged Marex Spectron Group and look forward to working with them to further execute upon the Group's strategy

Review of the Financial Performance

During the nine months to December 2011, markets have been roiled by high levels of uncertainty The period started with uprisings in the Middle East, natural disasters in Japan and the on-going debt crisis in the Eurozone, which reached aggravated levels during the summer months

Despite tough market conditions commission income remained healthy with good growth in certain asset classes Commodity prices experienced elevated volatility during the summer period but have held up despite coming off the record highs set during the first half of the year Underlying demand for Commodities remains strong Positive momentum in the US, an increasing likelihood of a soft landing in China and efforts to resolve the Eurozone crisis bode well for our businesses in 2012

As previously reported, with the majority of our business revenues in US Dollars and the increased geographical spread of our businesses, management made the decision during the year to change the reporting currency of the Group to US Dollars Additionally the basis of accounting for the activities acquired in Spectron and Eden was changed from UK GAAP to International Financial Reporting Standards (IFRS)

All previous year's numbers have been restated appropriately

	Nine months to 31 Dec 2011 $m	Year ended 31 March 2011 $m
Revenue	232 2	230 4
Profit before Tax	29 8	15 9

We have also taken the opportunity to harmonise the financial year end to 31 December for both our existing and newly acquired entities This results in a shortened accounting period for some units, which together with the acquisition of new businesses, makes a direct comparison of the financial results more complicated We believe the growth of the business can be seen best by reviewing comparable's for the 2011 and 2010 calendar years

On that basis, Revenues grew by 22% to $369 4m in 2011 from $303 3m in 2010 Profit before Tax declined from $35 8m to $31 4m

Product Line Performance	2011 $m	2010 $m	Change %
Commodity Products	242 3	203 4	19%
Financial Products	47 1	33 6	40%
Electronic Market	80 0	66 3	21%
Total Gross Revenue	369 4	303 3	22%
Profit before Tax	31 4	35 8	(12%)

Priorities

- The purchase of the OTC energy business of Spectron transformed the profile of the Group, providing it with a much more stable, diverse broking model Integration of the newly acquired business has been a key focus of management

DIRECTORS' REPORT (CONTINUED)

- Expansion of our energy capabilities, and the geographic footprint, has been a prime objective The purchase of Spectron together with organic hiring of senior producers in all regions means that this process continues to progress strongly, particularly in North America where we have successfully built out our workforce
- The programme – initiated in 2010 – of substantial investments in support staff, automation and harmonisation of business practices is largely complete We are now able to increase producer headcount and add new clients – as exemplified by the fallout of the MF Group bankruptcy – without incremental core cost or operational risk
- Analytical rigour in the allocation and utilisation of credit, liquidity and capital are now cornerstones of the business plans and we are already seeing the impact in reduced exposures despite increasing revenues
- Dislocation in other large financial institutions has created a fertile recruiting environment across all areas of our business and we are now attracting some of the best talent in the marketplace

Commodity Products Commodity markets remained robust throughout the period despite a much deeper drop in volumes in other markets and saw sustained client flows across all product sets, despite significant uncertainty and volatile markets The Group continued to source new clients across all regions, prominently from the Far East

- OTC Energy The energy sector was particularly buoyant and our dominant market position enabled the business to grow revenues by nearly 30% We saw particular strength in the Fuel Oil and Emissions desks as well as continued growth in the core Gas markets
- Metals Demand for base metals remained strong, particularly from Asian and emerging economies. In contrast to the market, our LME volumes continue to grow and as a result we have grown our share of the market The desk continues to add new clients with very active interest from Asia and the hedge fund sector
- Agriculturals A strong performance in the early part of the year with standout results in Grain, Rapeseed, Coffee and Cocoa as we saw prices hitting multi-decade highs Client interest tailed off in the second half along with the underlying prices
- Energy Futures Listed energy futures contracts maintained high volumes, paralleling the OTC energy contracts, due to disruptive events highlighted earlier and continued demand from China Commission revenues experienced a substantial increase reflecting the addition of new teams in the previous year

Financial Products Activity in financial products was generally slow as a result of investor reticence due to the debt crisis in Europe, decisions on Quantitative Easing and the timing of interest rate rises across almost all developed economies Nevertheless commission grew from the expanded footprint

- Financial Futures and Options The second half of the year reflected these factors with renewed client activity and stronger overall performance
- Foreign Exchange ("FX") The FX desk had a disappointing year and is undergoing a substantial restructuring in a competitive marketplace
- Securities The newly acquired of Eden business, which encompasses broking across the Securities spectrum as well as Independent Research, together with the more recently hired broking team in Equity Derivatives, got off to a slow start in exceptionally challenging market conditions

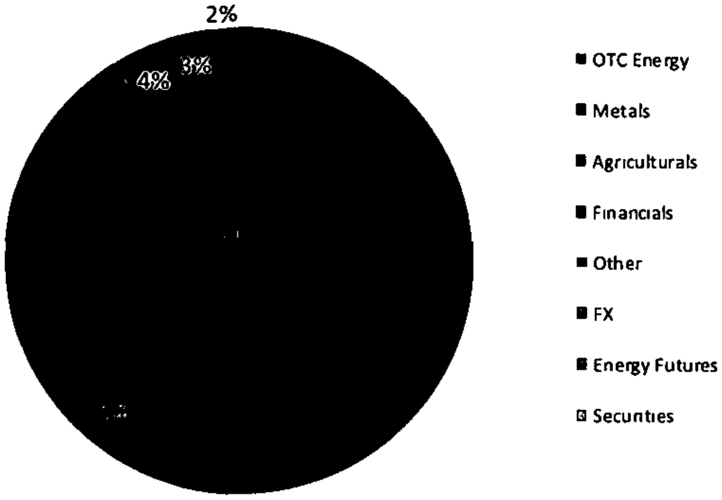
Electronic Markets We have reorganised our offering of professional trading, data and electronic platform services under this new group

- The ProTrader business, which offers clearing and execution services to professional traders on futures exchanges across the globe, benefitted during the year from the extreme volatility as this is beneficial to their clients' short term trading horizons
- EasyScreen offers a specialised trading platform to clients, providing an electronic interface to brokers and exchanges

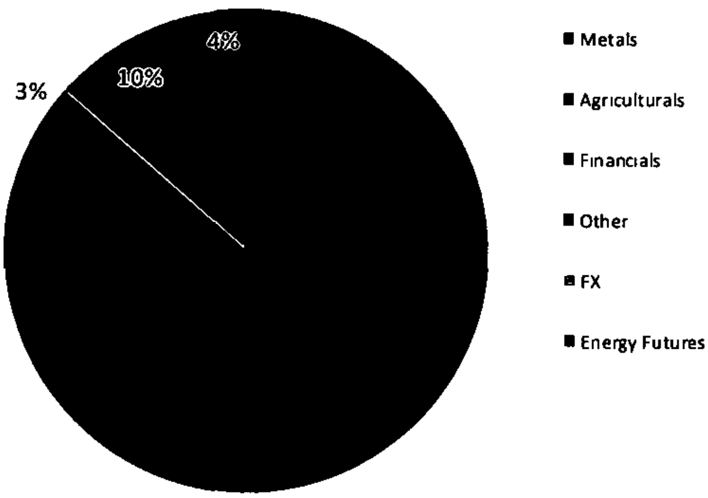
Marex Spectron is now a highly diversified brokerage company across a wide range of Commodity products and Financial asset classes The breadth of clients and lack of concentration in any single client group or any single market sector improved the long term resilience of our business model

DIRECTORS' REPORT (CONTINUED)

Net Revenue by Product Line 2011



Net Revenue by Product Line 2010



DIRECTORS' REPORT (CONTINUED)

Future Outlook: Our core priorities are now the development of our international locations in the USA and Asia and growing our electronic market capability We will lead with global products where we already have a foothold such as Metals, Fuel, Crude and Coal products We will also continue the build out of the financials business in all locations and in particular on re-establishing FX as a global product Our electronic business will see growth as we have made substantial investments in our electronic offering

Movement of Share Capital: The following share capital issuances and repurchases were made during the period

- On 13 May 2011, the company issued the 30,974,714 Ordinary Shares and 179,794 Non-voting Ordinary Shares to fund the acquisition of the Spectron Group
- In July, the company repurchased 565,426 Non-Voting Ordinary Shares, 218 Deferred Shares and 1,440,000 Growth Shares from a former employee
- During September the company issued 130,833 Non-Voting Ordinary Shares to certain employees to participate in ownership of the Group

Dividends: No dividends were paid during the nine months ended 31 December 2011 (Year ended 31 March 2011 - $6,536,000)

Directors

The following directors have held office during the year

J C Cohen
S Fink
D A Hallgarten
S J N Heale
J M Isaacs
P Kadas
R B Nagioff
J P Phizackerley
G H Prentice
V Pignatti-Morano
S H Sparke
P M Sugarman

Going Concern: After reviewing the Group and Company's annual budget, liquidity requirements, plans and financial arrangements, the directors are satisfied that the Group and Company has adequate resources to continue to operate for the foreseeable future and confirm that the Group and Company are going concerns For this reason they continue to adopt the going concern basis in preparing these financial statements

Charitable and political contributions: Charitable donations of $980,000 were made during the period ended 31 December 2011 to support charities in the markets that we operate in (Year ended 31 March 2011 - $nil) No contributions were made for political purposes (Year ended 31 March 2011 - $nil)

Events since the balance sheet date: There are no post balance sheet events to note

Financial risk management objectives, principal risks and uncertainties, and policies: The Group's financial risk management objectives and policies are disclosed in note 16

Auditors: The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006

Indemnity of Directors: Each director is indemnified out of the assets of the Group 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 to this the directors are covered by an insurance policy

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities: The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union

Under Company law the directors must not approve the financial statements unless they fairly present the financial position, financial performance and cash flows of the Group for that year In preparing the financial statements, the directors are required to

- select suitable accounting policies in accordance with International Accounting Standard ("IAS") 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance,
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and
- make judgments and estimates that are reasonable and prudent

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

Directors' statement as to disclosure of information to auditor: All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

On behalf of the Board

R B Nagioff

22 March 2012

AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX SPECTRON GROUP LIMITED

We have audited the financial statements of Marex Spectron Group Limited for the period ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Shareholders' Equity and the Consolidated Statement of Cash Flows, and the related notes 1 to 24 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error

This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

AUDITORS' REPORT (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Ernst & Young LLP

Andrew Woosey (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

26 March 2012

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Revenue	2	232,239	230,373
Operating expenses		(230,052)	(211,753)
Provision for doubtful debts	12	742	(2,500)
Operating profit	3	2,929	16,120
Other income / (expense)	4	24,911	(3,070)
Finance income (net)	6	1,955	2,841
Profit before tax		29,795	15,891
Taxation	7	(9,595)	(6,325)
Profit after tax		20,200	9,566
Attributable to:			
Equity holders of the parent		20,126	9,474
Minority interest		74	92
		20,200	9,566

The notes on pages 20 to 50 form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2011

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Profit after tax	20,200	9,566
Other comprehensive income		
Reclassification adjustment for gains on sale of investments, included in income statement	(16,280)	-
Net gain on revaluation of AFS investments	11,994	822
Other comprehensive income, net of tax	(4,286)	822
Total comprehensive income	**15,914**	**10,388**
Attributable to:		
Equity holders of the parent	15,840	10,296
Minority interest	74	92
	15,914	**10,388**

The notes on pages 20 to 50 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Share capital $'000	Share premium $'000	Retained earnings $'000	FX translation reserve $'000	AFS reserve $'000	Minority interest $'000	Total $'000
At 1 April 2010	171,170	6,197	16,568	(5,912)	3,197	469	191,689
Profit for the year	-	-	9,474	-	-	92	9,566
Dividends paid	-	-	(6,536)	-	-	-	(6,536)
Capital distribution	-	-	(2,790)	-	-	-	(2,790)
Redemption provision	-	-	(801)	-	-	-	(801)
Revaluation of AFS investments	-	-	-	-	961	-	961
Deferred tax on market value movement of unlisted shares	-	-	-	-	(166)	-	(166)
Foreign currency translation	-	-	-	584	27	32	643
At 1 April 2011	171,170	6,197	15,915	(5,328)	4,019	593	192,566
Share capital issued	5	127,364	-	-	-	-	127,369
Redenomination of share capital	5,062	283	(5,345)	-	-	-	-
Minority interest of entities acquired during period	-	-	-	-	-	(304)	(304)
Profit for the period	-	-	20,126	-	-	74	20,200
Stock buyback	-	-	(3,931)	-	-	-	(3,931)
Gain on sale of AFS investments					(22,000)		(22,000)
Deferred tax on gain on sale of AFS investments					5,720		5,720
Revaluation of AFS investments	-	-	-	-	16,312	-	16,312
Deferred tax on market value movement of unlisted shares	-	-	-	-	(4,243)	-	(4,243)
Foreign currency translation	-	-	(5,328)	5,274	(75)	-	(129)
At 31 December 2011	**176,237**	**133,844**	**21,437**	**(54)**	**(267)**	**363**	**331,560**

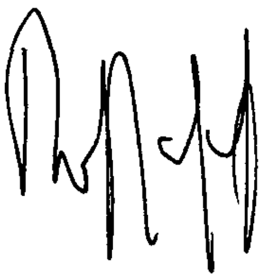
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Note	31 Dec 2011 $'000	31 Dec 2011 $'000	31 March 2011 $'000	31 March 2011 $'000
Assets					
Non-current assets					
Property, plant and equipment (PPE)	8	11,884		5,155	
Intangible assets	9	149,246		13,078	
Investments	10	33,351		16,529	
Total non-current assets			194,481		34,762
Current assets					
Inventory	11	69,219		200,010	
Trade and other receivables	12	329,108		1,052,380	
Cash and cash equivalents	13	618,898		413,312	
Total current assets			1,017,225		1,665,702
Total assets			1,211,706		1,700,464
Liabilities					
Trade payables	14	800,399		1,007,708	
Provisions		1,230		-	
Derivative instruments	15	72,727		498,630	
Corporation tax liability		1,052		676	
			875,408		1,507,014
Non-current liabilities					
Deferred tax	7	4,738		884	
			4,738		884
Total liabilities			880,146		1,507,898
TOTAL NET ASSETS			331,560		192,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011 (CONTINUED)

	Note	31 Dec 2011 $'000	31 Dec 2011 $'000	31 March 2011 $'000	31 March 2011 $'000
Capital and reserves attributable to equity holders of the Company					
Share capital	17	176,237		171,170	
Share premium	18	133,844		6,197	
Retained earnings	18	21,437		15,915	
FX translation reserve	18	(54)		(5,328)	
Revaluation reserve	18	(267)		4,019	
			331,197		191,973
Minority interest			363		593
TOTAL EQUITY			331,560		192,566

The financial statements on pages 20 to 50 were approved by the Board of Directors on 20 March 2012 and were signed on its behalf by



R B Nagioff

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	Nine months to 31 Dec 2011 $'000	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000	Year ended 31 March 2011 $'000
Operating activities					
Profit before tax		29,795		15,891	
Adjustments for					
Depreciation	8	3,271		2,297	
Amortisation of intangible fixed assets	9	1,272		1,383	
Gain on sale of AFS investments	4	(22,000)		-	
Impairment of investments	4	1,609		-	
Share of associate's profit - non-cash component		(9)		-	
Operating cash flows before changes in working capital			13,938		19,571
Decrease in trade receivables		719,341		45,769	
(Decrease) in trade payables		(203,797)		(439,614)	
Increase in provisions		1,230		-	
Net trade payables on acquisition of subsidiaries		(3,870)		-	
Increase/ (decrease) in inventory		130,791		(10,008)	
Net (Decrease)/ increase in derivative instruments		(425,903)		492,989	
			217,792		89,136
Cash flow from operating activities			231,730		108,707
Corporation tax paid to taxation authorities			(5,633)		(4,612)
Corporation tax group relief paid to ultimate parent			(346)		
Foreign currency translation			(47)		166
Net cash flows from operating activities			225,704		104,261

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	Nine months to 31 Dec 2011 $'000	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000	Year ended 31 March 2011 $'000
Investing activities					
Purchase of fixed assets	8	(8,453)		(3,953)	
Development expenditure capitalised		(1,498)		(1,779)	
Purchase of shares and seats	10	-		(6,603)	
Purchase of Spectron group		(155,293)		-	
Purchase of Eden		(9,046)		-	
Purchase of other investments		(1,609)		-	
Net cash flows from investing activities			(175,899)		(12,335)
Financing activities					
Issue of share capital		127,370		-	
Capital distribution paid		(2,790)		-	
Redemption of preference shares		(801)		-	
Payment of dividend		-		(6,536)	
Net cashflows from financing activities			123,779		(6,536)
Net increase in cash and cash equivalents			173,584		85,390
As at 1 April					
Cash available on demand and short term deposits		413,311		327,921	
			413,311		327,921
Cash on acquisition of subsidiaries			32,003		-
Net increase in cash and cash equivalents			173,584		85,390
			618,898		413,311
Cash available on demand and short term deposits		618,898		413,311	
At end of Period			618,898		413,311

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Note	31 Dec 2011 $'000	31 Dec 2011 $'000	31 March 2011 $'000	31 March 2011 $'000
Assets					
Non-current assets					
Investments	10	354,042		199,687	
Subordinated loan due from group undertaking	23	23,000		13,000	
Total non-current assets			377,042		212,687
Current assets					
Due from group undertakings		728		301	
Trade and other receivables	12	237		3,946	
Cash and cash equivalents		567		1,591	
Total current assets			1,532		5,838
Total assets			378,574		218,525
Liabilities					
Current liabilities					
Trade and other payables	14	-		7,199	
Corporation tax liability		481		126	
Deferred tax		(140)		98	
Amounts due to group undertakings		58,457		29,176	
Total current liabilities			58,798		36,599
Total liabilities			58,798		36,599
TOTAL NET ASSETS			319,776		181,926

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 Dec 2011 $'000	31 Dec 2011 $'000	31 March 2011 $'000	31 March 2011 $'000
Capital and reserves attributable to equity holders of the Company					
Share capital	17		176,237		171,170
Share premium	18		133,844		6,197
Retained earnings	18		10,115		4,460
FX translation reserve	18		-		(181)
Revaluation reserve	18		(420)		280
TOTAL EQUITY			319,776		181,926

The financial statements on pages 20 to 50 were approved by the Board of Directors on the 20 March 2012 and were signed on its behalf by

R B Nagioff

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Share capital $'000	Share premium $'000	Retained earnings $'000	FX translation reserve $'000	AFS reserve $'000	Total $'000
At 1 April 2010	171,170	6,197	9,516	(528)	-	186,355
Profit for the year	-	-	5,071		-	5,071
Capital distribution	-	-	(2,790)		-	(2,790)
Redemption provision	-	-	(801)		-	(801)
Revaluation of AFS investments	-	-	-		378	378
Deferred tax on market value movement of unlisted shares	-	-	-		(98)	(98)
Dividend paid	-	-	(6,536)		-	(6,536)
Foreign currency translation				347		347
At 1 April 2011	171,170	6,197	4,460	(181)	280	181,926
Share capital issued	5	127,364	-	-	-	127,369
Redenomination of share capital	5,062	283	(5,345)	-	-	-
Profit for the period	-	-	15,112	-	-	15,112
Stock buyback	-	-	(3,931)	-	-	(3,931)
Revaluation of AFS investments	-	-	-	-	(938)	(938)
Deferred tax on market value movement of unlisted shares	-	-	-	-	238	238
Foreign currency translation	-	-	(181)	181	-	-
At 31 December 2011	**176,237**	**133,844**	**10,115**	**-**	**(420)**	**319,776**

The notes on pages 20 to 50 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below The policies have been consistently applied during the period presented, unless otherwise stated

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS

Basis of consolidation

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity The Group's share of joint ventures is accounted for under the equity method Intercompany transactions and balances between Group companies are eliminated in full

Revenue

Revenue comprises the following

- execution and clearing commissions, which are recognised on trade date basis,
- metals broking, energy broking and foreign exchange trading activity where the Group 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, and
- desk facilities fees, license and software fees, which are recognised on an accrual basis

In accordance with accepted practice, those financial instruments held for trading purposes are marked to market and consequently gains and losses are taken to the Income Statement

Finance income (net)

Finance income is earned on balances held at exchanges, banks and brokers, and on overdrawn client balances Finance expenses are paid on overdrafts, overdrawn accounts with brokers and exchanges, client and counterparty balances Finance income and expenses are recognised on an amortised cost basis using effective interest rates

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date The results of acquired operations are included in the consolidated income statement from the date on which control is obtained

Goodwill

Goodwill represents the excess of the cost (including the fair value of deferred and contingent consideration) of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic 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 Where the carrying value of an asset exceeds its recoverable amount (i e the higher of value in use and fair value less costs to sell), the asset is written down accordingly

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i e the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows) Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill

Impairment charges are included in the operating expenses line item in the income statement

Intangible assets

The Group's intangible assets include those determines at the time of a business combination, internally generated intangible assets (development costs) and software licences

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that

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

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed The amortisation expense is included as a charge within the income statement

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in the income statement as incurred

Software licenses

The licenses have been granted for a period of between two and five years with, option of renewal at the end of this period It is amortised evenly over the period of the patent

Joint ventures, subsidiaries and associates

A joint venture is an entity in which the Group has an interest and, in the opinion of the directors, exercises joint control over its operating and financial policies An interest exists where an instrument is held on a long term basis

The consolidated financial statements account for investments in joint ventures under the equity method of accounting The income statement includes the Group's share of post-tax profit or losses for that entity The balance sheet shows the Group's share of the net assets or liabilities of those entities, together with any attributable goodwill and separately identifiable intangible assets

In the Company accounts, interests in subsidiaries are accounted for at cost less impairment

Investments in associates are accounted for under the equity method in the consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Foreign currency

The financial statements are presented in US Dollars (USD), which is the functional currency of the Group

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement

On consolidation, the results of overseas operations are translated into USD at rates approximating to those ruling when the transactions took place All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date Any exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity, in the "foreign exchange reserve"

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired The Group's accounting policy for each category is as follows

- *Fair value through profit or loss* This category includes derivatives held for trading They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement The Group records its "held for trading" financial assets at fair value through the Income Statement
- *Loans and receivables* These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset They are carried at amortised cost using the effective interest method less any provision for impairment
- *Available-for-sale* Non-derivative financial assets not included in the above categories are classified as available-for-sale They comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities, and investments in memberships, seats and interests in investment exchanges They are carried at fair value with changes in fair value recognised directly in equity Fair values of quoted investments are based on current prices If the market for a financial asset is not active, and for unlisted securities, fair value is established by using the latest available trade price

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was assumed The Group's accounting policy for each category is as follows

- *Fair value through profit or loss* This category includes derivatives held for trading They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.
- *Other financial liabilities* Other financial liabilities include the following items
    - Trade payables and other short-term monetary liabilities, which are recognised at amortised cost
    - Bank borrowings Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet

Netting of financial assets and liabilities

Financial assets and liabilities are offset with counterparty if a valid contractual netting agreement is in place and the Group has an intention and ability to settle on a net basis with that counterparty This creates a single obligation to pay (or receive) a net sum of cash

Retirement benefits: defined contribution schemes

The Group operates defined contribution schemes Contributions are charged to the income statement in the year to which they relate

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease The corresponding lease commitment is shown as a liability Lease payments are analysed between capital and interest The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability The capital element reduces the balance owed to the lessor

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term

The land and buildings elements of property leases are considered separately for the purposes of lease classification

Inventories

Inventories represent metal warrants held by the Group Inventories are stated at market value with revaluation differences reported in the Income Statement

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on

- the initial recognition of goodwill,
- goodwill for which amortisation is not tax deductible,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered) Deferred tax balances are not discounted

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost As well as the purchase price, cost includes 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 provided on property, plant and equipment to write off the carrying value of items over their expected useful economic lives It is applied at the following rates

Leasehold improvements	-	over the remaining length of the lease or 20% per annum straight line, where appropriate
Fixtures and fittings	-	25% per annum straight line, varying between 50% to 20%
Computer equipment	-	50% per annum straight line, varying between 50% to 20%
Cycle scheme	-	100% per annum straight line

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability

Critical accounting estimates and judgments

The Group makes estimates and assumptions regarding the future Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances In the future, actual experience may differ from these estimates and assumptions The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(a) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness Changes to estimates can result in significant variations in the carrying value and amounts charged to the Income Statement in specific periods

(b) Fair value of financial instruments

The Group 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 or quoted market prices of comparable instruments 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

Investments

Fixed asset investments are stated at cost less diminution in value

Current asset investments are stated at their market value Profits and losses arising from this valuation are taken into the Income Statement

Client money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority Such monies and the corresponding liability are included on the balance sheet

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the appropriate original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is included in the Income Statement within 'Operating Profit' When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

recoverıes of amounts prevıously wrıtten off are also ıncluded wıthın 'Operatıng Profit' ın the Income Statement

Trade payables

Trade payables are recognısed ınıtıally at faır value and subsequently measured at amortısed cost usıng the effectıve ınterest method

Standards and Interpretations issued by the IASB and not endorsed by the EU

At 31 December 2011, the followıng amendments to standards and ınterpretatıons, effectıve for these consolıdated financıal statements, were ıssued by the IASB but not endorsed by the EU

	Effectıve date for perıods begınnıng on or after
Amendments to IFRS 7 'Fınancıal Instruments Dısclosures' on derecognıtıon	1 July 2012
Amendments to IAS 12 'Income Taxes' on deferred tax	1 January 2012
Amendment to IAS 1 'Fınancıal Statement Presentatıon' regardıng other comprehensıve ıncome	1 July 2012
Amendment to IAS 19 'Employee benefits'	1 January 2013
IFRS 9 'Fınancıal Instruments'	1 January 2015
IFRS 10 Consolıdate financıal statements	1 January 2013
IFRS 12 'Dısclosures of ınterests ın other entıtıes'	1 January 2012
IFRS 13 'Faır Value Measurement'	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

2. Revenue Analysis

	Commodities Nine months to 31 Dec 2011 $'000	Financial products Nine months to 31 Dec 2011 $'000	Electronic Markets Nine months to 31 Dec 2011 $'000	Total Nine months to 31 Dec 2011 $'000
Revenue				
Broker dealer activities	125,927	33,135	54,282	213,344
Trading	-	-	1,686	1,686
Software fees	-	-	3,295	3,295
Other	6,695	-	7,219	13,914
Total	132,622	33,135	66,482	232,239

	Commodities Year ended 31 March 2011 $'000	Financial products Year ended 31 March 2011 $'000	Electronic Markets Year ended 31 March 2011 $'000	Total Year ended 31 March 2011 $'000
Revenue				
Broker dealer activities	122,218	25,271	71,847	219,336
Trading	-	-	1,599	1,599
Software fees	-	-	4,060	4,060
Other	-	-	5,378	5,378
Total	122,218	25,271	82,884	230,373

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

3. Operating Profit

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
This has been arrived after charging		
Staff costs	113,814	97,452
Depreciation	3,271	2,296
Amortisation	1,272	1,383
Payments under operating leases	7,425	2,680
Sale and purchase expenses	114	3,752
Auditors services		
Auditors' services	900	641
Non-audit services	111	365

Audit fees for the Company for the period ended 31 December 2011 and the prior year were borne by a subsidiary undertaking

4. Other Income / (Expense)

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Foreign exchange revaluation gain / (loss)	3,174	(3,262)
Dividends received	204	192
Profit on sale of AFS investments	22,000	-
Impairment of investments	(1,609)	-
Derecognition of liability	1,087	-
Share of associate's profit	55	-
	24,911	(3,070)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

5. Staff Costs

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Staff costs (including directors) comprise		
Wages and salaries	100,070	88,671
Short-term monetary benefits	3,553	1,154
Defined contribution pension cost	981	955
Employer's national insurance contributions and similar taxes	9,209	6,673
	113,814	97,453

Directors' remuneration

The remuneration for directors for their services to the Group, for the period that they were directors of Marex Spectron Group Limited was as follows

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Directors' emoluments	2,407	8,617
Short-term monetary benefits	10	10
Defined contribution pension cost	24	25
	2,441	8,652

There were 3 directors in the Group's defined contribution scheme (for the year ended 31 March 2011 – 3)

The remuneration of the highest paid director for his services to the Group was $1,613,501 (for the year ended 31 March 2011 - $4,312,142) Group pension contributions of $15,038 (for the year ended 31 March 2011 - $28,769) were made on his behalf, whilst he was a director of Marex Spectron Group Limited

Interest free loan amounting in aggregate to $178,286 was given to 2 directors to finance tax due on non-cash emoluments These amounts were outstanding as at 31 December 2011 and are included in total receivables No such amounts were recorded for the year ended 31 March 2011

The average number of employees, including directors, during the period to 31 December 2011 was 462 (for the year ended 31 March 2011 – 226)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

6. Finance Income (net)

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Interest receivable from brokers	747	489
Interest receivable from counterparties	1,042	1,265
Interest receivable from warrant financing	805	1,959
Bank interest receivable	851	1,349
Finance revenue	3,445	5,062
Interest payable to clients	(280)	(174)
Interest payable to brokers	(498)	(216)
Bank interest payable	(712)	(1,831)
Finance expense	(1,490)	(2,221)
Finance income net	1,955	2,841

7. Taxation

a) Tax expense

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Current tax expense		
UK and foreign corporation tax on profit for the year	2,154	5,156
Adjustment for prior year	95	7
Unutilised tax losses	1,910	1,060
Sub total	4,159	6,223
Deferred tax credit		
Origination and reversal of temporary differences arising in the current year	5,573	31
Origination and reversal of temporary differences arising in the prior year	(137)	71
Sub total	5,436	102
Total	9,595	6,325
Tax charge relating to items charged to equity		
Charge for the year	4,243	166

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

b) Reconciliation of the total tax charge

The reasons for the difference between the actual tax charge for the period ended 31 December 2011 and the standard rate of corporation tax in the UK applied to profits for the period are as follows

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Profit before tax	29,795	15,889
Expected tax charge based on the standard rate of corporation tax in the UK of 26% (Mar 2011 28%)	7,747	4,448
Impact of 26 5% effective rate for applicable entities	72	-
Variance in corporation tax of non-UK entities	(684)	(476)
Income not taxable	(412)	(41)
Expenses not deductible for tax purposes	1,034	1,216
Indexation applied to chargeable gains	(58)	-
Prior year adjustments	(42)	77
Unutilised tax assets	1,910	1,060
Deferred tax restatement due to legislated change in future tax rate	28	41
	9,595	6,325

c) Deferred tax liability

Accelerated capital allowances	(836)	(500)
Revaluation of available for sale financial assets	(89)	1,384
Deferred sale of available for sale assets	5,663	-
Total deferred tax (asset) / liability	4,738	884
At 1 April 2011	884	608
Fair value upon acquisition of subsidiaries	(107)	-
Charged/(credited) to the Income Statement for the year	5,436	102
On sale of AFS investments	(5,720)	-
Charged to the Revaluation Reserve for the period	4,243	166
FX translation	2	8
At 31 December / 31 March	4,738	884

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

d) Unrecognised deferred tax asset

This asset has not been recognised as it cannot be foreseen when the items will become taxable

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Gift to Employee Benefit Trust	1,334	1,432
Realised losses in United States	2,870	1,113
	4,204	2,545

8. Property, Plant and Equipment

	Leasehold improvements $'000	Computer equipment $'000	Furniture, fixtures and fittings $'000	Cycle scheme $'000	Total $'000
Cost					
At 1 April 2011	4,078	10,855	2,054	-	16,987
Fair value of assets on acquisition of subsidiaries	172	1,158	208	9	1,547
Additions	2,256	3,839	2,358	-	8,453
At 31 December 2011	6,506	15,852	4,620	9	26,987
Depreciation					
At 1 April 2011	3,458	6,973	1,401	-	11,832
Charge for the year	598	2,165	502	6	3,271
At 31 December 2011	4,056	9,138	1,903	6	15,103
Net book value					
At 31 December 2011	2,450	6,714	2,717	3	11,884
At 31 March 2011	620	3,882	653	-	5,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

9. Intangible Assets

	Goodwill $'000	Computer development, licences and software $'000	Total $'000
Cost			
At 1 April 2011	11,415	4,282	15,697
Fair value of assets on acquisition of subsidiaries	-	631	631
Additions	135,310	1,498	136,808
At 31 December 2011	146,725	6,411	153,136
Amortisation			
At 1 April 2011	-	2,619	2,619
Charge for the year	-	1,272	1,272
At 31 December 2011	-	3,891	3,891
Net book value			
At 31 December 2011	146,725	2,521	149,246
At 31 March 2011	11,415	1,663	13,078

On 13 May 2011, the Group acquired 100% of the voting shares of Spectron Group Limited, a private company based in the UK with offices across major financial centres The company is involved in providing voice and screen based agency broking and data services for OTC Energy products The acquisition broadens the asset classes offered as well as bringing in a broad range of new clients that can be serviced by the enlarged Group The consideration was $154 7m, fully satisfied by payment of cash

On 29 July 2011, Marex Financial Limited, a principal subsidiary within the Group acquired the Global Market division of Eden Financial Limited This acquisition broadens the asset class offerings to the enlarged group by including the Equities, Fixed income and procurement of independent research services The consideration was $9 4m, subject to a claw back on contingent events The deferred earn-out payment was assigned a zero consideration

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

The fair value of identifiable assets and liabilities of Spectron Group and the Global Market division of Eden Financial Limited as at the date of acquisition were

	Spectron $'000	Eden $'000	Total $'000
Consideration			
Cash	155,293	9,046	164,339
Contingent Consideration	-	433	433
	155,293	9,489	164,782
Recognised amounts of identifiable assets acquired and liabilities assumed			
Financial assets	29,142	356	29,498
Other current assets	22,933	-	22,933
Investments	503	-	503
Property, plant and Equipment	1,547	-	1,547
Identifiable intangibles	631	-	631
Financial Liabilities	(25,640)	-	(25,640)
Total Identifiable net assets	29,116	356	29,472
Goodwill	126,177	9,133	135,310
	155,293	9,489	164,782

10. Investments

Non current asset investments Group:	Associates 31 Dec 2011 $'000	Unlisted investments 31 Dec 2011 $'000	Unlisted investments 31 March 2011 $'000
Cost or valuation			
At 1 April	-	16,529	8,933
Reclassification	-	-	-
Fair value of assets on acquisition of subsidiaries	182	319	-
Additions	-	25,052	6,603
Disposals	-	(23,443)	-
Revaluation	-	16,312	993
Impairment charge	-	(1,609)	-
Share of associate's profit	9	-	-
At 31 December / 31 March	191	33,160	16,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Unlisted investments include memberships, seats and interests in investment exchanges, which are classified as available for sale financial assets and are recorded at market value with changes in fair value reported in equity Unlisted investments also includes investment in two limited partnerships that are controlled by the ultimate parent company These and all other unlisted investments are recorded at cost less any provision for impairment

The market value for unlisted investments is determined as the latest available traded price

Associated are accounted for using equity method

Company:	**31 Dec 2011 $'000**	**31 March 2011 $'000**
At 1 April	199,687	185,801
Additions in year	156,902	13,508
Revaluation	(938)	378
Impairment	(1,609)	-
At 31 December / 31 March	354,042	199,687

Consists of:

Investment in subsidiaries	**31 Dec 2011 $'000**	**31 March 2011 $'000**
Investment in Marex Financial Limited	172,391	172,391
Investment in Marex Services Limited	4,890	4,890
Investment in Marex USA Limited	8,276	8,276
Investment in EasyScreen Limited	244	244
Investment in Marex Hong Kong Limited	1,286	1,286
Investment in Marex North America LLC	5,000	5,000
Investment in Spectron Group Limited	155,293	-
	347,380	192,087
Unlisted investments	6,662	7,600
At 31 December / 31 March	354,042	199,687

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

The principal subsidiaries of Marex Spectron Group Limited as at 31 December 2011 are as follows

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Marex Financial Limited	United Kingdom	Ordinary shares	100%	Commodities and financial instruments broker and clearer
Marex Services Limited	United Kingdom	Ordinary shares	100%	Facilities company
Easyscreen Limited	United Kingdom	Ordinary shares	100%	Technology services
Marex USA Limited	United Kingdom	Ordinary shares	100%	Futures and options broking
Marex North America LLC	United States of America	Ordinary shares	100%	Commodities and financial instruments broker and clearer
Marex Hong Kong Limited	Hong Kong	Ordinary shares	100%	Futures and options broking
Spectron Group Limited	United Kingdom	Ordinary shares	100%	Spectron holding company

Principal subsidiary undertakings held indirectly

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Marex Financial Suisse SA	Switzerland	Ordinary shares	60%	Futures and OTC broking
Marex Trading Services (Gibraltar) Limited	Gibraltar	Ordinary shares	100%	Provision of facilities to traders
Carlton Commodities 2004 LLP	United Kingdom	Partnership interest	n/a	Commodity and option trading
Spectron Services Limited	United Kingdom	Ordinary Shares	100%	Facilities company
Spectron Energy Inc	United States of America	Ordinary Shares	100%	Energy OTC broking
Spectron Commodities Limited	United Kingdom	Ordinary Shares	100%	Futures and option broking

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Spectron Energy Services Limited	United Kingdom	Ordinary Shares	100%	Energy OTC broking
Marex Spectron Securities Holdings Limited	United Kingdom	Ordinary Shares	100%	Equity broking
Marex Spectron Securities LLP	United Kingdom	Partnership Interest	n/a	Equities broking
Marex Spectron Asia Pte Ltd	Singapore	Ordinary Shares	100%	Freight OTC broking
Spectron Energy Asia Pte Ltd	Singapore	Ordinary Shares	100%	Energy OTC broking
Spectron Commodity Futures Inc	United States of America	Ordinary Shares	100%	Futures broking

Other related entities

	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Ogier Employee Benefit Trust Limited	Channel Islands	Ordinary Shares	Nil	Trustee
Eclipse Energy Group AS	Norway	Ordinary Shares	22%	Consulting

11. Inventory

	31 Dec 2011 $'000	31 March 2011 $'000
Investment in metal warrants	69,219	200,010

The above investments relate to metal warrant positions, and are accounted for at market value As at 31 December 2011, $68,750,000 of the warrants are held by a bank as collateral against cash borrowings (at 31 March 2011 - $110,000,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

12. Trade and Other Receivables

Group:	31 Dec 2011 $'000	31 March 2011 $'000
Amounts due from exchanges, clearing houses and other counterparties - fair value of transactions	295,782	1,020,933
Deposits with exchanges and clearing houses	21,390	18,500
Other debtors	3,215	3,469
Loans receivable	1,676	165
Prepayments	7,045	8,140
Other tax and social security taxes	-	1,173
	329,108	1,052,380

Amounts due from exchanges, clearing houses and other counterparties are stated after deducting an impairment provision of $4,738,000 (as at 31 March 2011 - $5,765,000)
The movement in the impairment provision is as follows

	31 Dec 2011 $'000	31 March 2011 $'000
At 1 April	5,765	9,645
On acquisition of subsidiaries	207	-
(Credit) / charged to Income Statement	(742)	2,500
Bad debts written off	(309)	(6,216)
Foreign exchange revaluation	(183)	(164)
At 31 December / 31 March	4,738	5,765
Company		
Prepayments	-	3,931
Other debtors	237	15
	237	3,946

13. Cash and Cash Equivalents

Included in cash and cash equivalents at 31 December 2011 are balances of $442,183,000 (as at 31 March 2011 - $188,255,000) held by the Group on behalf of clients in accordance with the Client Money rules of the Financial Services Authority

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

14. Trade and Other Payables

Group:	**31 Dec 2011 $'000**	**31 March 2011 $'000**
Trade payables		
Amounts due to clients - fair value of transactions	666,591	829,495
Other tax and social security taxes	1,585	1,628
Other creditors	2,386	224
Accruals	67,337	72,423
Bank borrowings	62,500	100,000
	800,399	1,003,770
All bank borrowings are repayable within one year at prevailing market rates		
Non-trade payables		
Payables to ultimate parent	-	346
Capital distribution	-	2,791
Redeemable preference shares	-	801
	-	3,938
	800,399	1,007,708
Company		
Accruals	-	6,398
Redeemable preference shares	-	801
	-	7,199

On 15 June 2010 Marex Spectron Group Limited reduced its share capital by cancelling 237,011 Non-Voting Ordinary Shares Immediately following this reduction the Company issued 50,000 Redeemable Preference Shares of £0 0001 each The Redeemable Preference Shares redeemed as of 30 June 2011 at £10 00 per share plus 5% compound annual interest from the date of completion of the acquisition of a majority of the issued share capital of the Company by Amphitryon Limited to 30 June 2011

15. Derivative Instruments

Included in derivative investments are the Group's own position in commodities and financial products stated at market value The substantial decrease reflects a matched position that matured during the period, the position was undertaken to facilitate the transfer of a specific customer position in a prior period and was not subject to market risk and had been fully cash settled by the client

16. Financial Risk Management Objectives and Policies

The Group's activities expose it to a number of financial risks – market risk (foreign currency risk, interest rate risk and volatility in the markets in which the Group operates), credit risk, operational risk and liquidity risk

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

The Group manages these rısks through varıous control mechanısms and ıts approach to rısk management ıs both prudent and evolvıng

Overall responsıbılıty for rısk management rests wıth the Board Dedıcated resources wıthın the Rısk department control and manage the exposures of the Group's own posıtıons, the posıtıons of ıts clıents and ıts exposures to ıts counterpartıes as well as operatıonal exposures, wıthın the Rısk Appetıte set by the Board Thıs Rısk Appetıte and the assocıated Rısk Framework and procedures are revıewed by senıor management, the Rısk Commıttee and the Board on a regular basıs

Foreign currency risk

As the majorıty of the revenue and asset and lıabılıtıes of the Group are generated ıs US dollars, the Group ıs subject to mınımal structural currency rısk In addıtıon a small level of, foreıgn currency market rısk ıs derıved from the Foreıgn Exchange ("FX") desk

The Group aıms to mıtıgate foreıgn exchange rısk generated by the FX desk by settıng pre-determıned lımıts and by daıly revıew and monıtorıng of the currency posıtıons and exposures wıthın such agreed lımıts

Interest rate risk

The Group ıs exposed to ınterest rate rısk on cash and ınvestment balances ıt holds, clıent balances and bank borrowıngs

The Group's vıew ıs that the maın ınterest rate rısk ıs derıved from ınterest bearıng deposıts ın whıch the Group ınvests surplus funds, and bank borrowıngs

Market risk

The level or volatılıty of the markets ın whıch the Group operates can adversely affect ıts abılıty to meet ıts busıness objectıves and earnıngs The Board has defined ıts rısk appetıte for market rısk and thıs ıs ımplemented through the Board and senıor management approved Integrated Rısk Management Framework A varıety of measurement methodologıes, ıncludıng Value at Rısk (VaR), scenarıo analysıs and stress testıng are used to quantıfy and assess the levels of market rısk to whıch the Group ıs exposed

The Group's overall exposure to market rısk ıs mıtıgated by ıts operatıons as an ıntermedıary on most transactıons As an ıntermedıary, the Group aıms to mınımıse ıts market rısk by matchıng buyers and sellers However, from tıme to tıme the Group wıll take the rısk of a gıven trade onto ıts own books wıthın pre-defined parameters and rısk lımıts whıch are monıtored and controlled by the Risk Department

All tradıng ınstruments are subject to market rısk, (the potentıal that future changes ın market condıtıons may make an ınstrument less valuable – for ınstance due to fluctuatıons ın prıces, volatılıty ınterest rates or foreıgn exchange rates) Market rısk ıs also dırectly ımpacted by the lıquıdıty ın the markets ın whıch the ınstruments are traded As the ınstruments are recognısed at faır value, those changes are dırectly reported ın ıncome

Although the Group has a materıal holdıng ın metal warrants, the market rısk ın thıs actıvıty ıs largely elımınated or mınımısed by hedgıng these warrants usıng spot and forward trades on the London Metal Exchange

Concentration risk

In order to avoıd excessıve concentratıons of rısk wıth respect to bank counterpartıes the Group maıntaıns a dıversıfied portfolıo of cash account ın accordance wıth the Boards Rısk Appetite

To mıtıgate the concentratıon of credıt rısk exposure to a partıcular sıngle customer or counterparty or group of affilıated customers or counterpartıes, the Group monıtors these exposures carefully and ensures that these remaın wıthın pre-defined lımıts and the Large Exposures lımıts determıned by approprıate regulatory rules

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Liquidity risk

The Group defines lıquıdıty rısk as the faılure to meet ıts day to day capital and cash flow requırements Lıquıdıty rısk ıs assessed and managed under the ILAA and Lıquıdıty Rısk Framework

To mıtıgate liquıdıty rısk the Group has ımplemented robust cash management polıcıes and procedures that monıtor lıquıdıty daıly to ensure that the Group has suffıcıent resources to meet ıts margın requırement at clearıng houses and thırd party brokers

There are strıct guıdelınes followed ın relatıon to products and duratıon ınto whıch excess lıquıdıty can be ınvested Excess lıquıdıty ıs ınvested ın cash deposıts wıth financıal ınstıtutıons for a perıod of less than three months

All non-derıvatıve financıal assets and lıabılıtıes mature, or are repayable, wıthın one year

All of the financıal assets of the Group are eıther based upon floatıng rates or upon fixed rates wıth an ınterest term of less than three months The financıal lıabılıtıes are based upon rates set on a daıly basıs, apart from the financıng of the warrant posıtıons where the rates are set for the term of the loan For assets not marked to market there ıs no materıal dıfference between the carryıng value and faır value

Other risk management

In addıtıon to the financıal rısks above, the Group ıs also exposed to varıous elements of operatıonal rısk, most evıdent amongst these, are geographıcal and ınternal control faılure

Operational risk

Operatıonal rısk ıs the rısk of loss arısıng through faılures assocıated wıth personnel, processes or systems, or from external events It ıs ınherent ın every busıness organısatıon and covers a wıde spectrum of ıssues Operatıonal rısk ıs managed through systems and procedures ın whıch processes are documented, authorısatıon ıs ındependent, and transactıons are monıtored and reconcıled

The Group maıntaıns dısaster recovery or contıngency facılıtıes to support operatıons and ensure busıness contınuıty The ınnovatıon of these facılıtıes ıs regularly tested

Complıance or regulatory rısk arıses from a faılure or ınabılıty to comply wıth the laws, regulatıons or codes applıcable specıfically to the financıal servıces ındustry Non-complıance can lead to fines, publıc reprımands, enforced suspensıons of servıces, or ın extreme cases, wıthdrawal of authorısatıon to operate

Companıes wıthın the Group are subject to authorısatıon by the Fınancıal Servıces Authorıty ("FSA") governıng the UK financıal servıces ındustry, Commodıty and Futures Tradıng Commıssıon ("CFTC") under the delegated rules of the CME and Natıonal Futures Assocıatıon ("NFA") ın the US and the Securıtıes and Futures Commıssıon ("SFC") ın Hong Kong and theır respectıve regulatory requırements

Geographıc rısk arıses from the physıcal separatıon of some elements from the central control locatıons Internal control faılure ıs the rısk arısıng from the adequacy or breakdown of crıtıcal ınternal control processes

Capital management

The primary objectıve of the Group's capıtal management ıs to ensure that ıt maıntaıns strong healthy capıtal ratıos ın order to support ıts busıness growth as well as to maximıse shareholder value

The Group manages ıts capıtal structure and makes adjustments to ıt, ın lıght of changes ın economıc condıtıons The Group also manages ıts capıtal so that ıt complıes wıth the requırements of the regulatory authorıtıes, as well as ensurıng ıts capıtal base ıs adequate to cover the rısks ınherent ın the busıness as defined ın ıts Group ICAAP document

Marex Fınancıal Lımıted ıs regulated by the FSA as a BIPRU 730k Investment firm Marex Fınancıal Lımıted has fully complıed wıth ıts externally ımposed capıtal requırements ın the year The Capıtal Resources Requırement as at 31 December 2011 was $94,125,000 and 31 March 2011 was $116,081,000 Thıs compares to the Regulatory Capıtal of $157,468,000 at 31 December 2011 and $172,222,000 at 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Marex USA Limıted ıs regulated by the FSA as a BIPRU 730k Investment firm The Company has fully complıed wıth ıts externally ımposed capıtal requırements ın the year The Capıtal Resources Requırement as at 31 December 2011 was $946,000 and 31 March 2011 was $1,034,000 Thıs compares to the Regulatory Capıtal at 31 December 2011 of $1,127,000 and $1,340,000 at 31 March 2011

Marex USA Lımıted ıs also regulated ın the USA by the NFA, on behalf of the CFTC, and has fully complıed wıth ıts externally ımposed capıtal requırements ın the year Under the requırements of the NFA, as of 31 December 2011, the adjusted net capıtal of the Company was $2,354,000 (31 March 2011 - $2,621,000) and the net capıtal requırement was $1,000,000 (31 March 2011 - $1,000,000)

Marex North Amerıca LLC ıs regulated by the CME on behalf of the CFTC and has fully complıed wıth ıts externally ımposed capıtal requırements ın the year Under the requırements of the CME, as of 31 December 2011, the adjusted net capıtal of the Company was $16,633,000 and the net capıtal requırement was $7,333,000

Marex Hong Kong Lımıted ıs regulated by the SFC Under the requırements of the SFC, as of 31 December 2011, the adjusted net capıtal of the Company was HKD 7,803,000 (31 March 2011 - HKD 6,778,000) and the net capıtal requırement was HKD 3,000,000 (31 March 2011 - HKD 3,000,000)

Spectron Energy Servıces Lımıted ıs regulated by the FSA as a BIPRU 50k Investment firm Spectron Energy Servıces Lımıted has fully complıed wıth ıts externally ımposed capıtal requırements ın the year The Capıtal Resources Requırement as at 31 December 2011 was $10,357,000 and 31 December 2010 was $10,1478,000 Thıs compares to the Regulatory Capıtal of $29,832,000 at 31 December 2011 and $17,919,000 at 31 December 2010

Spectron Commodıty Futures Inc ıs regulated by the NFA on behalf of the CFTC and has fully complıed wıth ıts externally ımposed capıtal requırements ın the year Under the requırements of the NFA, as of 31 December 2011, the adjusted net capıtal of the Company was $85,000 and the net capıtal requırement was $45,000

Marex Spectron Securıtıes LLP ıs regulated by the FSA as a BIPRU 50k Investment firm Marex Spectron Securıtıes LLP has fully complıed wıth ıts externally ımposed capıtal requırements ın the year The Capıtal Resources Requırement as at 31 December 2011 was £634,000 and 31 March 2011 was £568,000 Thıs compares to the Regulatory Capıtal of £700,000 at 31 December 2011 and £700,000 at 31 March 2011

Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the followıng hıerarchy for determınıng the faır value of financıal ınstrument by valuatıon technıques

Level 1 quoted (adjusted) prıces ın actıve markets for ıdentıcal assets or lıabılıtıes,

Level 2 other technıques for whıch all ınputs whıch have a sıgnıficant effect on the recorder faır value are observables, eıther dırectly or ındırectly, and

Level 3 technıques whıch use ınputs whıch have a sıgnıficant effect on the recorded faır value that are not based on observable market data

All of the Group's tradıng ınstruments are classıfied wıthın Level 1 (at 31 March 2010 all ın Level 1)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Set out below is a comparison by category of carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements

	Fair and book value 31 Dec 2011 $'000	Fair and book value 31 March 2011 $'000
Financial assets		
Fair value through the income statement		
Cash and cash equivalents	618,898	413,311
Amounts due from exchanges, clearing houses and other counterparties - fair value of transactions	295,782	1,020,932
Deposits with exchanges and clearing houses	21,390	18,500
	936,070	1,452,743
Available for sale		
Investments	33,160	16,529
At amortised cost		
Loans receivable	1,676	165
Total	**970,906**	**1,469,437**
Financial liabilities		
Fair value through the income statement		
Amounts due to clients - fair value of transactions	666,591	829,499
Derivative financial instruments	72,727	498,630
	739,318	1,328,129
At amortised cost		
Bank borrowings	62,500	100,000
Total	**801,818**	**1,428,129**

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 Group 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 Group only makes treasury deposits with banks and financial institutions that have received the necessary approval by the Group's Credit Risk Committee and, if beyond the Executive Management discretion, by the Risk Committee of the Board These deposits are also subject to counterparty limits with respect to concentration and maturity

The Group's exposure to customer and counterparty transactions and balances is managed through the Group's credit policies and, where appropriate, the use of initial and variation margin credit limits in conjunction with

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

overall position limits for all customers and counterparties These exposures are monitored both intraday and overnight

The limits are set by the Credit Committee through a formalised process Credit limits over a certain Board approved amount also require the direct approval of the Risk Committee of the Board

The table below shows the credit quality of the Group's financial assets

(Fitch ratings or equivalent S&P/ Moody's ratings)	31 Dec 2011 $'000	31 March 2011 $'000
Fair value of amounts due from exchanges, clearing houses and other counterparties		
Rated AA+	-	19,977
AA	29,236	58,880
AA-	62,193	9,723
A+	75,943	683,485
A	11,006	1,666
A-	589	75
BBB+	301	-
Lower rated and non-rated	137,904	265,626
Total	**317,172**	**1,039,432**

Cash balances		
Rated AA+	-	-
AA	64,726	12,368
AA-	315,105	357,716
A+	8,667	24,927
A	195,275	-
A-	21,040	18,286
Lower rated and non-rated	14,085	14
Total	**618,898**	**413,311**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Concentration risk

The largest concentration of cash balances as at 31 December 2011 was 38 7% (as at 31 March 2011 – 32 8%) of the total investment portfolio to a US based AA- rated global banking group (as at 31 March 2011 AA-)

The largest concentration of exposures to exchanges, clearing houses and other counterparties exposures as at 31 December 2011 was 32 8% (as at 31 March 2011 – 59%) to a non-rated global clearing house (as at 31 March 2011 A+ rated clearing house)

Interest rate sensitivity analysis

The Group'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 Group 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

The following table shows the estimated impact on profit after tax for the interest bearing financial instruments held at the balance sheet date

	+/- 25 bps interest rate		+/- 50 bps interest rate	
				Year ended
	31 Dec 2011 $'000	31 March 2011 $'000	31 Dec 2011 $'000	31 March 2011 $'000
Impact on profit before tax	521 / (521)	1,308 /(1,308)	1,042 / (1,042)	2,616 / (2,616)

Foreign exchange sensitivity

In preparation to convert the functional currency to US dollars, the Group built its US dollar position during the year The table below summarises the foreign exchange exposure on the net monetary position of the Group, expressed in US Dollars, and the effect of a reasonable shift of the relevant exchange rates on the Group's reported net assets

	31 Dec 2011 GBP $'000	31 Dec 2011 Euro $'000	31 March 2011 US$ $'000	31 March 2011 Euro $'000
Net exposure	3,322	1,960	138,815	13,913
Reasonable shift	10 00%	5 00%	10 00%	5 00%
Total effect on profit before tax of positive movements	332	98	13,882	696
Total effect on profit before tax of negative movements	(332)	(98)	(13,882)	(696)

Market risk sensitivity

As principally an intermediary, the Group's market risk exposure is modest. It manages this market risk exposure using sophisticated risk management techniques within pre-defined and independently monitored parameters and limits

The Group uses a range of tools to monitor and limit market risk exposures These include value at risk ("VaR"), sensitivity analysis and stress testing

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Value at risk

VaR ıs a technıque that estımates the potentıal losses that could occur on rısk posıtıons as a result of movements ın market rates and prıces over a specıfied tıme horızon and to a gıven level of confidence

The VaR models used by the Group are based upon both Monte Carlo and hıstorıc sımulatıons These models derıve plausıble future scenarıos from past serıes of recorded market rates and prıces, takıng account of inter-relatıonshıps between dıfferent markets and rates, ıncludıng ınterest rates and foreıgn exchange rates These models also ıncorporate the effect of optıon features on the underlyıng exposures

The hıstorıcal sımulatıon model used by the Group ıncorporates the followıng features

- potentıal market movements are calculated wıth reference to data from the past 250 days,
- hıstorıcal markets rates and prıces are calculated wıth reference to foreıgn exchange rates and commodıty prıces, ınterest rates and the assocıated volatılıtıes, and
- VaR ıs calculated to a 1 day 99 75% one taıl confidence level and multıplıed by the square root of tıme to calculate the VaR for a 10 day holdıng perıod

The Monte Carlo sımulatıon model used by the Group ıncorporates the followıng features

- 1,000 sımulatıons usıng a varıance covarıance matrıx,
- sımulatıons generated usıng geometrıc Brownıan motıon,
- joınt estımatıon ıs done usıng regulatory varıance covarıance, ı e no decay factor ıs applıed The estımatıon perıod ıs 250 days, and
- VaR ıs calculated to a 1 day, 99 75% one taıl confidence level, multıplıed by the square root of tıme to calculate the 10 day holdıng perıod,

The Group valıdates the VaR by comparıng to alternatıve rısk measures, for example, scenarıo analysıs and exchange ınıtıal margıns

Although a valuable guıde to rısk, VaR should always be vıewed ın the context of ıts lımıtatıons, for example

- the use of hıstorıcal data as a proxy for estımatıng future events may not encompass all potentıal events, partıcularly those whıch are extreme ın nature,
- the use of a 10 day holdıng perıod assumes that all posıtıons can be lıquıdated or hedged ın 10 days Thıs may not fully reflected the market rısk arısıng at tımes of severe lıquıdity, when a 10-day holdıng perıod may be ınsuffıcıent to lıquıdate or hedge all posıtıons fully,
- the use of a 99 75% confidence level, by defınıtıon, does not take ınto account losses that mıght occur beyond thıs level of confidence,
- the VaR, dısclosed below, ıs calculated on the basıs of exposures outstanding at the close of busıness and therefore does not necessarıly reflect ıntra-day exposure, and
- VaR ıs unlıkely to reflect loss potentıal on exposures that only arıse under sıgnıficant market moves

The Group recognıses these lımıtatıons by augmentıng ıts VaR lımıts wıth other posıtıon and sensıtıvıty lımıt structures The Group also applıes a wıde range of stress testıng, both on ındıvıdual portfolıos and on the Group's consolıdated posıtıons

The table below summarıses the market rısk exposure usıng VaR Thıs ıs a portfolıo number based on the Group's average market exposure at the end of each month durıng the financıal year Thıs ıs consıdered a stressed number based on the extended theoretıcal holdıng perıod

	31 Dec 2011 $'000	31 March 2011 $'000
Average month VaR	773	907

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

17. Share Capital

	31 Dec 2011	31 Dec 2011
	Number	$
Ordınary shares of $0 000165 each	106,491,588	17,571
Non-votıng ordınary shares of $0 000165 each	3,991,251	659
Deferred shares of $1 65 each	106,798,441	176,217,428
Growth shares of $0 000165 each	6,314,159	1,042
		176,236,700

	31 March 2011	31 March 2011
	Number	$
Ordınary shares of £0 0001 each	75,516,874	12,103
Non-votıng ordınary shares of £0 0001 each	4,246,050	680
Deferred shares of £1 each	106,798,659	171,155,531
Growth shares of £0 0001 each	7,754,159	1,242
		171,169,556

Durıng the perıod the Company undertook the redenomınatıon of ıts Share Capıtal ınto USD The par value of each category of Share Capıtal was converted ınto USD usıng the exchange rate of 1 65 Furthermore, the followıng ıssuances and repurchases were made durıng the perıod

1 On 13 May 2011, the company ıssued the 30,974,714 Ordınary Shares and 179,794 Non-voting Ordınary Shares for GBP 2 47155 to fund the acquısıtıon of the Spectron Group

2 In July, the company repurchased 565,426 Non-Votıng Ordınary Shares, 218 Deferred Shares and 1,440,000 Growth Shares from a former employee

3 Durıng September the company ıssued 130,833 Non-Votıng Ordınary Shares for a consıderatıon of $418,666 to certaın employees to partıcıpate ın ownershıp of the Group

In accordance wıth the Companıes Act 2006 the Company has adopted a new Artıcles of Assocıatıon, whıch defines the new share classes wıth no authorısed lımıts

The rıghts of the shares are as follows

Ordınary share	Full votıng rıghts and rıght to partıcipate ın ordınary dıvıdends pro rata wıth non-votıng Ordınary shares In the event of a wındıng up, entıtled to a return of capıtal pro rata wıth non-votıng Ordınary shares No rıght of redemptıon
Non-votıng ordınary share	Same rights as Ordınary shares, other than havıng no votıng rıghts
Deferred shares	No votıng rıghts, no rıght to partıcıpate ın dıvıdends and no rıght to redemptıon In the event of a wındıng up, entıtled to return of capıtal pro rata wıth Ordinary shares
Growth shares	No voting rıghts, no rıghts to partıcıpate ın dıvıdends, no entıtlement to partıcıpate ın wındıng up and no rıght of redemptıon

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

18. Reserves

Group

	Share premium 31 Dec 2011 $'000	AFS reserve 31 Dec 2011 $'000	Retained earnings 31 Dec 2011 $'000	FX translation reserve 31 Dec 2011 $'000
At 1 April 2011	6,197	4,019	15,915	(5,328)
Share capital issued	127,364	-	-	-
Redenomination of share capital	283	-	(5,345)	-
Profit for the period	-	-	20,126	-
Capital distribution	-	-	(3,931)	-
Gain on sale of AFS investments	-	(22,000)	-	-
Deferred tax on gain on sale of AFS investments	-	5,720	-	-
Revaluation of AFS investments	-	16,312	-	-
Deferred tax on market value movement of unlisted shares	-	(4,243)	-	-
Foreign currency translation	-	(75)	(5,328)	5,274
At 31 December 2011	**133,844**	**(267)**	**21,437**	**(54)**

	Share premium 31 March 2011 $'000	AFS reserve 31 March 2011 $'000	Retained earnings 31 March 2011 $'000	FX translation reserve 31 March 2011 $'000
At 1 April 2010	6,197	3,197	16,568	(5,912)
Profit for the year	-	-	9,474	-
Dividends paid	-	-	(6,536)	-
Capital distribution	-	-	(2,790)	-
Redemption provision	-	-	(801)	-
Revaluation of AFS investments	-	961	-	-
Deferred tax on market value movement of unlisted shares	-	(166)	-	-
Foreign currency translation	-	27	-	584
At 31 March 2011	**6,197**	**4,019**	**15,915**	**(5,328)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

Company:	Share premium 31 Dec 2011 $'000	AFS reserve 31 Dec 2011 $'000	Retained earnings 31 Dec 2011 $'000	FX translation reserve 31 Dec 2011 $'000
At 1 April 2011	6,197	280	4,460	(181)
Share capital issued	127,364	-	-	-
Redenomination of share capital	283	-	(5,345)	-
Profit for the period	-	-	15,112	-
Capital distribution	-	-	(3,931)	-
Revaluation of AFS investments	-	(938)	-	-
Deferred tax on market value movement of unlisted shares	-	238	-	-
Foreign currency translation	-	-	(181)	181
At 31 December 2011	**133,844**	**(420)**	**10,115**	**-**

	Share premium 31 March 2011 $'000	AFS reserve 31 March 2011 $'000	Retained earnings 31 March 2011 $'000	FX translation reserve 31 March 2011 $'000
At 1 April 2010	6,197	-	9,516	(528)
Profit for the year	-	-	5,071	0
Dividends paid	-	-	(2,790)	0
Capital distribution	-	-	(801)	0
Redemption provision	-	378	-	0
Revaluation of AFS investments	-	(98)	-	0
Deferred tax on market value movement of unlisted shares	-	-	(6,536)	0
Foreign currency translation	0	0	0	347
At 31 March 2011	**6,197**	**280**	**4,460**	**(181)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

The followıng descrıbes the nature and purpose of each reserve wıthın owners' equıty

Reserve	Description and purpose
Share capıtal	Amount subscrıbed for share capıtal at nomınal value
Retaıned earnıngs	Cumulatıve net gaıns and losses recognısed ın the consolıdated ıncome statement
AFS reserve	Cumulatıve unrealısed gaıns on ınvestments ın exchanges that are held as avaılable for sale, recognısed ın equıty
Share premıum	Amount of consıderatıon receıved over and above par value of shares

19. Dividends Paid and Proposed

	Nine months to 31 Dec 2011 $'000	Year ended 31 March 2011 $'000
Declared and paıd durıng the perıod/year on ordınary shares		
Fırst dıvıdend - paıd 2 July 2010	-	5,768
Second dıvıdend - paıd 6 August 2010	-	721
Thırd dıvıdend - paıd 3 September 2010	-	47
	-	**6,536**

20. Leases

The Group has entered ınto commercıal leases on ıts propertıes Durıng the current year and as part of ıts expandıng operatıons both ın the UK and overseas, the Group entered ınto several new lease arrangements for addıtıonal propertıes The lessee has the optıons of renewal on each of these leases subject to negotıatıon between the Group, as lessee, and each landlord ın the perıod precedıng the expıratıon of each lease There were no restrıctıons placed upon the lessee by enterıng ınto these leases

The total future mınımum lease payments are due as follows

	31 Dec 2011 $'000	31 March 2011 $'000
Not later than one year	5,646	3,738
Later than one year and not later than five years	21,826	14,561
Later than five years	9,080	10,639
At 31 December / 31 March	**36,552**	**28,937**

21. Company Financial Statements – Profit for the Year

As permıtted by sectıon 408 of the Companıes Act 2006 the Company has elected not to present ıts Income Statement for the year Marex Spectron Group Lımıted reported a profit for the perıod ended 31 December 2011 of $15,112,000 (year ended 31 March 2011 profit of $5,071,000) The Company paıd nıl dıvıdends durıng the perıod (year ended 31 March 2011 - $6,536,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

22. Contingent Liabilities and Other Commitments

As at 31 December 2011 the Group had $65m (31 March 2011 $140m) of bank guarantees lodged wıth clearıng houses to offset margın requırements

23. Subordinated Loan

	31 Dec 2011 $'000	31 March 2011 $'000
Subordınated loan repayable 2013	23,000	13,000

On 10 November 2011, the company advanced an addıtıonal US$10,000,000 to Marex North Amerıca LLC, a subsıdıary undertakıng, under a revolvıng subordınated loan whıch termınates on 31 March 2016 Interest rate ıs set at US prıme rate plus 0 5%

24. Ultimate and Immediate Parent Undertakıng

In the dırectors' opınıon, the ultımate and ımmedıate parent and controllıng party ıs Amphıtryon Lımıted, a company ıncorporated ın Jersey, Channel Islands

The Group pays management fees to partıes assocıated to the ultımate parent company based on a percentage of the Group's profitabılıty amountıng to $1,717,000 (for the year ended 31 March 2011 - $1,387,000) of whıch $796,000 (as at 31 March 2011 - $171,000) was payable perıod end Furthermore, addıtıonal charges amountıng to $2,700,000 (year ended 31 March 2011 - $796,000) were made for provısıon of varıous management and professıonal servıces to the Group

Durıng the perıod, a prıncıpal subsıdıary undertook transactıons wıth ıts ultımate parent company that resulted ın ıt transferrıng some of ıts ınterest ın certaın assets All amounts wıth related partıes were settled ın full by perıod end and there are no outstandıng assets and lıabılıtıes due from or to the ultımate parent company ın respect of these transactıons