

**Marex Spectron Group Limited**

Report and Financial Statements

Year ended 31 December 2012

Registered number 05613060

SATURDAY



\*A2HCT57V\*

A10

21/09/2013

#382

COMPANIES HOUSE

**Contents Page**

Company Information	1
Directors' Report	2
Auditors' Report	8
Consolidated Income Statement	10
Consolidated Statement of Comprehensive income	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Cash Flows	15
Company Statement of Financial Position	17
Company Statement of Changes in Equity	18
Notes to the Financial Statements	19

**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  
I T Lowitt  
R B Nagioff  
J P Phizackerley  
V Pignatti-Morano  
G H Prentice  
S H Sparke  
P M Sugarman  
J P Wall

**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, 35 Bank Street, Canary Wharf, London E14 5JP  
HSBC, Level 19, 8 Canada Square, London, E14 5HQ

## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2012 for Marex Spectron Group Limited (Group)

### **About Us**

Marex Spectron offers unrivalled market access to clients that buy or sell commodities and commodity derivatives on exchanges or over-the-counter

Marex Spectron is a young company with deep roots, formed in 2011 by a merger that brought together two leading European specialist brokers, one in metals and agriculture, with another in OTC energy, freight and fuel. We have built on the strength of the companies that form our core, growing out of our European base to become a major force in the commodity markets in North America and Asia.

Responding to client demand for our services in markets outside of commodities, we have expanded our capabilities into financial futures and options, equity and fixed-income broking.

Marex Spectron exists to create deep and easy to access liquidity pools in markets that have been traditionally difficult for clients to trade. We have leading market shares in metals, gas, fuel, freight, coal, electricity, environmental energy, cocoa, coffee and sugar markets.

We offer voice and electronic broking, market data and analysis, a full range of post-trade services and a leading suite of market connectivity and trade execution technologies.

Marex Spectron has 607 market professionals serving commodity producers and consumers, banks, hedge funds, brokers, CTAs and professional traders. We are members of the London Metal Exchange, the CME Group exchanges, ICE US, NYSE Liffe, ICE Futures and Eurex, Dubai Gold & Commodity Exchange and offer access to all major exchanges.

### **Chief Executive Officer Review**

#### **Overview**

I joined Marex Spectron, in October 2012, because I believed in its strategy, in the strength of its market position and, above all, in the quality of its people. I am very pleased to report that the firm's reputation is well-deserved, as these results show. In a tough year, one which saw many clients and potential clients cut back and rival brokers struggle, Marex Spectron delivered a solid set of results. Given the prevailing environment, that would have been impressive enough but to achieve this while integrating acquisitions and driving into new territories is particularly pleasing.

Our strategy of focusing on creating deep liquidity pools in markets where we can build substantial market share has served us well, helping us to increase commission revenue in 2012 even as risk aversion, regulatory uncertainty and wider economic turmoil deterred some client activity.

Marex Spectron's focus on providing efficient access to markets that have traditionally been esoteric and difficult to reach for many clients has given us a solid base from which to expand. Our businesses in America started to break even at the end of 2012 and while our Asian operations are at an earlier stage of development, performance has been encouraging.

We have now completed the integration of Marex and Spectron groups and I am very pleased to say that that process has gone smoothly, we have retained key staff and clients have not seen disruption in service levels. Quite the opposite, we continued to grow rapidly in 2012 and we have brought in over 100 new colleagues since acquiring Spectron Group. We now number over 600 and we are still hiring to meet demand, notably in our energy businesses.

We are also investing heavily in new technology platforms, ensuring that we can offer clients a mix of high-touch telephone-based broking and low-touch electronic execution that fits with the way they want to work.

**DIRECTORS' REPORT (CONTINUED)**

These are difficult times but I firmly believe that Marex Spectron is well placed to succeed. We have dominant shares in our core markets, which provide a robust base on which to grow in each of those markets and a set of deep client relationships. We are prudently managed and maintain conservative regulatory capital levels and liquidity buffers.

**Review of the Financial Performance**

Marex Spectron's commission remained consistent year on year. This was a very solid performance that flowed from our ability to acquire new clients (last year we added 57 new clients a month on average and grew overall active client numbers by 48% in total) and expand the business we earn from our existing clients.

Our energy business had a solid year. Other core markets also performed well in difficult conditions.

I am pleased to say that our financial futures & options business outperformed rivals in 2012, rising up exchange rankings and maintaining client business volumes. Fixed income also had a solid year. Equity securities were, along with the entire equities market, weaker, and our foreign exchange desk was fundamentally restructured in 2012 to create a service more suited to the demands of our clients.

	<b>Commodities</b>	<b>Financial</b>	<b>Electronic</b>	<b>Total</b>
	<b>Year ended</b>	<b>products</b>	<b>markets</b>	<b>Total</b>
	<b>31 Dec 2012</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>\$'000</b>	<b>31 Dec 2012</b>	<b>31 Dec 2012</b>	<b>31 Dec 2012</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue:</b>				
Broker dealer activities	199,416	38,335	79,172	316,923
Trading			897	897
Software Fees			3,991	3,991
Other	6,199	1,204	14,519	21,922
<b>Total</b>	<b>205,615</b>	<b>39,539</b>	<b>98,579</b>	<b>343,733</b>

	<b>Commodities</b>	<b>Financial</b>	<b>Electronic</b>	<b>Total</b>
	<b>Year ended</b>	<b>products</b>	<b>markets</b>	<b>Total</b>
	<b>31 Dec 2011</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>\$'000</b>	<b>31 Dec 2011</b>	<b>31 Dec 2011</b>	<b>31 Dec 2011</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue:</b>				
Broker dealer activities	209,409	32,620	79,660	321,689
Trading			2,161	2,161
Software Fees			4,425	4,425
Other	8,627	461	9,170	18,258
<b>Total</b>	<b>218,036</b>	<b>33,081</b>	<b>95,416</b>	<b>346,533</b>

(Unaudited)

Profit before tax for the year to December 2012 was \$21.0 m (including a one-off gain on the sale of our shares in the London Metal Exchange as part of its acquisition by Hong Kong Exchanges & Clearing as well as impairment of goodwill on the Securities business). Headcount rose to 607 at year end.

## **DIRECTORS' REPORT (CONTINUED)**

We continue to make significant investments in North America (a business that broke even in the final quarter of 2012) and Asia and within our Electronic Markets Division we acquired the professional trader division of Schneider Trading Associates (STA) for a small consideration to bolster our independent professional trader services business. Full details of the cost of acquisition are shown in notes to these financial statements.

### **Performance Highlights**

The energy sector was stable and our dominant market position enabled the business to maintain revenue levels despite a marked decline in activity by many participants who were deterred mainly by political uncertainty. Nonetheless, we saw good growth in Fuel Oil and Gas as demand held up thanks to delays in bringing nuclear and alternative energy supplies online and a mild recovery in the transport industries.

We were able to maintain the volumes seen in 2011 in both our Exchange-listed and Over-The-Counter (OTC) energy futures businesses. This was despite the depressive impact on demand of a mild autumn that kept activity low in the last quarter of 2012.

Demand for base metals remained strong, particularly from Asian and emerging economies. London Metal Exchange (LME) volumes continue to grow and Marex Spectron has maintained its share of the market. Our Metals business continued to add new clients throughout the year, notably in Asia and from the hedge fund community.

Our agriculture teams maintained commission income which was particularly impressive given that "soft" commodities were coming off the multi-decade highs seen in 2011.

The financial futures & options (FFO) business performed well in 2012, notably in the second half when reducing political uncertainty (notably in the eurozone) brought clients back to the markets.

The foreign exchange (FX) desk was completely reconfigured in 2012 and whilst this impacted revenues negatively, we believe that we now have a team and a technology platform that stands comparison with the best in the market and which will generate positive results in the future.

The first full year of trading for our Securities Division was impacted by the same client reticence that other businesses struggled with. However, many banks are withdrawing from primary activity in this business which has created a unique opportunity for us to service clients who find themselves without adequate market access or support.

### **Priorities**

For many of our competitors, 2012 was marred by sharply lower trading volumes on exchanges, lower pricing volatility in core markets and the prevailing low interest rate environment. While Marex Spectron also had to face these challenges, our strategy of focusing on core markets in which we are leading players and only building out from those where we are sure of client demand, meant that we performed significantly better than many within the financial services sector.

In 2013 we will continue to execute on our strategy, with particular emphasis as follows:

- We will focus on doing more business with our existing client base which, in our core markets, is extensive.
- We are investing heavily in a new suite of technology solutions that provide low-latency access to exchanges around the world and unrivalled trade execution and clearing. We already clear over 1.5 million contracts a day and expect that to rise in 2013 as more clients join our electronic platform.
- We will continue to develop our voice broking services, recognizing that clients want a mixture of electronic broking, direct market access and voice support and that the mix they use changes depending on trading conditions and which markets they want to access.
- We are developing a suite of data and analytics products that offer deep insight into over-the-counter markets that clients often find difficult to gain real insight into.

## **DIRECTORS' REPORT (CONTINUED)**

### **Conclusion**

In 2012, our strategy of staying focused on core markets in which we have built leading market shares in Europe and leveraging those to grow internationally worked. We also completed the integration of Marex and Spectron groups, made a small acquisition and added significantly to headcount.

Outside of our core markets we are building a strong range of non-commodity and technology services, many of which are already gaining commercial traction. Commodities remain at the heart of what Marex Spectron does but we now have the capacity to serve clients across a range of asset classes.

There have not been many successful growth stories in financial services in recent years but Marex Spectron is, undoubtedly, a business that is not only performing well during these periods of economic turmoil but at the same time making investments for future growth.

### **Future Outlook**

Our core priorities are now the development of our international locations in North America 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 movement in share capital is shown in Note 18 to these financial statements.

### **Dividends**

No dividends were paid during the year ended 31 December 2012 (for the period ended 31 December 2011 - \$nil).

### **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  
I T Lowitt (appointed 1 November 2012)  
R B Nagioff  
J P Phizackerley  
V Pignatti-Morano  
G H Prentice  
S H Sparke  
P M Sugarman  
J P Wall (appointed 6 December 2012)

### **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.

## **DIRECTORS' REPORT (CONTINUED)**

### **Charitable and political contributions**

Charitable donations of \$900,000 were made during the year ended 31 December 2012 to support charities in the markets that we operate in (for the period ended 31 December 2011 - \$980,000) No contributions were made for political purposes during the year (for the period ended 31 December 2011 - \$nil)

### **Events since the balance sheet date**

Events since the balance sheet date are disclosed in note 25

### **Financial risk management objectives, principal risks and uncertainties, and policies**

The Group's financial risk management objectives and policies are disclosed in note 17

### **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' responsibilities**

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the directors are required to

- present fairly the financial position, financial performance and cash flows of the Group,
- select suitable accounting policies in accordance with 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,
- make judgements that are reasonable,
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance, and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements

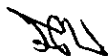
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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' REPORT (CONTINUED)**

**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



J P Wall

Date 15/04/13

## **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 year ended 31 December 2012 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 26. 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 Group'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 Group'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 6, 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 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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*

Robert McCracken (Senior Statutory Auditor)

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

London

*18 Apr 2013*

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
Revenue	2	343,733	232,239
Operating expenses		(351,554)	(226,878)
Provision for doubtful debts	12	(178)	742
<b>Operating profit</b>	3	<b>(7,999)</b>	<b>6,103</b>
Other non-operating expenses	4	(5,000)	(1,609)
Other income	4	30,995	23,346
Finance income (net)	6	3,009	1,955
<b>Profit before tax</b>		<b>21,005</b>	<b>29,795</b>
Taxation	7	(8,626)	(9,595)
<b>Profit after tax</b>		<b>12,379</b>	<b>20,200</b>
<b>Attributable to:</b>			
Equity holders of the parent		12,289	20,126
Minority interest		90	74
		<b>12,379</b>	<b>20,200</b>

The notes on pages 19 to 48 form part of these financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Year ended 31 Dec 2012 S'000</b>	<b>Nine months to 31 Dec 2011 S'000</b>
Profit after tax	12,379	20,200
Other comprehensive income		
Reclassification adjustment for gains on sale of investments, included in income statement	-	(16,280)
Net gain on revaluation of AFS investments	848	11,994
<b>Other comprehensive income, net of tax</b>	<b>848</b>	<b>(4,286)</b>
<b>Total comprehensive income</b>	<b>13,227</b>	<b>15,914</b>
<b>Attributable to:</b>		
Equity holders of the parent	13,137	15,840
Minority interest	90	74
	<b>13,227</b>	<b>15,914</b>

The notes on pages 19 to 48 form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserves \$'000	AFS reserve \$'000	Minority interest \$'000	Total \$'000
<b>At 1 April 2011</b>	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	-	-	-	-	-	(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)
<b>At 31 December 2011</b>	<b>176,237</b>	<b>133,844</b>	<b>21,437</b>	<b>(54)</b>	<b>(267)</b>	<b>363</b>	<b>331,560</b>
Share capital issued	1	-	-	-	-	-	1
Premium on sale of shares	-	442	-	-	-	-	442
Minority interest movement	-	-	-	(235)	-	363	128
Profit for the period	-	-	12,289	-	-	90	12,379
Revaluation of AFS investments	-	-	-	-	1,101	-	1,101
Deferred tax on market value movement of unlisted shares	-	-	-	-	(253)	-	(253)
Foreign currency translation	-	-	-	45	-	-	45
<b>At 31 December 2012</b>	<b>176,238</b>	<b>134,286</b>	<b>33,726</b>	<b>(244)</b>	<b>581</b>	<b>816</b>	<b>345,403</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2012**

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (PPE)	8	13,014	11,884
Intangible assets	9	148,283	149,246
Investments	10	14,472	33,351
<b>Total non-current assets</b>		<b>175,769</b>	<b>194,481</b>
<b>Current assets</b>			
Inventory	11	-	69,219
Trade and other receivables	12	345,953	329,108
Financial assets	14	59,981	-
Deferred tax asset	7	469	-
Cash and cash equivalents	15	419,183	618,898
<b>Total current assets</b>		<b>825,586</b>	<b>1,017,225</b>
<b>Total assets</b>		<b>1,001,355</b>	<b>1,211,706</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	16	632,351	800,399
Provisions		2,353	1,230
Derivative instruments	13	12,677	72,727
Corporation tax liability		8,571	1,052
<b>Total current liabilities</b>		<b>655,952</b>	<b>875,408</b>
<b>Non-current liabilities</b>			
Deferred tax liability	7	-	4,738
<b>Total liabilities</b>		<b>655,952</b>	<b>880,146</b>
<b>TOTAL NET ASSETS</b>		<b>345,403</b>	<b>331,560</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2012 (CONTINUED)**

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	18	176,238	176,237
Share premium	19	134,286	133,844
Retained earnings	19	33,726	21,437
Other reserves	19	(244)	(54)
Revaluation reserve	19	581	(267)
		<u>344,587</u>	<u>331,197</u>
Minority interest		816	363
<b>TOTAL EQUITY</b>		<u><b>345,403</b></u>	<u><b>331,560</b></u>

The financial statements on pages 10 to 48 were approved by the Board of Directors on 26 March 2013 and were signed on its behalf by



J P Wall

Date 15/04/13

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

		<b>Year ended 31 Dec 2012 \$'000</b>	<b>Nine months to 31 Dec 2011 \$'000</b>
	<b>Note</b>		
<b>Operating activities</b>			
Profit before tax		21,005	29,795
Adjustments for			
Depreciation	8	6,981	3,271
Amortisation of intangible fixed assets	9	2,200	1,272
Gain on sale of investments	4	(30,798)	(22,000)
Impairment of intangible and investments	4	5,000	1,609
Share of associate's profit - non-cash component		-	(9)
<b>Operating cash flows before changes in working capital</b>		<b>4,388</b>	<b>13,938</b>
(Increase) / decrease in trade receivables	12	(16,845)	719,341
Decrease in trade payables	16	(168,048)	(203,797)
Increase in provisions		1,123	1,230
Net trade payables on acquisition of subsidiaries		-	(3,870)
Decrease in inventory	11	69,219	130,791
Decrease in derivative instruments	13	(60,050)	(425,903)
Increase in financial asset held to maturity	14	(59,981)	-
		<b>(234,582)</b>	<b>217,791</b>
<b>Cash (outflow) / inflow from operating activities</b>		<b>(230,194)</b>	<b>231,730</b>
Corporation tax paid to taxation authorities		(3,174)	(5,633)
Corporation tax group relief paid to ultimate parent		(3,393)	(346)
Foreign currency translation		124	(47)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(236,637)</b>	<b>225,704</b>
<b>Investing activities</b>			
Purchase of fixed assets	8	(8,111)	(8,453)
Proceeds of disposal of Investments	10	50,328	-
Development expenditure capitalised	9	(3,777)	(1,498)
Purchase of STA	9	(1,960)	-
Purchase of Spectron group		-	(155,293)
Purchase of Eden		-	(9,046)
Purchase of other investments		-	(1,609)
<b>Net cash inflows / (outflows) from investing activities</b>		<b>36,480</b>	<b>(175,899)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Note	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
<b>Financing activities</b>			
Proceeds on sale of shares	18	442	127,370
Capital distribution paid		-	(2,790)
Redemption of preference shares		-	(801)
<b>Net cashflows from financing activities</b>		<b>442</b>	<b>123,779</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(199,715)</b>	<b>173,584</b>
<b>As at 1 January / 1 April</b>			
Cash available on demand and short term deposits		618,898	413,311
Cash on acquisition of subsidiaries		-	32,003
(Decrease) / Increase in cash and cash equivalents		(199,715)	173,584
		<b>419,183</b>	<b>618,898</b>
Cash available on demand and short term deposits		419,183	618,898
<b>At end of Year / Period</b>		<b>419,183</b>	<b>618,898</b>

## COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	10	353,456	354,042
Subordinated loan due from group undertaking	24	23,000	23,000
<b>Total non-current assets</b>		<b>376,456</b>	<b>377,042</b>
<b>Current assets</b>			
Amounts due from group undertakings		20,021	728
Trade and other receivables		55	237
Deferred tax		275	140
Cash and cash equivalents		67	567
<b>Total current assets</b>		<b>20,418</b>	<b>1,672</b>
<b>Total assets</b>		<b>396,874</b>	<b>378,714</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Corporation tax liability		341	481
Amounts due to group undertakings		76,140	58,457
<b>Total current liabilities</b>		<b>76,481</b>	<b>58,938</b>
<b>Total liabilities</b>		<b>76,481</b>	<b>58,938</b>
<b>TOTAL NET ASSETS</b>		<b>320,393</b>	<b>319,776</b>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	18	176,238	176,237
Share premium	19	134,286	133,844
Retained earnings	19	10,739	10,115
Revaluation reserve	19	(870)	(420)
<b>TOTAL EQUITY</b>		<b>320,393</b>	<b>319,776</b>

The financial statements on pages 10 to 48 were approved by the Board of Directors on the 26 March 2013 and were signed on its behalf by



J P Wall

Date 15/04/13

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	FX translation reserve \$'000	AFS reserve \$'000	Total \$'000
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	-	-
<b>At 31 December 2011</b>	<b>176,237</b>	<b>133,844</b>	<b>10,115</b>	<b>-</b>	<b>(420)</b>	<b>319,776</b>
Share capital issued	1	-	-	-	-	1
Premium on sale of shares	-	442	-	-	-	442
Profit for the period	-	-	624	-	-	624
Revaluation of AFS investments	-	-	-	-	(585)	(585)
Deferred tax on market value movement of unlisted shares	-	-	-	-	135	135
<b>At 31 December 2012</b>	<b>176,238</b>	<b>134,286</b>	<b>10,739</b>	<b>-</b>	<b>(870)</b>	<b>320,393</b>

The notes on pages 19 to 48 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. Accounting Policies (Continued)**

***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 other non-operating expenses line item in the income statement.

***Intangible assets***

The Group's intangible assets include those determined 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 licences***

The licences 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. Accounting Policies (Continued)

#### *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 that are held 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 or offered price where a takeover bid is in progress.
- *Held to Maturity* Held to Maturity investments are financial assets with fixed or determinable payments and fixed maturities where the Group has the intention and ability to hold to maturity. These assets are measured at amortised cost, calculated taking into account any premium and discount on acquisition. The amortisation is included in interest and similar income in the profit and loss account.

#### *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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. Accounting Policies (Continued)**

***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.

***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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. Accounting Policies (Continued)**

***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 - 20 to 50% per annum straight line

Computer equipment - 20 to 50% per annum straight line

***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.

(c) Impairment of non-financial assets

The Group's impairment test for goodwill with indefinite useful lives is based either on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. Accounting Policies (Continued)**

***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 recoveries of amounts previously written off are also included within 'Operating Profit' in the Income Statement

***Trade payables***

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

***New and amended standards and interpretations***

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendment to IFRS effective as of 1 January 2012

***IFRS 7 Financial Instruments Disclosures – Enhanced Derecognition Disclosure Requirements***

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment will affect the disclosure of the inventory positions within the financial statements

None of the other amendments to IFRS effective as of 1 January 2012 has any effect on the presentation of its financial statements

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**1. Accounting Policies (Continued)**
*Standards and Interpretations issued by the IASB and not endorsed by the EU*

At 31 December 2012, the following amendments to standards and interpretations, effective for these consolidated financial statements, were issued by the IASB but not endorsed by the EU

	Effective date for periods beginning on or after
IFRS 9 'Financial Instruments'	1 January 2015
IFRS 10 Consolidate financial statements	1 January 2013
IFRS 13 'Fair Value Measurement'	1 January 2013
Amendments to IAS 19 "Employee benefits"	1 January 2013

Our assessment is that these changes will not have a material impact on the Group financial statements

**2. Revenue Analysis**

	Commodities Year ended 31 Dec 2012 \$'000	Financial products Year ended 31 Dec 2012 \$'000	Electronic Markets Year ended 31 Dec 2012 \$'000	Total Year ended 31 Dec 2012 \$'000
Revenue				
Broker dealer activities	199,416	38,335	79,172	316,923
Trading	-	-	897	897
Software fees	-	-	3,991	3,991
Other	6,199	1,204	14,519	21,922
<b>Total</b>	<b>205,615</b>	<b>39,539</b>	<b>98,579</b>	<b>343,733</b>

	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
<b>Total</b>	<b>132,622</b>	<b>33,135</b>	<b>66,482</b>	<b>232,239</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**3. Operating profit**

	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
This has been arrived after charging		
Staff costs	176,232	113,813
Depreciation	6,981	3,271
Amortisation	2,200	1,271
Payments under operating leases	11,139	7,425
Sale and purchase expenses	292	114
Auditors services		
Audit services	984	900
Non-audit services		
- Tax advisory services	234	111
- Other non audit services	196	-

Audit fees for the Company for the year ended 31 December 2012 and the prior period were borne by a subsidiary undertaking

**4. Non-operating expenses and other income**

	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
<b>Non-operating expenses</b>		
Impairment of investments and goodwill	(5,000)	(1,609)
	<u>(5,000)</u>	<u>(1,609)</u>
<b>Other income</b>		
Dividends received	204	204
Profit on sale of AFS investments	30,798	22,000
Derecognition of liability	-	1,087
Share of associate's profit	-	55
Other expense	(7)	-
	<u>30,995</u>	<u>23,346</u>

During the year management have reclassified the foreign exchange revaluation loss of \$3,000 (gain of \$3,174,000 for the period to 31 December 2011) from other income/ expense to operating income/ expense to better reflect the nature of the income/ expense

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**5. Staff costs**

	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
Staff costs (including directors) comprise		
Wages and salaries	151,059	100,070
Short-term monetary benefits	3,051	3,553
Defined contribution pension cost	1,379	981
Employer's national insurance contributions and similar taxes	20,743	9,209
	<u>176,232</u>	<u>113,813</u>

**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

	Year ended 31 Dec 2012 \$'000	Nine months to 31 Dec 2011 \$'000
Directors' emoluments	4,287	2,407
Short-term monetary benefits	18	10
Defined contribution pension cost	20	24
	<u>4,325</u>	<u>2,441</u>

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

The remuneration of the highest paid director for his services to the Group was \$1,800,000 (for the period ended 31 December 2011 - \$1,613,501) Group pension contributions of \$20,006 (for the period ended 31 December 2011 - \$15,038) were made on his behalf, whilst he was a director of Marex Spectron Group Limited

Interest free loans amounting in aggregate to \$216,993 (as at 31 December 2011 - \$178,286) were given to 2 directors to finance tax due on non-cash emoluments. These amounts were outstanding as at 31 December 2012 and are included in total receivables

The average number of employees, including directors, during the year to 31 December 2012 was 576 (for the period ended 31 December 2011 – 462)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**6. Finance income**

	<b>Year ended 31 Dec 2012 \$'000</b>	<b>Nine months to 31 Dec 2011 \$'000</b>
Interest receivable from brokers	293	747
Interest receivable from counterparties	2,216	1,042
Interest receivable from warrant financing	463	805
Bank interest receivable	891	851
Finance revenue	<b>3,863</b>	<b>3,445</b>
Interest payable to clients	(176)	(280)
Interest payable to brokers	(251)	(498)
Bank interest payable	(427)	(712)
Finance expense	<b>(854)</b>	<b>(1,490)</b>
Finance income net	<b>3,009</b>	<b>1,955</b>

**7. Taxation**

	<b>Year to 31 Dec 2012 \$'000</b>	<b>Nine months to 31 Dec 2011 \$'000</b>
<b>7 (a) Tax expense</b>		
<i>Current tax expense</i>		
UK and foreign corporation tax on profit for the year	13,895	4,064
Adjustment for prior year	191	95
<b>Sub total</b>	<b>14,086</b>	<b>4,159</b>
Deferred tax credit		
Origination and reversal of temporary differences arising in the current year	(5,689)	5,573
Origination and reversal of temporary differences arising in the prior year	229	(137)
<b>Sub total</b>	<b>(5,460)</b>	<b>5,436</b>
<b>Total tax charged for the year</b>	<b>8,626</b>	<b>9,595</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. Taxation (Continued)**

	<b>Year to 31 Dec 2012 \$'000</b>	<b>Nine months to 31 Dec 2011 \$'000</b>
<b>Tax charge relating to items charged to equity</b>		
Charge for the year	<u>253</u>	<u>4,243</u>

**Reconciliation of the total tax charge**

The reasons for the difference between the actual tax charge for the year ended 31 December 2012 and the standard rate of corporation tax in the UK applied to profits for the year are as follows

	<b>Year to 31 Dec 2012 \$'000</b>	<b>Nine months to 31 Dec 2011 \$'000</b>
<b>7(b) Reconciliation of the total tax charge</b>		
Profit before tax	<u>21,005</u>	<u>29,795</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 24.5% (Dec 2011 26%)	5,146	7,747
Impact of 26.5% effective rate for applicable entities	-	72
Variance in corporation tax of non-UK entities	(1,329)	(684)
Income not taxable	(50)	(412)
Expenses not deductible for tax purposes	1,384	1,034
Indexation applied to chargeable gains	(8)	(58)
Prior year adjustments	419	(42)
Unutilised tax losses	3,079	1,910
Deferred tax restatement due to legislated change in future tax rate	(15)	28
	<u>8,626</u>	<u>9,595</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. Taxation (Continued)**

<b>7(c) Deferred tax (asset) / liability</b>	<b>31 Dec 2012 \$'000</b>	<b>31 Dec 2011 \$'000</b>
Accelerated capital allowances	(1,490)	(836)
Revaluation of available for sale financial assets	164	(89)
Deferred sale of available for sale assets	857	5,663
<b>Total deferred tax (asset) / liability</b>	<b>(469)</b>	<b>4,738</b>
At 1 Jan 2012 / 1 April 2011	4,738	884
Fair value upon acquisition of subsidiaries	-	(107)
(Credited)/charged to the Income Statement for the year	(766)	5,436
On sale of AFS investments	(4,694)	(5,720)
Charged to the Revaluation Reserve for the period	253	4,243
FX translation	-	2
<b>At 31 December</b>	<b>(469)</b>	<b>4,738</b>

Deferred tax assets have been stated at the corporation tax rate of 23% (2011 25%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2013 and which was substantially enacted on 3 July 2012, on the basis that it is anticipated that the Company's deferred tax assets will unwind after 1 April 2013

In the Budget of 20 March 2013, the Government announced that the UK rate of corporation tax will reduce to 20% from 1 April 2015. As the further reduction was not substantially enacted as at 31 December 2012, the corporation tax rate of 23% has been applied in calculating the deferred tax asset

**7 (d) Unrecognised deferred tax asset**

These assets have not been recognised as it cannot be foreseen when the items will be utilized

- Gross share scheme deductions of \$5,585,000 (at 31 December 2011 - \$5,336,000). The potential UK deferred tax asset at 23% is \$1,285,000 (at 31 December - \$1,334,000)
- Gross realised losses in the United States for the year ended 31 December 2012 of \$11,256,248 (at 31 December 2011 - \$6,559,000)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**8. Property, Plant and Equipment**

	<b>Leasehold improvements \$'000</b>	<b>Computer equipment \$'000</b>	<b>Furniture, fixtures and fittings \$'000</b>	<b>Cycle scheme \$'000</b>	<b>Total \$'000</b>
<b>Cost:</b>					
At 1 January 2012	6,506	15,852	4,620	9	26,987
Additions	4,003	3,548	557	3	8,111
Adjustments / reclassifications	(3,525)	(841)	911	-	(3,455)
At 31 December 2012	<b>6,984</b>	<b>18,559</b>	<b>6,088</b>	<b>12</b>	<b>31,643</b>
<b>Depreciation:</b>					
At 1 January 2012	4,056	9,138	1,903	6	15,103
Charge for the year	1,593	4,475	913	-	6,981
Adjustments / reclassifications	(3,525)	(841)	911	-	(3,455)
At 31 December 2012	<b>2,124</b>	<b>12,772</b>	<b>3,727</b>	<b>6</b>	<b>18,629</b>
<b>Net book value:</b>					
At 31 December 2012	<b>4,860</b>	<b>5,787</b>	<b>2,361</b>	<b>6</b>	<b>13,014</b>
At 31 December 2011	<b>2,450</b>	<b>6,714</b>	<b>2,717</b>	<b>3</b>	<b>11,884</b>

During the year fully depreciated assets that are no longer in use were written off and items reclassified into appropriate categories

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**9. Intangible Assets**

	<b>Goodwill</b>	<b>Computer development, licences and software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost:</b>			
At 1 January 2012	146,725	6,411	153,136
Additions	3,242	2,361	5,603
Adjustments	134	(1,480)	(1,346)
<b>At 31 December 2012</b>	<b>150,101</b>	<b>7,292</b>	<b>157,393</b>
<b>Amortisation:</b>			
At 1 January 2012	-	3,890	3,890
Charge for the year	-	2,200	2,200
Impairment	4,500	-	4,500
Adjustments	-	(1,480)	(1,480)
<b>At 31 December 2012</b>	<b>4,500</b>	<b>4,610</b>	<b>9,110</b>
<b>Net book value:</b>			
At 31 December 2012	145,601	2,682	148,283
At 31 December 2011	146,725	2,521	149,246

During the year fully amortised assets that are no longer in use were written off and items reclassified into appropriate categories

Goodwill acquired through business combination has been allocated for impairment testing purposes to operating segments as monitored for internal management purposes. Of the \$145.6m of goodwill, \$137.8m is within the Commodities segment.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board. The projected cash flows have been updated to reflect the demand for the services offered. The discount rate applied to the cash flows is 12% and projections have been extrapolated to a five year period using a growth rate of 5% which measures conservatively based on historic trend. No impairment is considered necessary.

The goodwill of the securities business within the Financials sector has been deemed to be impaired based on valuation estimated using current and projected cash flows growing at 4% and a discount rate of 12% by \$4.5m to \$4.6m. This charge is attributed largely to the deterioration of market activity within the Pan European Equity markets.

On 27 May 2012, the Group acquired the Professional Trader Division of Schneider Trading Associates (STA), a business that is complimentary to the existing Pro-Trader business within Electronic Markets of the Group. The consideration was \$2.5m including a deferred earn-out based on the performance of the professional services business of the Group. The fair value of identifiable assets and liabilities of STA as at the date of acquisition were

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

## Intangible Assets (Continued)

	<b>Total \$'000</b>
<b>Consideration:</b>	
Cash	1,960
Contingent Consideration	538
	<u>2,498</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fixed assets	3,227
Other receivables	679
Accruals and other liabilities	(2,869)
Provisions	(1,781)
<b>Total</b>	<u>(744)</u>
<b>Goodwill</b>	<b>3,242</b>

**10. Investments**

	<b>Associates 31 Dec 2012 \$'000</b>	<b>Unlisted investments 31 Dec 2012 \$'000</b>	<b>Associates 31 Dec 2011 \$'000</b>	<b>Unlisted investments 31 Dec 2011 \$'000</b>
<b>Cost or valuation</b>				
At 1 January	191	33,160	-	16,529
Fair value of assets on acquisition of subsidiaries	-	-	182	319
Additions	-	49	-	25,052
Disposals	-	(19,529)	-	(23,443)
Revaluation	-	1,101	-	16,312
Impairment charge	(191)	(309)	-	(1,609)
Share of associate's profit	-	-	9	-
<b>At 31 December</b>	<u>-</u>	<u>14,472</u>	<u>191</u>	<u>33,160</u>

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. 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 or offered price where the investment is under a takeover bid.

Associates are accounted for using the equity method.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**10. Investments (Continued)**

Investments in subsidiaries are

<b>Company:</b>	<b>31 Dec 2012 \$'000</b>	<b>31 Dec 2011 \$'000</b>
At 1 January	354,042	199,687
Additions in year	-	156,902
Revaluation	(586)	(938)
Impairment	-	(1,609)
<b>At 31 December</b>	<b>353,456</b>	<b>354,042</b>

The principal subsidiaries of Marex Spectron Group Limited as at 31 December 2012 are as follows

<b>Name</b>	<b>Country of incorporation</b>	<b>Class</b>	<b>Proportion of ownership interest</b>	<b>Nature of business</b>
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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**10. Investments (Continued)****Principal subsidiary undertakings held indirectly**

<b>Name</b>	<b>Country of incorporation</b>	<b>Class</b>	<b>Proportion of ownership interest</b>	<b>Nature of business</b>
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
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
Spectron Oil Limited	United Kingdom	Ordinary Shares	100%	Energy OTC Broking

**Other related entities**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**11. Inventory**

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Investment in metal warrants	-	69,219

The above investments relate to metal warrant positions, and are accounted for at market value. The Group held no positions in metals warrants as at 31 December 2012, however it has entered into a forward contract to acquire metals warrants at fair market value which is worth \$24,629,000 at year end rates. As at 31 December 2012, nil warrants are held by a bank as collateral against cash borrowings (at 31 December 2011 - \$68,750,000).

**12. Trade and Other Receivables**

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Amounts due from exchanges, clearing houses and other counterparties		
- fair value of transactions	321,859	295,782
Deposits with exchanges and clearing houses	7,000	21,390
Other debtors	2,078	3,215
Loans receivable	1,568	1,676
Prepayments	11,897	7,045
Other tax and social security taxes	1,551	-
	<u>345,953</u>	<u>329,108</u>

Amounts due from exchanges, clearing houses and other counterparties are stated after deducting an impairment provision of \$4,442,000 (as at 31 December 2011 - \$4,738,000).

The movement in the impairment provision is as follows

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
At 1 January	4,738	5,765
On acquisition of subsidiaries	-	207
Charged / (credit) to Income Statement	178	(742)
Bad debts written off	(590)	(309)
Foreign exchange revaluation	116	(183)
<b>At 31 December</b>	<u>4,442</u>	<u>4,738</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**13. Derivative Instruments**

Included in derivative investments are the Group's own positions 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.

**14. Held to Maturity Financial Assets**

The Group purchase financial assets with fixed or determinable payments and fixed maturities where the Group has the intention and ability to hold to maturity. These assets are measured at amortised cost, calculated taking into account any premium and discount on acquisition. As at 31 December 2012, the carrying value of these assets was \$59,981,000 (\$nil – 31 December 2011).

**15. Cash and Cash Equivalents**

Included in cash and cash equivalents at 31 December 2012 are balances of \$318,842,000 (as at 31 December 2011 - \$442,183,000) held by the Group on behalf of clients in accordance with the Client Money rules of the Financial Services Authority.

**16. Trade and Other Payables**

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Trade payables		
Amounts due to clients - fair value of transactions	561,549	666,591
Other tax and social security taxes	2,555	1,585
Other creditors	2,093	2,386
Accruals	66,154	67,337
Bank borrowings	-	62,500
	<u>632,351</u>	<u>800,399</u>

**17. 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.

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

Overall responsibility for risk management rests with the Board. Dedicated resources within the Risk department control and manage the exposures of the Group's own positions, the positions of its clients and its exposures to its counterparties as well as operational exposures, within the Risk Appetite set by the Board. This Risk Appetite and the associated Risk Framework and procedures are reviewed by senior management, the Risk Committee and the Board on a regular basis.

The Group aims to mitigate foreign exchange risk generated by the FX desk by setting pre-determined limits and by daily review and monitoring of the currency positions and exposures within such agreed limits.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Foreign currency risk**

As the majority of the revenue and asset and liabilities of the Group are generated in US dollars, the Group is subject to minimal structural currency risk. In addition a small level of foreign currency market risk is derived from the Foreign Exchange ("FX") desk.

**Interest rate risk**

The Group is exposed to interest rate risk on cash and investment balances it holds, client balances and bank borrowings.

The Group's view is that the main interest rate risk is derived from interest bearing deposits in which the Group invests surplus funds, and bank borrowings.

**Market risk**

The level or volatility of the markets in which the Group operates can adversely affect its ability to meet its business objectives and earnings. The Board has defined its risk appetite for market risk and this is implemented through the Board and senior management approved Integrated Risk Management Framework. A variety of measurement methodologies, including Value at Risk (VaR), scenario analysis and stress testing are used to quantify and assess the levels of market risk to which the Group is exposed.

The Group's overall exposure to market risk is mitigated by its operations as an intermediary on most transactions. As an intermediary, the Group aims to minimise its market risk by matching buyers and sellers. However, from time to time the Group will take the risk of a given trade onto its own books within pre-defined parameters and risk limits which are monitored and controlled by the Risk Department.

All trading instruments are subject to market risk, (the potential that future changes in market conditions may make an instrument less valuable – for instance due to fluctuations in prices, volatility interest rates or foreign exchange rates). Market risk is also directly impacted by the liquidity in the markets in which the instruments are traded. As the instruments are recognised at fair value, those changes are directly reported in income.

Although the Group has a material holding in metal warrants, the market risk in this activity is largely eliminated or minimised by hedging these warrants using spot and forward trades on the London Metal Exchange.

**Concentration risk**

In order to avoid excessive concentrations of risk with respect to bank counterparties the Group maintains a diversified portfolio of cash accounts in accordance with the Boards' Risk Appetite.

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

**Liquidity risk**

The Group defines liquidity risk as the failure to meet its day to day capital and cash flow requirements. Liquidity risk is assessed and managed under the ILAA and Liquidity Risk Framework.

To mitigate liquidity risk the Group has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Group has sufficient resources to meet its margin requirement at clearing houses and third party brokers.

There are strict guidelines followed in relation to products and duration into which excess liquidity can be invested. Excess liquidity is invested in cash deposits with financial institutions for a period of less than three months.

All non-derivative financial assets and liabilities mature, or are repayable, within one year.

All of the financial assets of the Group are either based upon floating rates or upon fixed rates with an interest term of less than three months. The financial liabilities are based upon rates set on a daily basis, apart from the

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Liquidity risk (Continued)**

financing of the warrant positions where the rates are set for the term of the loan. For assets not marked to market there is no material difference between the carrying value and fair value.

**Other risk management**

In addition to the financial risks above, the Group is also exposed to various elements of operational risk, most evident amongst these are geographical risk and internal control failure.

**Operational risk**

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

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

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

Companies within the Group are subject to authorisation by the Financial Services Authority ("FSA") governing the UK financial services industry, Commodity and Futures Trading Commission ("CFTC") under the delegated rules of the CME and National Futures Association ("NFA") in the US and the Securities and Futures Commission ("SFC") in Hong Kong and their respective regulatory requirements.

Geographical risk arises from the physical separation of some elements from the central control locations. Internal control failure is the risk arising from the adequacy or breakdown of critical internal control processes.

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains strong healthy capital ratios in order to support its business growth as well as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group also manages its capital so that it complies with the requirements of the regulatory authorities, as well as ensuring its capital base is adequate to cover the risks inherent in the business as defined in its Group ICAAP document.

Marex Financial Limited is regulated by the FSA as a BIPRU 730k Investment firm. Marex Financial Limited has fully complied with its externally imposed capital requirements in the year. The Capital Resources Requirement as at 31 December 2012 was \$96,575,000 and 31 December 2011 was \$94,125,000. This compares to the Regulatory Capital of \$158,427,000 at 31 December 2012 and \$157,468,000 at 31 December 2011.

Marex USA Limited is regulated by the FSA as a BIPRU 730k Investment firm. The Company has fully complied with its externally imposed capital requirements in the year. The Capital Resources Requirement as at 31 December 2012 was \$963,000 and 31 December 2011 was \$946,000. This compares to the Regulatory Capital at 31 December 2012 was \$2,257,000 and 31 December 2011 of \$1,127,000.

Marex USA Limited is also regulated in the USA by the NFA, on behalf of the CFTC, and has fully complied with its externally imposed capital requirements in the year. Under the requirements of the NFA, as of 31

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Capital management (Continued)**

December 2012, the adjusted net capital of the Company was \$3,080,000 (31 December 2011 - \$1,991,000) and the net capital requirement was \$1,000,000 (31 December 2011 - \$1,000,000)

Marex North America LLC is regulated by the CME on behalf of the CFTC and has fully complied with its externally imposed capital requirements in the year. Under the requirements of the CME, as of 31 December 2012, the adjusted net capital of the Company was \$9,993,000 (31 December 2011 - \$16,546,000) and the net capital requirement was \$6,148,000 (31 December 2011 - \$7,333,000)

Marex Hong Kong Limited is regulated by the SFC. Under the requirements of the SFC, as of 31 December 2012, the adjusted net capital of the Company was HKD 7,382,000 (31 December 2011 - HKD 7,803,000) and the net capital requirement was HKD 3,000,000 (31 December 2011 - HKD 3,000,000)

Spectron Energy Services Limited is regulated by the FSA as a BIPRU 50k Investment firm. Spectron Energy Services Limited has fully complied with its externally imposed capital requirements in the year. The Capital Resources Requirement as at 31 December 2012 was \$8,098,000 and 31 December 2011 was \$10,357,000. This compares to the Regulatory Capital of \$39,711,000 at 31 December 2012 and \$29,832,000 at 31 December 2011. Spectron Energy Services Limited is also regulated in the USA by the NFA, on behalf of the CFTC, when it was approved as an Introducing broker as at 12 October 2012, and has fully complied with its externally imposed capital requirements from its registration date to the rest of the year. Under the requirements of the NFA, as of 31 December 2012, the adjusted net capital of the Company was \$2,903,000 and the net capital requirement was \$45,000.

Marex Spectron Securities LLP is regulated by the FSA as a BIPRU 50k Investment firm. Marex Spectron Securities LLP has fully complied with its externally imposed capital requirements in the year. The Capital Resources Requirement as at 31 December 2012 was £679,000 and 31 December 2011 was £634,000. This compares to the Regulatory Capital of £700,000 at 31 December 2012 and £700,000 at 31 December 2011.

**Determination of fair value and fair value hierarchy**

The Group uses the following hierarchy for determining the fair value of financial instrument by valuation techniques:

- Level 1      quoted (adjusted) prices in active markets for identical assets or liabilities,
- Level 2.      other techniques for which all inputs which have a significant effect on the recorded fair value are observables, either directly or indirectly, and
- Level 3      techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

All of the Group's trading instruments are classified within Level 1 (at 31 December 2011 - all in Level 1)

Set out below is a comparison by category of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements. Due to the nature of the underlying assets the difference between the book and fair value is deemed immaterial.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**17. Financial Risk Management Objectives and Policies (Continued)**
**Determination of fair value and fair value hierarchy (Continued)**

	Fair and book value 31 Dec 2012 \$'000	Fair and book value 31 Dec 2011 \$'000
Financial assets		
At Fair value through the income statement		
Amounts due from exchanges, clearing houses and other counterparties - fair value of transactions	<u>321,859</u>	<u>295,782</u>
	<b>321,859</b>	<b>295,782</b>
Available for sale		
Investments	14,472	33,160
At amortised cost		
Cash and cash equivalents	419,183	618,898
Deposits with exchanges and clearing houses	7,000	21,390
Loans receivable	1,568	1,676
Held to maturity investments	<u>59,981</u>	<u>-</u>
	<b>487,732</b>	<b>641,963</b>
<b>Total</b>	<u><b>824,063</b></u>	<u><b>970,905</b></u>
Financial liabilities		
At Fair value through the income statement		
Amounts due to clients - fair value of transactions	561,549	666,591
Derivative financial instruments	<u>12,677</u>	<u>72,727</u>
	<b>574,226</b>	<b>739,318</b>
At amortised cost		
Bank borrowings	-	62,500
<b>Total</b>	<u><b>574,226</b></u>	<u><b>801,818</b></u>

**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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Credit risk (Continued)**

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 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 held to maturity assets of \$59,981,000 are of AA+ quality. The table below shows the credit quality of the Group's remaining financial assets.

	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
(Fitch ratings or equivalent S&P/ Moody's ratings)		
Fair value of amounts due from exchanges, clearing houses and other counterparties		
AA	14,308	29,236
AA-	41,013	62,193
A+	75,820	75,943
A	27,962	11,006
A-	1,711	589
BBB+	204	301
Lower rated and non-rated	167,841	137,904
<b>Total</b>	<b>328,859</b>	<b>317,172</b>
Cash balances		
AA	-	64,726
AA-	147,528	315,105
A+	127,506	8,667
A	120,451	195,275
A-	21,417	21,040
Lower rated and non-rated	2,281	14,085
<b>Total</b>	<b>419,183</b>	<b>618,898</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Concentration risk**

The largest concentration of cash balances as at 31 December 2012 was 30.0% (as at 31 December 2011 – 38.7%) to a US based, A rated global banking group (as at 31 December 2011 AA-)

The largest concentration of exposures to exchanges, clearing houses and other counterparties exposures as at 31 December 2012 was 19.5% (as at 31 December 2011 – 32.8%) to a non-rated global clearing house (as at 31 December 2011 non-rated global 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.

**Foreign exchange sensitivity**

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

**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.

**Value at risk**

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

The VaR models used by the Group are based upon both Monte Carlo and historic simulations. These models derive plausible future scenarios from past series of recorded market rates and prices, taking account of inter-relationships between different markets and rates, including interest rates and foreign exchange rates. These models also incorporate the effect of option features on the underlying exposures.

The historical simulation model used by the Group incorporates the following features:

- potential market movements are calculated with reference to data from the past 250 days,
- historical markets rates and prices are calculated with reference to foreign exchange rates and commodity prices, interest rates and the associated volatilities, and
- VaR is calculated to a 1 day 99.75% one tail confidence level and multiplied by the square root of time to calculate the VaR for a 10 day holding period.

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

- 1,000 simulations using a variance covariance matrix,
- simulations generated using geometric Brownian motion,
- joint estimation is done using regulatory variance covariance, i.e. no decay factor is applied. The estimation period is 250 days, and

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**17. Financial Risk Management Objectives and Policies (Continued)**

**Value at risk (Continued)**

- VaR is calculated to a 1 day, 99.75% one tail confidence level, multiplied by the square root of time to calculate the 10 day holding period,

The Group validates the VaR by comparing to alternative risk measures, for example, scenario analysis and exchange initial margins

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

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature,
- the use of a 10 day holding period assumes that all positions can be liquidated or hedged in 10 days. This may not fully reflected the market risk arising at times of severe liquidity, when a 10-day holding period may be insufficient to liquidate or hedge all positions fully,
- the use of a 99.75% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence,
- the VaR, disclosed below, is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposure; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves

The Group recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Group also applies a wide range of stress testing, both on individual portfolios and on the Group's consolidated positions. The average monthly VaR for the year ended 31 December 2012 was \$679,000 (for the period ended 31 December 2011 - \$773,000)

**18. Share Capital**

	<b>Issued and Fully Paid</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2012</b>
	<b>Number</b>	<b>\$</b>
Ordinary shares of \$0.000165 each	106,491,588	17,571
Non-voting ordinary shares of \$0.000165 each	3,991,251	659
Deferred shares of \$1.65 each	106,798,427	176,217,405
Growth shares of \$0.000165 each	15,941,238	2,630
		<b>176,238,265</b>
	<b>31 Dec 2011</b>	<b>31 Dec 2011</b>
	<b>Number</b>	<b>\$</b>
Ordinary shares of \$0.000165 each	106,491,588	17,571
Non-voting ordinary 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
		<b>176,236,700</b>
		44

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**18. Share Capital (Continued)**

During the year the company issued 9,867,079 Growth shares to a number of senior employees and cancelled 240,000 Growth Shares previously issued to certain individuals

In accordance with the Companies Act 2006 the Company has adopted a new Articles of Association, which defines the new share classes with no authorised limits

The rights of the shares are as follows

Ordinary shares	Full voting rights and right to participate in ordinary dividends pro rata with non-voting Ordinary shares In the event of a winding up, entitled to a return of capital pro rata with non-voting Ordinary shares No right of redemption
Non-voting ordinary shares	Same rights as Ordinary shares, other than having no voting rights
Deferred shares	No voting rights, no right to participate in dividends and no right to redemption In the event of a winding up, entitled to return of capital pro rata with Ordinary shares
Growth shares	No voting rights, no rights to participate in dividends, no entitlement to participate in winding up and no right of redemption

**19. Reserves**

Group	Share premium 31 Dec 2012 \$'000	AFS reserve 31 Dec 2012 \$'000	Retained earnings 31 Dec 2012 \$'000	Other reserves 31 Dec 2012 \$'000
At 1 January 2012	133,844	(267)	21,437	(54)
Proceeds from sale of shares	442	-	-	-
Profit for the period	-	-	12,289	(235)
Revaluation of AFS investments	-	1,101	-	-
Deferred tax on market value movement of unlisted shares	-	(253)	-	-
Foreign currency translation	-	-	-	45
<b>At 31 December 2012</b>	<b>134,286</b>	<b>581</b>	<b>33,726</b>	<b>(244)</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**19. Reserves (Continued)**

<b>Group</b>	<b>Share premium 31 Dec 2011 \$'000</b>	<b>AFS reserve 31 Dec 2011 \$'000</b>	<b>Retained earnings 31 Dec 2011 \$'000</b>	<b>Other reserves 31 Dec 2011 \$'000</b>
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
<b>At 31 December 2011</b>	<b>133,844</b>	<b>(267)</b>	<b>21,437</b>	<b>(54)</b>

<b>Company</b>	<b>Share premium 31 Dec 2012 \$'000</b>	<b>AFS reserve 31 Dec 2012 \$'000</b>	<b>Retained earnings 31 Dec 2012 \$'000</b>
At 1 January 2011	133,844	(420)	10,115
Proceeds from sale of shares	442	-	-
Profit for the period	-	-	624
Revaluation of AFS investments	-	(585)	-
Deferred tax on market value movement of unlisted shares	-	135	-
<b>At 31 December 2012</b>	<b>134,286</b>	<b>(870)</b>	<b>10,739</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**19. Reserves (Continued)**

<b>Company</b>	<b>Share premium 31 Dec 2011 \$'000</b>	<b>AFS reserve 31 Dec 2011 \$'000</b>	<b>Retained earnings 31 Dec 2011 \$'000</b>
At 1 April 2011	6,197	280	4,460
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)
<b>At 31 December 2011</b>	<b>133,844</b>	<b>(420)</b>	<b>10,115</b>

The following describes the nature and purpose of each reserve within owners' equity

<b>Reserve</b>	<b>Description and purpose</b>
Share capital	Amount subscribed for share capital at nominal value
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement
AFS reserve	Cumulative unrealised gains on investments in exchanges that are held as available for sale, recognised in equity
Share premium	Amount of consideration received over and above par value of shares

**20. Dividends Paid and Proposed**

Neither the Group nor the company made any dividend payments during the year ended 31 December 2012 (for the period ended 31 December 2011 – nil)

**21. Leases**

The Group has entered into commercial leases on its properties. During the current year and as part of its expanding operations both in the UK and overseas, the Group entered into several new lease arrangements for additional properties. The lessee has the options of renewal on each of these leases subject to negotiation between the Group, as lessee, and each landlord in the period preceding the expiration of each lease. There were no restrictions placed upon the lessee by entering into these leases.

The total future minimum lease payments are due as follows

	<b>31 Dec 2012 \$'000</b>	<b>31 Dec 2011 \$'000</b>
Not later than one year	11,431	5,646
Later than one year and not later than five years	31,740	21,826
Later than five years	5,299	9,080
<b>At 31 December</b>	<b>48,470</b>	<b>36,552</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**22. Company Financial Statements – Profit for the Year**

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its Income Statement for the year. Marex Spectron Group Limited reported a profit for the period ended 31 December 2012 of \$624,000 (for the period ended 31 December 2011 profit of \$15,112,000). The Company paid nil dividends during the year (for the period ended 31 December 2011 - \$nil).

**23. Contingent Liabilities and Other Commitments**

As at 31 December 2012 the Group had \$53.8m (31 December 2011: \$65m) of bank guarantees lodged with clearing houses to offset margin requirements.

**24. Subordinated Loan**

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Subordinated loan	23,000	23,000

On 30 March 2010, Marex Spectron Group Limited, the Company, loaned \$3,000,000 under a Revolving Subordinated Loan Agreement, to Marex USA Limited, which terminates on 31 March 2017. The facility limit of this agreement is \$5,000,000. Interest is accrued on the liability at the US Prime rate plus 0.5%. Included in the Company income statement of Marex Spectron Group Limited is \$112,808 of interest income related to the subordinated loan.

Marex Spectron Group Limited, the Company, loaned Marex North America LLC \$20,000,000 under a Revolving Subordinated Loan Agreement on which the borrowing term expires on March 31, 2013. Interest is accrued on the liability at the US Prime rate plus 0.5%. This subordinated facility represents a commitment under an agreement drawn on March 18, 2011, with a scheduled maturity date of March 31, 2016. Included in the company income statement of Marex Spectron Group Limited is \$750,000 of interest income related to the subordinated loan.

**25. Subsequent events**

Subsequent to the year end, the Group has acquired the Minority Interest in Marex Financial Suisse SA. This was completed as of 28 March 2013.

Additionally, one of the investments held as available for sale treatment was under offer at year end. This offer was completed on 25 March 2013. As a result the Group will reclassify a gain from revaluation reserves to profit and loss account of approximately \$2.1m.

**26. Ultimate and Immediate Parent Undertaking**

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

The Group pays management fees to parties associated to the ultimate parent company based on a percentage of the Group's profitability amounting to \$1,510,000 (for the period ended 31 December 2011 - \$1,717,000) of which \$500,000 was receivable as at 31 December 2012 (payable as at 31 December 2011 - \$796,000). Furthermore, additional charges amounting to \$2,550,000 (for the period ended 31 December 2011 - \$2,700,000) were made for provision of various management and professional services to the Group.