



Marex Spectron Group Limited

Annual Report and Financial Statements

Year ended 31 December 2014

Registered number 05613060

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COMPANY INFORMATION

Country of incorporation

England and Wales

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
V Pignatti-Morano
S H Sparke
C R Stent
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

Lloyds Bank, 25 Gresham Street, London, EC2V 7HN

Bank Leumi (UK) plc, 20 Stratford Place, London, W1C 1BG

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

DIRECTORS' REPORT

The directors present their report and audited financial statements of Marex Spectron Group Limited ('Marex Spectron' or 'the Group') for the year ended 31 December 2014

About Us

Marex Spectron is a leading independent global commodities brokerage headquartered in London with a global network spanning Asia and North America, with dominant market shares in many major Agricultural, Metal and Energy products

Our mission is to ensure that we offer our clients unequalled access to liquidity in global commodity markets, on-exchange or off-exchange. Our business is integrated, truly global and prudently managed

We offer electronic and voice broking services, with state of the art networks to facilitate complex trading strategies for our clients. We provide insight and know-how, based on decades of experience, a vast market data set and the latest analytic tools

While commodity markets form the core of our business, we have responded to client demand for broader services and have active, successful, teams broking financial futures and options, and fixed income and equity securities

We also have a division that provides a full suite of services to trading firms who need to outsource infrastructure, support operations and the management of electronic trading solutions

The firm has a broad range of clients including commodity producers and consumers, banks, hedge funds, asset managers, brokers, commodity trading advisors and professional traders

We are members of the London Metal Exchange (LME, where we are a Ring Dealer), the CME Group exchanges, ICE Group exchanges and many others

We are regulated in the UK by the FCA (which also regulates our Group), in the US by the NFA and CFTC, in Hong Kong by the SFC, and in Singapore by the MAS and IES

Chief Executive Officer Review

Marex Spectron's strategy is simple: build on our core strengths in commodities and ensure that we remain a unique source of intelligent, reliable and safe market access for the rapidly growing number of producers, consumers, investors and speculators who wish to trade energy, metals and agricultural products

We focus our investment spend on those markets where we have existing scale and, therefore, a competitive advantage. We maintain a tight grip on costs, driving efficiencies to the benefit of all our clients and stakeholders

In executing that strategy well, we offer our clients the "best of breed" – the safety and reliability of a well capitalised brokerage with the focus, insight and engagement levels associated with a boutique

DIRECTORS' REPORT (CONTINUED)

I am pleased to say that we did execute well in 2014, despite significant head-winds from changing regulation, the withdrawal of several market participants and some extreme price moves. At Marex Spectron we continue to maintain the high liquidity and regulatory capital buffers that we have rightly become known for.

Against a very difficult market backdrop in 2014, we maintained our commission revenue and grew rapidly in North America and Asia. We controlled our cost base while ensuring that we kept pace with the demands of changing regulation, built new service offerings and enhanced our technology platforms.

Our industry is consolidating. Many smaller competitors have closed or sold themselves as the cost of doing business in new regulatory regimes continues to rise. Our larger peers, meanwhile, are burdened with cost bases built for "headier times" when annual double-digit volume growth was wrongly assumed to be a given.

Marex Spectron has maintained its leading position in its core markets. We have taken action to ensure we have an efficient, scalable, cost base that is well suited to the current environment and our market opportunities.

The companies that will succeed through this cycle are those built on a solid foundation that can maintain focus, without distraction, on serving their clients. At Marex Spectron, this is who we are and what we do.

Conclusion

2014 was a challenging year across the entire industry. Difficult markets, stagnant to declining volumes, changing regulation and its associated implementation cost, certain client segments exiting the market, excess capacity amongst our competition and the irrational behavior that that frequently leads to, were all evident.

Our relative performance to our peers is one we can be proud of. In absolute terms, however, there is still work to do to build a much better business.

Our chosen strategy has paid off, focusing on the core businesses where we have a dominant market share, putting our clients' interests first and maintaining a strict cost discipline.

We invested only in those businesses or geographies where opportunity was clearly and demonstrably aligned with our core competences and where we have a high probability of success. We strive for improved efficiency and optimised costs across all aspects of our business. We are cognizant of, and fully compliant with, new regulatory requirements and retain more than adequate capital and liquidity buffers.

Accordingly, we are confident in our future. We have a good business and we intend to build a great one.

DIRECTORS' REPORT (CONTINUED)

Directors

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

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 (resigned 31 August 2014)
V Pignatti-Morano
S H Sparke
C R Stent (appointed 09 December 2014)
P M Sugarman
J P Wall

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, the directors are covered by an insurance policy.

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 have adequate resources to continue to operate for the foreseeable future and for at least 12 months from the signing of the balance sheet and confirm that the Group and Company are a going concern. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Dividends

No dividends were paid during the year ended 31 December 2014 (2013: \$nil)

DIRECTORS' REPORT (CONTINUED)

Charitable and political contributions

In 2013, the directors of the Group implemented a charity contribution programme whereby \$100,000 was made available to help employees in supporting charitable causes. This provided an opportunity for the Group and its employees to engage with charitable activities throughout the year and support a wider range of charitable causes. Employees selected and raised funding for their chosen charity and the Group matched the funding by contributing \$1 for every \$2 raised.

The total charitable donations from this programme were \$58,000 during the year ended 31 December 2014 (2013: \$17,000). No contributions were made for political purposes during the year (2013: \$nil).

Foreign Exchange

At the balance sheet dates, the average sterling / US Dollar exchange rate was £ / US \$1.5575 (31 December 2013: £ / US \$1.6559) and the Euro / US Dollar exchange rate was € / US\$ 1.2098 (31 December 2013: € / US\$ 1.3746).

Events after the reporting period

Events since the statement of financial position date are disclosed in note 29.

Auditors

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

Directors' Statement as to disclosure of information to the Auditors

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.

DIRECTORS' REPORT (CONTINUED)

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 and the Financial Conduct Authority ('FCA') requires the directors to prepare Group financial statements for each financial year, in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable law

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

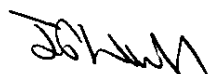
- present fairly the financial position, financial performance and cash flows of the Group,
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- make judgments and estimates that are reasonable and prudent,
- provide additional disclosures when compliance with the specific requirements in IFRS 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,
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements, and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities (Continued)

The directors are responsible for keeping proper 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.

Approved by the Board and signed on its behalf by



J P Wall
Director

Date 24 April 2015

STRATEGIC REPORT

Review of the Financial Performance

Marex Spectron Group Limited reported a profit before taxation of \$23 million for 2014, a \$29 million improvement over 2013. This \$29 million improvement was driven by an \$11 million increase in Revenue, \$14 million reduction in Expenses resulting from tight cost control, and \$4 million increase in net income from 'One time items'.

Financial Statements \$ million	2012	2013	2014	2014 vs 2013
Revenue	346.3	358.1	368.8	10.7
Expenses	(351.6)	(367.2)	(353.7)	13.5
Operating (loss) / income	(5.3)	(9.1)	15.1	24.2
One time items	26.3	2.9	7.5	4.6
Profit / (loss) before tax	21.0	(6.2)	22.6	28.8

The continuing challenges in our core markets during 2014 were anticipated by management and several steps were taken to ensure we remained focused on the markets where we have significant share, and therefore greater competitive advantage. In 2014, we restructured our foreign exchange brokerage (FX), equity and fixed income securities desks as well as aspects of our Electronic offering. We moved the development of new trading technologies into our Metals business to ensure the investment was 100% client focused.

The Financial Statements follow required accounting convention, and our Management Information (MI) provides additional granularity and a focus on the drivers of EBITDA (Earnings before Interest, Taxation, Depreciation and Amortization), our key management metric. The bridge from Financial Statements to MI format is provided below. Improved EBITDA in 2014 driven by higher net revenue (+9%), and flat costs year on year (+0%).

EBITDA \$ million	2013	2014	2014 vs 2013
Revenue as per Financial Statements	358.1	368.8	3%
One time revenue items	2.9	8.3	
Gross revenue for EBITDA	361.0	377.1	4%
Cost of trade	(102.8)	(96.1)	7%
Net revenue	258.2	281.0	9%
Front office costs	(172.8)	(176.0)	(2%)
Control & support costs	(74.1)	(70.9)	4%
Total costs	(246.9)	(246.9)	0%
EBITDA	11.3	34.1	202%
Depreciation and amortisation	(9.3)	(6.5)	(30%)
Funding costs	-	(0.8)	
Management non-operating expenses	(8.2)	(4.2)	49%
(Loss) / profit before tax	(6.2)	22.6	

STRATEGIC REPORT (CONTINUED)

EBITDA was \$34 million in 2014, up 202% on 2013's \$11.3 million. EBITDA excludes Depreciation, funding costs and specific Management non-operating expenses (which in 2014 include fees to JRJ Group and onerous lease provisions). Depreciation, amortisation and Management non-operating expenses have also reduced year on year (\$10.7 million in 2014 vs \$17.5 million in 2013) driving improved year on year Profit Before Tax (+\$29 million) vs EBITDA (+\$23 million).

Gross revenue was up 4%, and Net revenue after the Cost of trade (COT) was up 9% year on year. While exchange fees, which drive COT, were up on a unit basis, growth in our core businesses of Metals, Agricultural Products and Energy was offset by a slow-down in our ProTrader business, which typically has a very high COT percentage relative to revenue.

Front office costs, excluding allocations, were up 2% year on year but Control and support (our 'Back Office') costs were down 4% despite adding staff and expense to meet the greater regulatory burden. In aggregate costs were flat year on year, so all of the higher revenue dropped to the bottom line.

Restructured activity in 2014, in FX and components of our Electronic Markets business, represents almost \$6 million of EBITDA, and will enhance profit in 2015 largely offsetting the gain on sale of the Eclipse market data business in 2014, and the goodwill write down of the Securities business.

Overall, the Group ended 2014 in profit, leaner and post restructuring, more efficient than it had been in 2013 and better suited to prospering in the current market environment.

Regional growth

Our business in North America reported profit before taxation of \$7.6 million in 2014, a 461% increase over 2013. As elsewhere in the Group, strong revenue growth (up 42% over 2013 to \$44.1 million) was underpinned by good cost control. In 2013 management moved to cut underperforming desks and invest in stronger businesses.

Hong Kong saw similarly strong growth in 2014. Revenue grew by 9%, helping to drive a profit before taxation of \$3.2 million, up 80% on 2013.

Singapore is the youngest of our major regional centers and that is reflected in its reported results. Nonetheless, while the unit reported a loss before taxation of \$2.7 million, that represented an 11% improvement over 2013 and underlying that is a 17% growth in commission revenue that bodes well for future growth.

Performance highlights

The financial strength of the Group was reflected in the willingness of a group of banks led by Lloyds Bank to advance a working capital facility in 2014. The facility has a limit of \$50 million, at present and at 31 December 2014 \$25 million was drawn down and represents the only debt on the Group's balance sheet. At a time of scarce credit resources for brokerage companies establishing a facility of this nature was a milestone event in the firm's growth.

This financial strength underpinned our leading market position and enables us to drive commission revenue across the firm.

All three core units – Metals, Agricultural Products and Energy – also saw EBITDA growth, despite small increases in compensation ratios, reflecting tight cost control and strong client demand. In aggregate, the three core units increased EBITDA from \$41 million to \$56 million in 2014.

STRATEGIC REPORT (CONTINUED)

The Financial Futures & Options business, along with the rest of its sector, had a difficult 2014 marked by low client risk appetite. While commission revenue declined, the business remained profitable and posted EBITDA of \$3.5 million.

The equity and fixed income securities business was restructured in 2013 and early 2014 and returned to profitability, posting a positive EBITDA.

The ProTrader division, which provides a full suite of services to trading firms who need to outsource infrastructure and support operations, saw EBITDA fall by 40% in 2014 to \$2.2 million. This reflected a slowdown in demand for its services as clients struggled with extremely challenging financial futures and options markets. The unit has undergone some restructuring and will have a lower cost base in 2015.

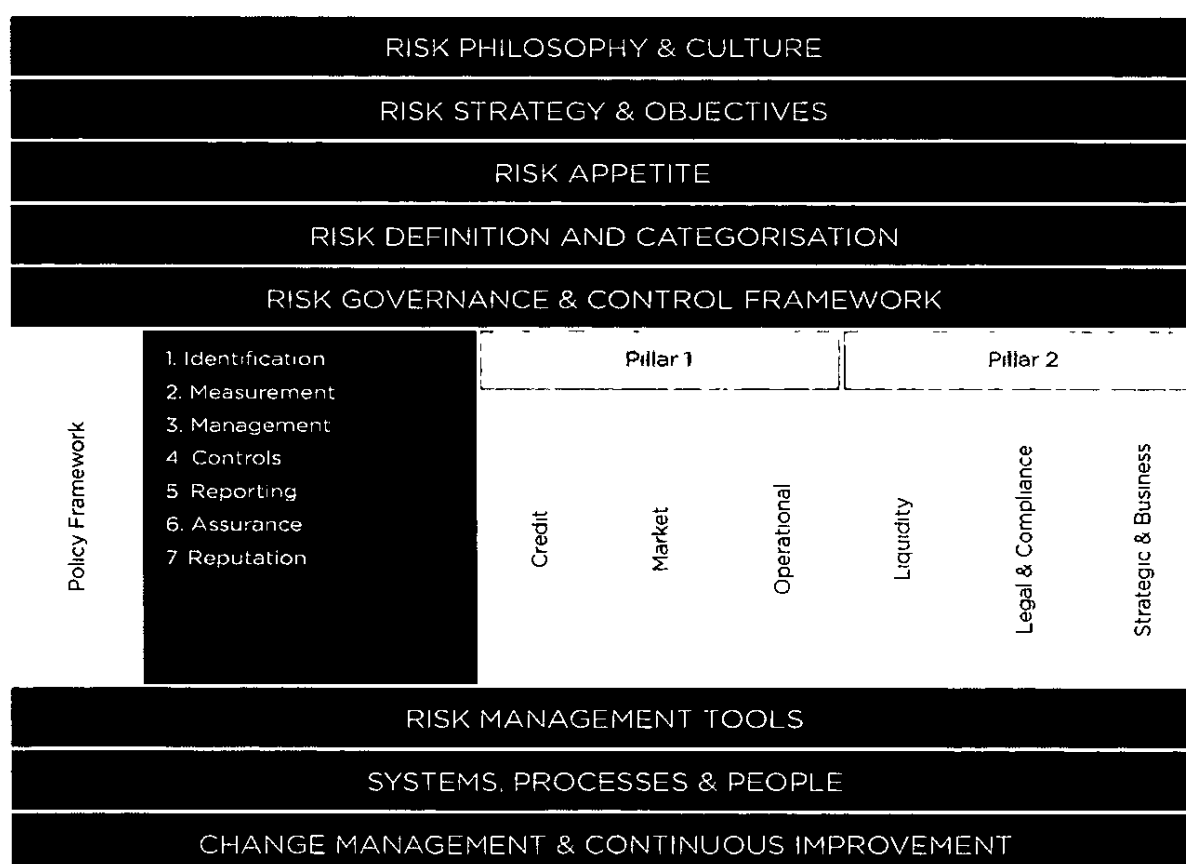
The unallocated Corporate Centre cost base remained essentially flat year on year.

STRATEGIC REPORT (CONTINUED)

Overview of risk management

Excellence in risk management is at the core of Marex Spectron's business operations. We have stringent risk management procedures and a well-established risk management processes. The Group views risk management as a key factor in delivering its strategic business aims and objectives whilst ensuring its long term sustainability and effective corporate governance.

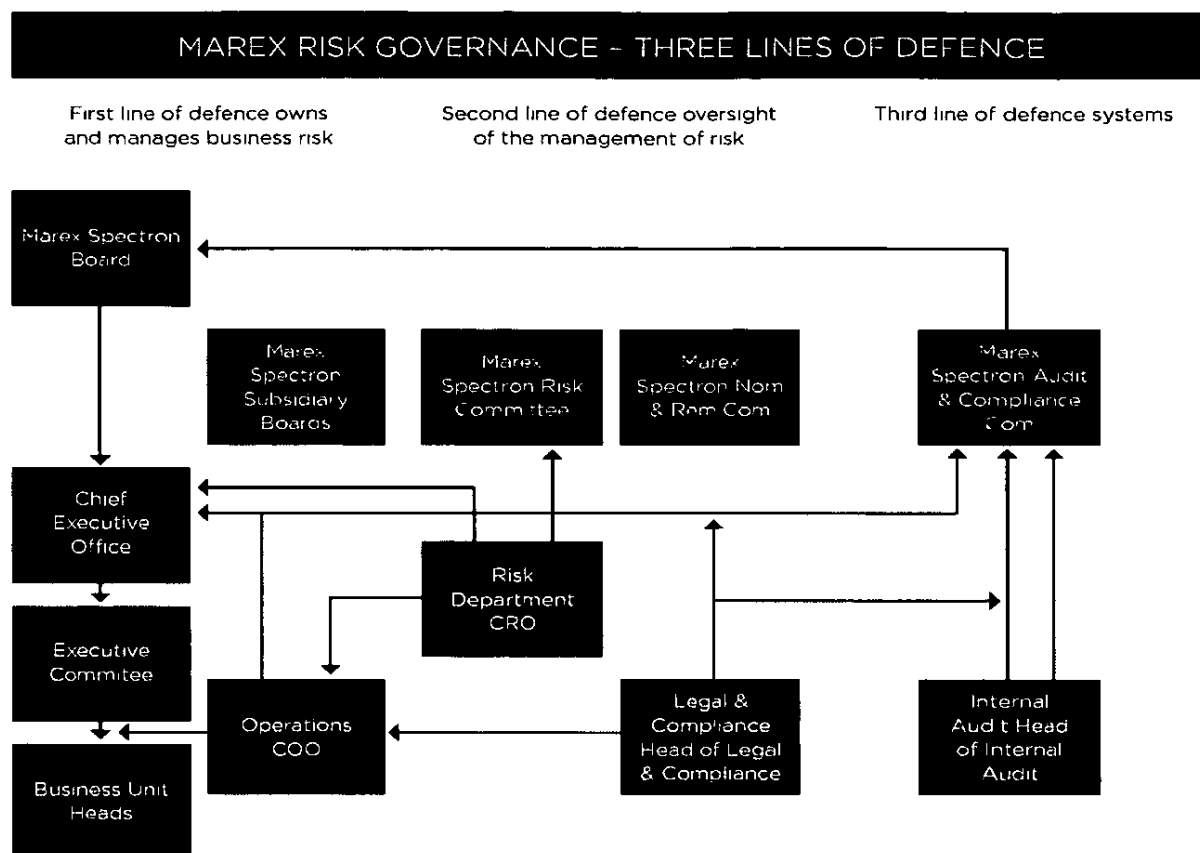
Business strategy, risk strategy and risk appetite are all aligned to ensure that decision making across the Group reflects the correct approach to risk. By taking into account the risks posed across each of the business lines, the effective management of capital and liquidity within Marex Spectron is optimised. The Marex Spectron Enterprise Wide Risk Management ('EWRM') Framework sets out the risk management approach. The EWRM Framework consists of the following eight key components:



Governance structure

Marex Spectron's risk governance model underpins how the risk management structure is directed across the Group.

STRATEGIC REPORT (CONTINUED)



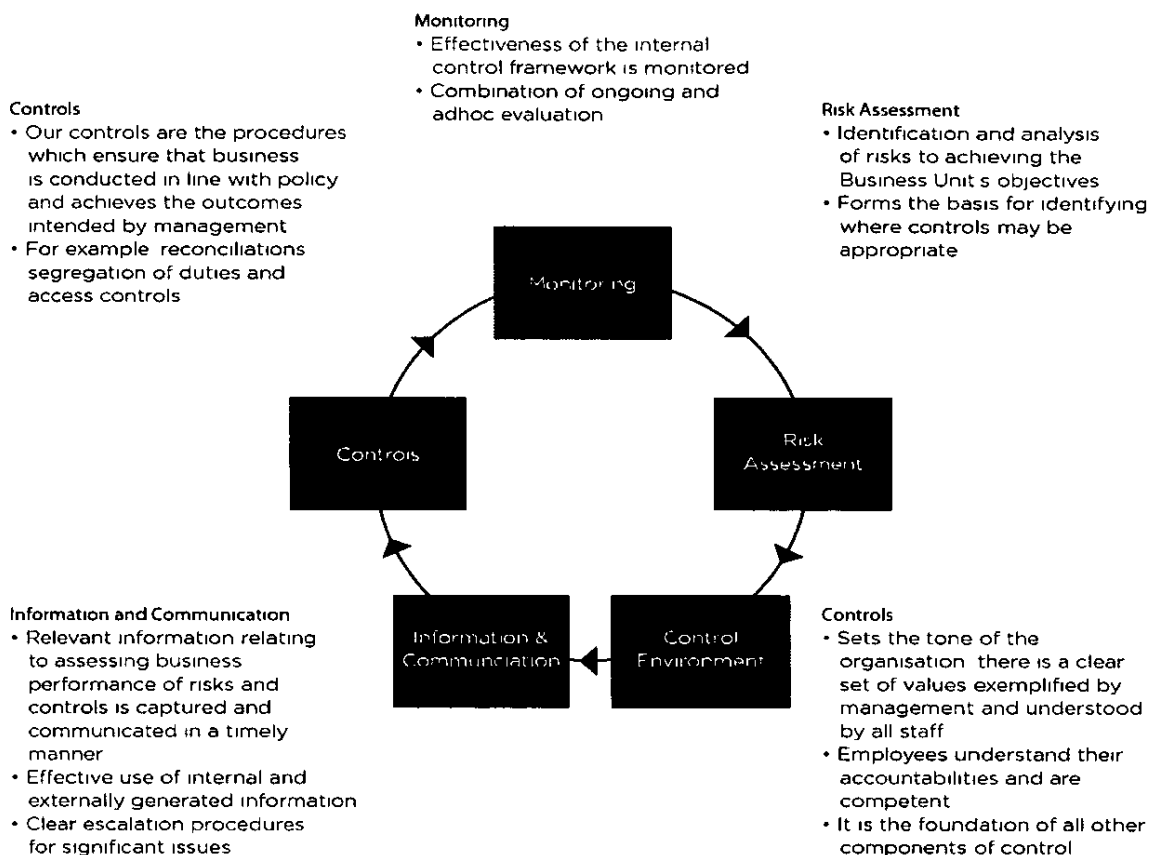
In pursuit of effective risk governance, a 'Three Lines of Defence' model has been adopted in conjunction with a strong risk culture, good communication and understanding and a strong sense of risk awareness across the Group

- the first line of defence covers the controls in place to deal with and manage the day-to-day risk management within the business units, support functions and embedded operational risk staff,
- the second line of defence consists of the specialist control functions which make up the risk management infrastructure of the Group, and
- the third line of defence is Marex Spectron's internal audit function auditing and covering all aspects of both the first and second lines of defence

Risk control and reporting framework

There is a clearly defined suite of risk tools, processes, policies and procedures in place that allow for the successful monitoring and control of the risks of the Company and a clearly defined escalation / reporting process in place feeding to senior management and key staff within the Company. The control framework consists of the following components

STRATEGIC REPORT (CONTINUED)



Risk policy framework

Marex Spectron's policy framework sets out the rules and guidelines for drafting, approving, communicating, implementing, embedding and monitoring compliance for all risk-related policies across the Group. The policy framework defines the key policies necessary to manage all risks arising within each risk category across the Group and aims to deliver a focused and consistent enterprise-wide view of risk. Specific policies and procedures have been implemented to address each of the principal risks (see below). The process and methodology for addressing each risk may differ depending on the relevant business unit.

STRATEGIC REPORT (CONTINUED)

The policy framework sets the minimum standards for how each risk is

- identified – the method used to identify risk exposures,
- measured – how the likelihood, severity and impact / quantum of those risks are measured,
- managed – how minimum standards are set to manage the risks,
- controlled – the controls in place to help mitigate the risks,
- reported – how the risks are communicated, reported, and escalated, and
- assured – how the risk management process is overseen by an independent function

Internal audit

The Group has an internal audit function and this represents the Groups third line of defence providing independent assurance to senior management and the board. The objectives of Internal Audit are to assess the effectiveness of the Group's risk management, internal controls and governance process, whether operational and financial controls are appropriate and consistently applied, the effectiveness of internal controls for the safeguarding of assets, the reliability and integrity of management information, and the adequacy of processes to ensure compliance with applicable laws and regulations.

Principal risks and uncertainties

The Group faces a variety of risks that are inherent in its normal course of business. The following are deemed to be the principal risks and uncertainties that could affect the group's activities.

Credit risk

Credit risk refers to the risk of loss arising when a third party who owes the Group money, securities or other assets and fails to perform on their contractual obligations arising from their activities with the Group. This situation may arise due to their lack of liquidity, bankruptcy, operational failure as well as other reasons. In addition, a failure or concerns regarding default of a large financial institution could lead to liquidity problems, losses or subsequent defaults by other institutions which could, subsequently, adversely affect the Group.

This risk is mitigated by the robust client approval process, the taking of collateral and the continual and 'real time' monitoring of clients / counterparties and their exposures. Most clients are required to pre-fund their obligations to the Group, but a small sub-set are granted credit facilities following detailed qualitative and quantitative analysis and approval by the Group's credit committee and, if necessary, the Board risk committee. Concentrations of risk are carefully monitored and controlled, whether they are the result of a single client or counterparty, geography, sector, market or product and remedial action is taken where either a risk appetite level is approached / breached or where considered necessary for other reasons.

STRATEGIC REPORT (CONTINUED)

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices) or other market factors, will result in losses for a position. 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.

The price 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 clearly defined its risk appetite for market risk and 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 and to ensure that it remains within the defined risk appetite.

The Group's overall exposure to market risk is mitigated by its operation 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.

Although the Group may, from time-to-time, hold 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.

Foreign currency risk

As the majority of the revenue and assets and liabilities of the Group are generated in US Dollars, the Group is subject to minimal structural currency risk.

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.

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 and business continuity facilities to support its activities and the invocation of these facilities is regularly tested.

STRATEGIC REPORT (CONTINUED)

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 Individual Liquidity Adequacy Assessment ('ILAA') and liquidity risk framework. The Group's liquidity could be impaired by an inability to sell assets or unforeseen outflows of cash or collateral. This situation may arise due to circumstances beyond the Group's control, such as general market disruption or an operational problem that affects third parties or the Group or even by the perception amongst market participants that the Group is experiencing greater liquidity risk.

The Group's ability to sell assets may be further impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity or other market crisis.

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 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, and almost exclusively overnight.

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

In the event of a liquidity issue arising, the Group has recourse to existing global cash resources, after which it could draw down on a \$50m committed revolving credit facility as an additional contingency funding.

Legal and compliance risk

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 LME (where we are a Ring Dealer), the CME Group exchanges, ICE US, NYSE Liffe, ICE Futures and Eurex. We are regulated in the UK by the FCA (which also regulates our Group under consolidated supervision), in the US by the NFA, in Hong Kong by the SFC, and in Singapore by the MAS and IES.

Legal risk can also arise through litigation or the failure of contractual documentation when relied upon. Litigation risk is hard to completely eliminate, but the Group mitigates this risk through its transparent and considered approach to the activities which it undertakes. The failure of contractual documentation when relied upon is mitigated by using market standard documents wherever possible and ensuring that bespoke or amended documentation is thoroughly reviewed by our internal legal team or external counsel.

STRATEGIC REPORT (CONTINUED)

Business and strategic risk

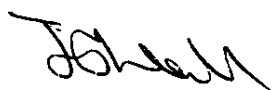
This risk is defined as the impact of a change or a failure to change the Group's business model which impacts its ability to meet its strategic or financial objectives. This risk is mitigated through regular reviews by the Board and its Executive Committee of the regulatory and business environment, the performance of its business lines, the level of investment in new and existing activities and its remuneration policy.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong 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. In addition, the Group 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 the Group's Internal Capital Adequacy Assessment Process ('ICAAP') document. The detailed capital table is included in note 20.

Future development

Our goal in 2014 was to grow only in these businesses or geographies where opportunity was clearly and demonstrably within our grasp and to work hard on making our core business more efficient. I believe that we achieved those goals and while we continue to wrestle with difficult markets, the unpredictable impact of new regulation and a rapidly changing competitive environment, I am confident that we are well placed to make the most of 2015.



J P Wall
Director

Date 24 April 2015

AUDITOR'S 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 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, and the Consolidated and Company Statements of Cash Flows, and related notes on pages 33 to 74. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') 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 auditors' 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 Group and the Group'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 8, 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 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 and the Strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

AUDITOR'S REPORT (CONTINUED)

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- 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 and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Robert McCracken (Senior Statutory Auditor)

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

London

Date 27 April 2015

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

		2014	2013
	Notes	\$'000	\$'000
Revenue	2	368,822	358,095
Operating expenses		(353,682)	(365,746)
Provision for doubtful debts	13	(40)	(1,425)
Operating profit / (loss)		15,100	(9,076)
Other income	4	9,378	2,830
Other expenses	4	(1,395)	(527)
Finance income	6	399	620
Finance expense	6	(856)	(35)
Profit / (loss) before tax		22,626	(6,188)
Taxation	7	(4,755)	1,082
Profit / (loss) after tax		17,871	(5,106)

All operations are continuing for the current and prior years

The notes on pages 33 to 74 form part of these financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

		2014	2013
	Notes	\$'000	\$'000
Profit / (loss) after tax		17,871	(5,106)
Other comprehensive income			
Reclassification adjustment on sale of Available-For-Sale ('AFS') investments, included in the Income Statement	23	-	(2,168)
Deferred tax on AFS disposals	23	-	502
Gain on revaluation of AFS investment	23	810	1,190
Deferred tax on revaluation of AFS investments	23	(188)	(205)
Other comprehensive income / (loss), net of tax		622	(681)
Total comprehensive income / (loss)		18,493	(5,787)

The notes on pages 33 to 74 form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

	Notes	2014 \$'000	2013 \$'000
Assets			
Non-current assets			
Property, plant and equipment	8	7,046	11,037
Goodwill	9	143,969	145,601
Other intangible assets	9	911	1,622
Investments	10	8,990	8,152
Other assets	12	1,621	661
Deferred tax	7	477	832
Total non-current assets		163,014	167,905
Current assets			
Financial instruments	14	12,182	17,675
Trade and other receivables	13	555,704	670,861
Financial assets - held to maturity	15	59,988	59,994
Corporation tax		3,161	-
Cash and cash equivalents	16	374,153	310,021
Total current assets		1,005,188	1,058,551
Total assets		<u>1,168,202</u>	<u>1,226,456</u>
Liabilities			
Current liabilities			
Financial instruments	14	10,252	12,538
Trade and other payables	17	764,683	868,838
Short term borrowings	18	25,000	-
Corporation tax		9,771	3,635
Provisions	19	1,203	2,645
Total current liabilities		810,909	887,656
Total liabilities		<u>810,909</u>	<u>887,656</u>
TOTAL NET ASSETS		<u>357,293</u>	<u>338,800</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)
AT 31 DECEMBER 2014

	Notes	2014 \$'000	2013 \$'000
Share capital	22	176,238	176,238
Share premium	23	134,286	134,286
Retained earnings	23	46,491	28,620
Other reserves	23	(244)	(244)
Revaluation reserve	23	522	(100)
		357,293	338,800
TOTAL EQUITY		357,293	338,800

The notes on pages 33 to 74 form part of these financial statements

The financial statements on pages 22 to 74 were approved and authorised for issue by the Board of Directors on 17 March 2015 and signed on its behalf by



I T Lowitt
 Director

Date 24 April 2015

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserves \$'000	Revaluation reserve \$'000	Non- controlling interest \$'000	Total \$'000
At 1 January 2013	176,238	134,286	33,726	(244)	581	816	345,403
Non-controlling interest movement	-	-	-	-	-	(816)	(816)
Loss for the year	-	-	(5,106)	-	-	-	(5,106)
Reclassification adjustment on sale of AFS investments, included in consolidated income statement	-	-	-	-	(2,168)	-	(2,168)
Deferred tax on AFS disposal	-	-	-	-	502	-	502
Gain on revaluation of AFS investment	-	-	-	-	1,190	-	1,190
Deferred tax on revaluation of AFS investments	-	-	-	-	(205)	-	(205)
At 31 December 2013	176,238	134,286	28,620	(244)	(100)	-	338,800
Profit for the year	-	-	17,871	-	-	-	17,871
Gain on revaluation of AFS investment	-	-	-	-	810	-	810
Deferred tax on revaluation of AFS investments	-	-	-	-	(188)	-	(188)
At 31 December 2014	176,238	134,286	46,491	(244)	522	-	357,293

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$'000	2013 \$'000
Operating activities			
Profit / (loss) before tax		22,626	(6,188)
Adjustments to reconcile profit before tax to net cash flows			
Depreciation of property plant and equipment	8	5,420	7,306
Amortisation of intangible assets	9	1,075	1,941
Gain on sale of AFS investments		-	(2,268)
Impairment of goodwill	4	1,632	527
Movement in the fair value of other assets	12	1	27
Gain on the sale of associate	4	(9,319)	-
Loss on disposal of property, plant and equipment		55	-
Loss on disposal of intangible assets	9	184	-
Foreign exchange adjustment on deferred income		(124)	-
(Decrease) / increase in provisions	19	(1,442)	292
Operating cash flows before changes in working capital		20,108	1,637
Working capital adjustments			
Decrease / (increase) in trade and other receivables	13	115,157	(317,731)
(Decrease) / increase in trade and other payables	17	(104,370)	215,951
Decrease / (increase) in financial instruments - assets	14	5,493	(17,675)
(Decrease) / increase in financial instruments - liabilities	14	(2,286)	12,538
Decrease / (increase) in financial assets held to maturity	15	6	(13)
Cash inflow / (outflow) from operating activities		34,108	(105,293)
Corporation tax paid		(1,428)	(4,216)
Net cash inflow / (outflow) from operating activities		32,680	(109,509)
Investing activities			
Purchase of property, plant and equipment	8	(1,483)	(5,335)
Purchase of intangibles	9	(548)	(1,408)
Acquisition of non-controlling interest		-	(816)
Proceeds from the disposal of investments		8,483	7,906
Net cash inflow from investing activities		6,452	347

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$'000	2013 \$'000
Financing activities			
Short term borrowing	18	<u>25,000</u>	<u>-</u>
Net cashflows from financing activities		25,000	-
		<u> </u>	<u> </u>
Net increase / (decrease) in cash and cash equivalents		<u>64,132</u>	<u>(109,162)</u>
Cash and cash equivalents at 1 January			
Cash available on demand and short term deposits		310,021	419,183
Increase / (decrease) in cash and cash equivalents		<u>64,132</u>	<u>(109,162)</u>
		<u>374,153</u>	<u>310,021</u>
		<u> </u>	<u> </u>
Cash available on demand and short term deposits	16	<u>374,153</u>	<u>310,021</u>
Cash and cash equivalents at 31 December		<u>374,153</u>	<u>310,021</u>

**COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

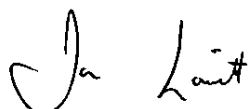
	Note	2014 \$'000	2013 \$'000
Assets			
Non-current assets			
Investment in subsidiaries	10	362,563	362,036
Investments	10	4,727	3,820
Deferred tax		-	14
Subordinated loan due from group undertakings	27	10,000	9,500
Total non-current assets		377,290	375,370
Current assets			
Trade and other receivables		-	29
Amounts due from group undertakings		67	329
Cash and cash equivalents		48	98
Total current assets		115	456
Total assets		377,405	375,826
Liabilities			
Current liabilities			
Corporation tax		731	580
Amounts due to group undertakings		53,502	53,887
Total current liabilities		54,233	54,467
Non-current liabilities			
Deferred tax		201	-
Total non-current liabilities		201	-
Total liabilities		54,434	54,467
TOTAL NET ASSETS		322,971	321,359

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	22	176,238	176,238
Share premium	23	134,286	134,286
Profit and loss account	23	11,690	10,895
Revaluation reserve	23	757	(60)
TOTAL EQUITY		<u>322,971</u>	<u>321,359</u>

The notes on pages 33 to 74 form part of these financial statements

The financial statements on pages 22 to 74 were approved by the Board of Directors on the 17 March 2015 and were signed on its behalf by



I T Lowitt
Director

Date 24 April 2015

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Total \$'000
At 1 January 2013	176,238	134,286	10,739	(870)	320,393
Profit for the year	-	-	156	-	156
Reclassification adjustment on sale of AFS investments, included in the income statement	-	-	-	282	282
Deferred tax on AFS disposal	-	-	-	(73)	(73)
Gain on revaluation of AFS investment	-	-	-	782	782
Deferred tax on revaluation of AFS investments	-	-	-	(181)	(181)
At 31 December 2013	176,238	134,286	10,895	(60)	321,359
Profit for the year	-	-	795	-	795
Gain on revaluation of AFS investment	-	-	-	1,032	1,032
Deferred tax on revaluation of AFS investments	-	-	-	(215)	(215)
At 31 December 2014	176,238	134,286	11,690	757	322,971

The notes on pages 33 to 74 form part of these financial statements

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$'000	2013 \$'000
Operating activities			
Profit before tax		813	335
(Reversal of impairment) / impairment of investment in subsidiaries		(527)	527
Operating cash flows before changes in working capital		286	862
Working capital adjustments			
(Decrease) / increase in trade and other receivables		(60)	26
Decrease in amounts due from group undertakings		262	19,692
Decrease in amounts due to group undertakings		(385)	(22,253)
Cash inflow / (outflow) from operating activities		103	(1,673)
Corporation tax received		347	320
Net cash inflow / (outflow) from operating activities		450	(1,353)
Investing activities			
Increase in investments in group undertakings		-	(15,185)
Proceeds from the disposal of investments		-	3,069
Net cash flow / (outflow) from investing activities		-	(12,116)
Financing activities			
(Increase) / decrease in subordinated loans to group undertakings	27	(500)	13,500
Net cash (outflow) / inflow from financing activities		(500)	13,500
Net (decrease) / increase in cash and cash equivalents		(50)	31
Cash and cash equivalents at 1 January			
Cash available on demand and short term deposits		98	67
(Decrease) / increase in cash and cash equivalents		(50)	31
		48	98
Cash available on demand and short term deposits		48	98
Cash and cash equivalents at 31 December		48	98

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies

Basis of preparation

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

The Company has taken the exemption in section 408(3) of the Companies Act 2006 not to present a standalone income statement, standalone statement of comprehensive income and related notes that form a part of the financial statements

The consolidated financial statements have been prepared on a going concern basis and under the historical cost basis except for derivative instruments and AFS assets which are measured at fair value

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

Basis of consolidation

The Group consolidated financial statements include the results and net assets of the Company its subsidiary undertaking

An entity ('investee') is controlled by the Group and deemed to be a subsidiary when the Group has

- power over the investee, i.e. rights that give it the current ability to direct the relevant activities of the investee,
- exposure, or rights, to variable returns from involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns

On consolidation, the accounting policies of Group companies (Marex Spectron Group Limited and its subsidiaries) are consistent with those applied by the Group. Intercompany transactions and balances between Group companies are eliminated in full

Revenue

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

Revenue comprises the following

- execution and clearing commissions, which are recognised on a trade date basis,
- metals trading and 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 Consolidated Income Statement,
- desk facilities fees, license and software fees, which are recognised on an accrual basis, and
- net interest directly relating to the trading activities of the Group

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

Revenue (Continued)

In accordance with accepted practice, those financial instruments held for trading purposes are fair valued and consequently gains and losses are recorded in the Consolidated Income Statement

Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend

Leased assets

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 Consolidated Income Statement on a straight-line basis over the lease term

Finance income and expense

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

Income taxes

Taxes on profits are reflected in the financial statements in accordance with IAS 12, Income Taxes, and represent management's best assessment of estimated current and future taxes to be paid

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity

Current tax expense is the amount of tax estimated to be payable or recoverable in respect of the taxable income or loss of a period as well as adjustments in respect of previous periods. Current tax is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date

Deferred tax represents the amount of income taxes payable or recoverable in respect of temporary differences, unused tax losses and unused tax credits. Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements subject to the following exceptions

Deferred tax is not accounted for if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carried forward unused tax credits and unused tax losses can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

Income taxes (Continued)

Deferred tax is provided on temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax is determined using tax laws and rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Current tax assets and liabilities are offset only where the entity has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or simultaneously. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which have legally enforceable rights to offset current tax assets and liabilities and intend to settle either simultaneously or on a net basis in the relevant periods

In financial statements current tax is presented as part of current assets or liabilities and deferred tax as part of non-current assets or liabilities

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current / non-current classification. An asset is current when it is

- Expected to be realised or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

A liability is current when it is

- Expected to be settled in normal operating cycle
- Expected to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses

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
Furniture, fixtures and fittings	-	20 to 50% per annum straight-line
Computer equipment	-	20 to 50% per annum straight-line

Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the cost of the acquisition (including the fair value of deferred and contingent consideration) of a business combination over the 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 not amortised, but is tested for impairment annually and whenever there is an indicator of impairment. Where the carrying value exceeds the higher of the value-in-use or fair value less cost to sell, an impairment charge is recognised in the consolidated income statement.

Software licenses

Software licences have been granted for a period of between two and five years with the option of renewal at the end of this period. It is amortised in the consolidated income statement on a straight-line basis over the period of the licence.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

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 on a straight-line basis over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included as a charge within the consolidated income statement.

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

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.

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

Impairment charges are included in other non-operating expenses line item in the consolidated income statement.

Subsidiaries

An entity is considered a subsidiary if the Group has control over its strategic, operational and financial policies and intends to hold the investment for the long term. In the Company accounts, interests in its subsidiaries are accounted for at cost less provision for any impairment.

Investments

Investments are classified as available-for-sale financial assets. After initial measurement, these investments are subsequently measured at fair value with unrealised gains or losses recognised in equity until the investment is derecognised. Upon derecognition, the cumulative gain or loss is recognised in non-operating income.

The fair value for unlisted investments is determined as the latest available traded or offered price where the investment is under a takeover bid. Dividend income earned whilst holding available-for-sale financial assets is reported in other income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for any 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 may be 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 recognised in the consolidated 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 or provided for are also included within operating profit in the consolidated income statement.

Trade payables

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

Foreign currency

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

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions entered into by Group entities in a currency other than USD are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of monetary assets and liabilities are similarly recognised immediately in the Consolidated Income Statement.

On consolidation, the Income Statement and Statement of Financial Position 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 reporting date.

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 financial assets and liabilities held for trading. They are carried in the balance sheet at fair value with changes in fair value recognised in the Consolidated Income Statement. The Group records its 'held for trading' financial assets at fair value through the Consolidated Income Statement.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

Financial assets (Continued)

- *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 in other comprehensive income. Fair values of quoted investments are based on current prices. If the market for a financial asset is not active, and for unlisted securities, the Company establishes fair value by using the latest available trade price, adjusted as necessary to reflect current market conditions.
- *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.

A financial asset is considered for derecognition when the contractual rights from the financial asset expire, or when the contractual right to benefit from the future cash flow of that asset has been transferred. The Group derecognises a financial asset when it substantially transfers all the risks and rewards of ownership.

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 financial instruments held for trading. They are carried in the balance sheet at fair value with changes in fair value recognised in the Consolidated 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, and
 - 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 2014**

1. Accounting Policies (Continued)

Financial liabilities (Continued)

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

Offsetting of financial assets and liabilities

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

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Cash dividend and non-cash distribution

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

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

Client money

The Group holds money on behalf of its clients in accordance with the client money rules of the Financial Conduct Authority. Such monies are included in cash and cash equivalents and the corresponding liabilities are included in amounts due to exchanges, clearing houses and other counterparties.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement.

Retirement benefits: defined contribution schemes

The Group operates defined contribution schemes. Contributions are charged to the Consolidated Income Statement in the year to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

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 economic lives. Useful economic 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 consolidated 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 testing for goodwill and non-financial assets with indefinite useful lives is based on the fair value less costs of disposal.

The fair value less costs of disposal calculation is based on available data from similar assets or observable market prices less incremental costs for disposing of the assets and is estimated by using the EBITDA multiples derived from adjusting comparative peer multiples. This multiple is applied to the most recent Board approved financial budgets for 2015.

New and amended standards and interpretations

The following new and revised standards and interpretations were effective during the year.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment did not have a material impact on the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting Policies (Continued)

New and amended standards and interpretations (Continued)

IAS 36 Impairment of Assets

Amended for the additional disclosures of the recoverable amounts and fair value classification of non-financial assets effective for annual periods beginning on or after 1 January 2014. The impact of the amendments has been reflected in the Group accounts.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting, and is applied retrospectively. These amendments had no impact on the Group, since none of the entities in the Group had any offsetting arrangements.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the Financial Statements.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). We do not expect the amendments to have a significant impact on the Financial Statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
1. Accounting Policies (Continued)
New and amended standards and interpretations (Continued)

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. We do not expect the new standard to have any significant impact on the Financial Statements.

2. Revenue analysis

The Group's income is derived from market making and brokering and clearing services in metals, agriculture, energy and other products.

Revenue represents the income received in respect of the purchase and sale of commodities and commission earned from executing broker business. It is shown net of any related dealing / broking expenses.

The Group's revenue is categorised in the following principal areas:

	Commodities	Financial	Electronic	
	\$'000	Products	Markets	Total
		\$'000	\$'000	\$'000
Revenue: 2014				
Broker dealer activities	248,026	31,657	73,169	352,852
Market making	-	-	1,026	1,026
Software fees	-	-	1,564	1,564
Other	3,932	-	9,448	13,380
Total	251,958	31,657	85,207	368,822
Revenue: 2013				
Broker dealer activities	201,234	34,462	99,904	335,600
Market making	-	-	1,645	1,645
Software fees	-	-	4,313	4,313
Other	3,709	831	11,997	16,537
Total	204,943	35,293	117,859	358,095

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
3. Operating profit / (loss)

	Note	2014 \$'000	2013 \$'000
This has been arrived at after charging			
Staff costs	5	182,211	176,586
Depreciation	8	5,420	7,306
Amortisation	9	1,075	1,941
Payment under operating leases		12,468	13,462
Foreign exchange loss / (gain)		45	(681)
Auditors' services:			
Audit services		1,228	1,172
Non-audit services			
- Tax advisory services		<u>97</u>	<u>136</u>

Audit fees for the Company for the year ended 31 December 2014 and the prior years were borne and paid by a subsidiary undertaking

4. Other income and expense

	Note	2014 \$'000	2013 \$'000
Other income			
Profit on the sale of AFS investments		-	2,268
Dividends received		59	85
Release of provisions		-	477
Gain on disposal of associate		<u>9,319</u>	<u>-</u>
		<u>9,378</u>	<u>2,830</u>
Other expense			
Impairment of goodwill	9	(1,632)	(527)
Reversal of impairment of associate	10	<u>237</u>	<u>-</u>
		<u>(1,395)</u>	<u>(527)</u>

During the year, the Group sold its 22% equity holding in Eclipse Energy Holding A S with recognised gain on disposal of \$9,319,000. The carrying value of the asset was \$237,000. Included in the gain on disposal is deferred consideration of \$959,000 (\$1,066,000 at the date the gain was crystallised). The balance received in cash was \$8,483,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

5. Staff costs

Staff costs were as follows

	2014	2013
	\$'000	\$'000
Staff costs (including directors) comprise		
Aggregate wages and salaries	158,939	152,254
Employer's National Insurance Contributions and similar taxes	18,923	19,982
Short-term monetary benefits	3,053	3,122
Defined contribution pension cost	1,296	1,228
	<u>182,211</u>	<u>176,586</u>

The average monthly number of employees, including directors, during the year to 31 December 2014 was 568 (2013 602)

As at 31 December 2014, there were contributions totalling \$231,000 (2013 \$163,000) payable to the defined contribution pension scheme by the Group

Directors emoluments

The remuneration paid to directors for their services to the Group was as follows

	2014	2013
	\$'000	\$'000
Aggregate emoluments	4,473	6,156
Short-term monetary benefits	28	32
Defined contribution pension cost	-	75
	<u>4,501</u>	<u>6,263</u>

The remuneration of the highest paid director for his services to the Group was \$2,000,000 (2013 \$2,000,000) No pension contributions (2013 \$nil) were made on his behalf whilst he was a director of the Group

As at 31 December 2014, there were 2 directors in the Group's defined contribution scheme (2013 3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Finance income and expense

	2014	2013
	\$'000	\$'000
Bank interest receivable	399	620
Bank interest payable	(856)	(35)
	<u>(457)</u>	<u>585</u>

7. Income tax

7.a. Tax charge / (credit)

	2014	2013
	\$'000	\$'000
<i>Current tax</i>		
UK and foreign corporation tax on profit for the year	4,421	35
Adjustments in respect of prior years	201	(1,098)
	<u>4,622</u>	<u>(1,063)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(134)	167
Adjustment in respect to prior years	267	(186)
	<u>133</u>	<u>(19)</u>
Tax charge / (credit) for the year (note 7.b)	<u>4,755</u>	<u>(1,082)</u>
Tax charge relating to items recognised directly in equity		
Charge for the year	<u>188</u>	<u>205</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
7. Income tax (Continued)
7.b.Reconciliation of the total tax charge / (credit)

A reconciliation between tax charge / (credit) and the accounting profit / (loss) multiplied by the United Kingdom's weighted average domestic tax rate applicable to the Group for the years ended 31 December 2014 and 2013 is as follows

	2014	2013
	\$'000	\$'000
Profit / (loss) before tax	<u>22,626</u>	<u>(6,188)</u>
Expected tax charge / (credit) based on the standard rate of corporation tax in the UK of 21 50% (2013 23 25%)	4,865	(1,439)
Explained by:		
Effect of overseas tax rates	385	434
Income not subject to tax	(2,026)	-
Expenses not deductible for tax purposes	739	893
Utilisation of unrecognised tax losses	(860)	(92)
Tax losses not recognised for deferred tax purposes	741	371
Effect of changes in tax laws and rates	-	146
Foreign exchange and other differences	443	(111)
Prior year adjustments	<u>468</u>	<u>(1,284)</u>
Tax charge / (credit) for the year	<u>4,755</u>	<u>(1,082)</u>

7.c. Deferred tax asset / liability
Group

	2014	2013
	\$'000	\$'000
Depreciation in excess of capital allowances	1,803	1,972
Revaluation of AFS investments	(894)	(708)
Impairment of goodwill	<u>(432)</u>	<u>(432)</u>
Total deferred tax asset	<u>477</u>	<u>832</u>
At 1 January	832	469
(Charged) / credited to the consolidated income statement for the year	(133)	19
On sale of AFS investments	-	502
Charged to the revaluation reserve for the year	(188)	(205)
Foreign exchange differences and other	<u>(34)</u>	<u>47</u>
At 31 December	<u>477</u>	<u>832</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

7. Income tax (Continued)

Company

	2014	2013
	\$'000	\$'000
At 1 January	14	275
On disposal of AFS Investments	-	(73)
Charged to the Revaluation Reserve for the year	(215)	(181)
Foreign exchange differences	-	(7)
At 31 December	(201)	14

The applicable Corporate Income Tax rate in the UK was reduced from 23% to 21% with effect from 1 April 2014 resulting in a blended rate of 21.5% for the period. The applicable rate will be further reduced to 20% with effect from 1 April 2015.

7.d. Unrecognised deferred tax asset

The Group has an unrecognised deferred tax asset in respect of employee compensation of \$5,607,000 (2013: \$5,962,000).

The Group has an unrecognised deferred tax asset in respect of tax losses of \$21,665,000 (2013: \$24,576,000). Of this amount \$12,654,000 relates to losses expiring in or after 2030 and \$9,010,000 relates to losses with no expiry date. Losses of \$1,605,000 are subject to approval by the relevant tax authorities.

Deferred tax assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
8. Property, plant and equipment

	Leasehold improvements \$'000	Computer equipment \$'000	Furniture, fixtures and fittings \$'000	Total \$'000
Cost:				
At 1 January 2014	8,500	20,766	5,422	34,688
Additions	358	1,101	24	1,483
Disposals	-	(1,424)	(902)	(2,326)
At 31 December 2014	8,858	20,443	4,544	33,845
Depreciation:				
At 1 January 2014	3,957	16,232	3,462	23,651
Charge for the year (note 3)	1,709	2,768	943	5,420
Disposals	-	(1,375)	(897)	(2,272)
At 31 December 2014	5,666	17,625	3,508	26,799
Net book value:				
At 31 December 2014	3,192	2,818	1,036	7,046
At 31 December 2013	4,543	4,534	1,960	11,037

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
9. Goodwill and other intangible assets

	Goodwill	Software development and licenses	Total
	\$'000	\$'000	\$'000
Cost or valuation:			
At 1 January 2014	150,101	8,174	158,275
Additions	-	548	548
Disposals	-	(541)	(541)
At 31 December 2014	150,101	8,181	158,282
Amortisation and impairment provisions:			
At 1 January 2014	4,500	6,552	11,052
Charge for the year (note 3)	-	1,075	1,075
Impairment	1,632	(357)	1,275
At 31 December 2014	6,132	7,270	13,402
Net book value:			
At 31 December 2014	143,969	911	144,880
At 31 December 2013	145,601	1,622	147,223

Goodwill impairment testing

For the purpose of impairment testing, goodwill has been allocated to the cash generating units ('CGUs') which represent the level at which management will monitor and manage the goodwill

	Energy	Ags	Securities	ProTrader	Total
	2014	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Goodwill	126,300	11,500	2,969	3,200	143,969

The Group performed the annual impairment test in December 2014 and 2013. In assessing whether impairment is required, the carrying value of the CGU is compared with the recoverable amount which is determined by fair value less costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
9. Goodwill impairment testing (Continued)
Key assumptions

- The fair value less costs of disposal is determined by applying an earnings multiple to the future cash flows of each CGU arising in future periods which is based on the most recent Board approved financial budgets for 2015
- The earnings (EBITDA) multiples applied are derived from comparable peer multiples

During 2014, the Directors reviewed the performance of the Securities business and determined that the recoverable amount was \$1,632,000 less than the carrying value and an impairment charge was recognised against this CGU. The fair value adjustment is categorised as level 3.

10. Investments
10.a. Investments

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Available-for-sale				
At 1 January	8,152	14,472	3,820	6,078
Disposals	-	(7,510)	-	(3,040)
Revaluation	838	1,190	907	782
	<u>8,990</u>	<u>8,152</u>	<u>4,727</u>	<u>3,820</u>

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 investments are recorded at cost less provision for any impairment. The market value for unlisted investments is determined as the latest available traded price. Unlisted investments comprise shares and seats held in clearing houses which are deemed relevant to the Company's trading activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

10. Investments (Continued)

10.b. Investment in associate

	2014	2013
	\$'000	\$'000
Reversal of impairment (note 4)	237	-
Disposals	(237)	-
At 31 December	-	-

The Group held a 22% investment in Eclipse Energy Holdings SA, which was fully impaired in December 2012. During the year, the Group reversed the impairment charge of \$237,000 following the decision to dispose of the equity holdings. The Group recognised a gain on disposal of \$9,319,000.

10.c. Investments in subsidiaries

Company

	2014	2013
	\$'000	\$'000
At 1 January	362,036	347,378
Additions	527	15,185
Disposals	-	(527)
At 31 December	362,563	362,036

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
11. Principal subsidiaries and undertakings

The principal subsidiaries of the Company as at 31 December 2014 are as follows

Principal subsidiaries and undertakings held directly

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Marex Financial Limited	England and Wales	Ordinary shares	100%	Commodities and financial instruments broker and clearer
Marex Services Limited	England and Wales	Ordinary shares	100%	Facilities company
Easyscreen Limited	England and Wales	Ordinary shares	100%	Technology services
Marex USA Limited	England and Wales	Ordinary shares	100%	Futures and options broking
Marex North America LLC	United States of America	Membership interest	100%	Commodities and financial instruments broker and clearer
Marex Hong Kong Limited	Hong Kong	Ordinary shares	100%	Futures and options broking
4 GP Leases Limited (formerly Spectron Group Limited)	England and Wales	Ordinary shares	100%	Property lease's company
Marex Spectron International Limited (formerly Spectron Energy Services Limited)	England and Wales	Ordinary Shares	100%	Energy OTC broking
Spectron Services Limited	England and Wales	Ordinary shares	100%	Facilities Company

Principal subsidiaries and undertakings held indirectly

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Marex Trading Services (Gibraltar) Limited	Gibraltar	Ordinary shares	100%	Provision of facilities to traders
Carlton Commodities 2004 LLP	England and Wales	Partnership interest	n/a	Commodity and option trading
Spectron Energy Inc	United States of America	Ordinary shares	100%	Energy OTC broking

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
11. Principal subsidiaries and undertakings (Continued)

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Marex Spectron Asia Pte Limited	Singapore	Ordinary shares	100%	Freight OTC broking
Spectron Energy Asia Pte Limited	Singapore	Ordinary shares	100%	Energy OTC broking

Other related entities

Name	Country of incorporation	Class	Proportion of ownership interest	Nature of business
Elian Employee Benefit Trust Limited	Channel Islands	Ordinary shares	nil	Trustee of the employee benefit trust

12. Other assets

Other assets comprise US Treasury Bills that were provided as a security deposit for a leasehold property and mature on 31 July 2018. The market value at 31 December 2014 was \$662,000 (2013 \$661,000) and deferred income of \$959,000 (2013 \$nil) on the sale of Eclipse Energy Holdings SA which is being held in escrow which is expected to be released on or before 3 January 2017.

13. Trade and other receivables

	2014	2013
	\$'000	\$'000
Amounts due from exchanges, clearing houses and other counterparties	535,658	648,865
Deposits with exchanges and clearing houses	7,000	7,000
Other debtors	943	2,703
Loans receivable	1,341	1,234
Other tax and social security taxes	2,410	1,713
Prepayments	8,352	9,346
	555,704	670,861

Amounts due from exchanges, clearing houses and other counterparties are stated after deducting impairment provisions of \$4,889,000 (2013 \$5,047,000)

Included in other debtors is \$247,000 (2013 \$548,000) which is due in more than one year, relating to sign on bonuses which are awarded to employees and amortised over the term of the contract

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
13. Trade and other receivables (Continued)

The movement in impairment provisions is as follows

	2014	2013
	\$'000	\$'000
At 1 January	5,047	4,442
Charged to the consolidated income statement	40	1,425
Bad debts written off	(191)	(845)
Foreign exchange revaluation	(7)	25
31 December 2014	<u>4,889</u>	<u>5,047</u>

See note 20 on credit risk of trade receivables, which discloses how the Group manages and measures the credit quality of trade receivables that are neither past due nor impaired

14. Financial instruments

At 31 December 2014, the fair value of financial instruments assets was \$12,182,000 (2013 \$17,675,000) The fair value of financial instruments liabilities was \$10,252,000 (2013 \$12,538,000)

15. Financial assets - held to maturity

The Group purchased financial assets with fixed or determinable payments and fixed maturities where the Group has the intention and ability to hold the assets to maturity These assets are measured at amortised cost, calculated by taking into account any premium and discount on acquisition As at 31 December 2014, the carrying value of these assets was \$59,988,000 (2013 \$59,994,000)

16. Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Segregated cash	225,420	190,523
Non-segregated cash	148,733	119,498
	<u>374,153</u>	<u>310,021</u>

The segregated cash balance represents monies held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
17. Trade and other payables

	2014	2013
	\$'000	\$'000
Amounts due to exchanges, clearing houses and other counterparties	698,241	800,324
Accruals	63,601	65,370
Other tax and social security taxes	2,587	2,488
Other creditors	254	656
	<u>764,683</u>	<u>868,838</u>

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows

	Less than 3 months	3 months to 12 months	Total
	\$'000	\$'000	\$'000
2014			
Amounts due to exchanges, clearing houses and other counterparties	698,241	-	698,241
Accruals	6,383	57,218	63,601
Other tax and social security taxes	2,587	-	2,587
Other creditors	254	-	254
Total	<u>707,465</u>	<u>57,218</u>	<u>764,683</u>

	Less than 3 months	3 months to 12 months	Total
	\$'000	\$'000	\$'000
2013			
Amounts due to exchanges, clearing houses and other counterparties	800,324	-	800,324
Accruals	7,736	57,634	65,370
Other tax and social security taxes	2,488	-	2,488
Other creditors	656	-	656
Total	<u>811,204</u>	<u>57,634</u>	<u>868,838</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
18. Short term borrowings

The Group had outstanding debt obligations at 31 December 2014 and 31 December 2013 as follows

	2014	2013
	\$'000	\$'000
Revolving credit facility	25,000	-
	<u>25,000</u>	<u>-</u>

On 6 June 2014, the Group entered into a committed credit agreement with a current revolving loan facility of up to \$50,000,000 until June 2015. The credit agreement contains certain financial and other covenants and the Group was in compliance with all applicable covenants at 31 December 2014.

Interest on the amount utilised is charged at LIBOR + 250 basis points and the unutilised portion at 100 basis points.

19. Provisions

	Onerous lease 2014 \$'000	Leasehold dilapidation 2014 \$'000	Legal 2014 \$'000	Other 2014 \$'000	Total 2014 \$'000
Group					
At 1 January	1,065	350	1,230	-	2,645
Arising during the year	548	-	-	130	678
Utilised	(274)	-	-	-	(274)
Unused amount released to income statement	(531)	-	(1,230)	-	(1,761)
Foreign exchange revaluation	(70)	(15)	-	-	(85)
At 31 December	<u>738</u>	<u>335</u>	<u>-</u>	<u>130</u>	<u>1,203</u>

Onerous lease provisions relate to the excess of rent payable over rents receivable on sub-let office space. Inherent uncertainties in measuring the provision relate to estimates of the amount of rent that will be received in the future on vacant property and estimating future rents on property where the current sub-lease is of a shorter duration than the head lease.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. Provisions (Continued)

Legal provisions represent amounts for certain claims brought against subsidiaries of the Group. The timing of any payment is uncertain and the matter is reviewed by the Group on a regular basis. In the directors' opinion, after taking legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at 31 December 2014.

20. Financial risk management objectives and policies

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

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.

Credit risk

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

The Group only makes treasury deposits with banks and financial institutions that have received approval from the Group's credit risk committee. 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 Group's credit risk committee through a formalised process.

The held to maturity assets of \$59,988,000 are of AA+ quality. The table below shows the credit quality of the Group's remaining financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
20. Financial risk management objectives and policies (Continued)
Credit risk (Continued)

	2014	2013
	\$'000	\$'000
Carry value of amounts due from exchanges, clearing houses, other counterparties and other financial assets:		
(Fitch ratings or equivalent S&P / Moody's ratings)		
AA	103	694
AA-	74,187	89,787
A+	35	315,046
A	17,315	20,351
A-	1,893	422
BBB+	535	1,690
Lower rated and non-rated	<u>450,874</u>	<u>231,812</u>
Total	<u>544,942</u>	<u>659,802</u>
 Cash balances		
AA-	180,102	79,176
A+	44,490	110,711
A	75,915	83,143
A-	34,282	35,204
Lower rated and non-rated	<u>39,364</u>	<u>1,787</u>
Total	<u>374,153</u>	<u>310,021</u>

Although invoices for commissions are typically payable after 30 days' notice (there are some exceptions, for example Environmentals, where payment only falls due following physical settlement which can be at some point in the future) industry practice is for payment to be delayed, potentially significantly. This is due to myriad of factors including that the clearing members will, in many cases, not even examine the invoices for 90 days. Our experience is that all the receivables are collected through our robust collection efforts and almost without exception within a year. Accordingly, the director's view is that presenting an aged analysis of debtors past due, but not impaired, in accordance with IFRS 7, would not provide any useful information to a user of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. Financial risk management objectives and policies (Continued)

Market risk

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

Market risk sensitivity

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

The Group uses a range of tools to monitor and limit market risk exposures. These include VaR, sensitivity analysis and stress testing.

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.

Foreign exchange sensitivity

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

Interest rate risk

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

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

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. Financial risk management objectives and policies (Continued)

Operational risk (Continued)

Companies within the Group are subject to authorisation by the LME (where we are a Ring Dealer), the CME Group exchanges, NLX, DGCX, London Stock Exchange, ICE US, NYSE Liffe, ICE Futures and Eurex. We are regulated in the UK by the FCA (which also regulates our Group), in the US by the NFA and CFTC, in Hong Kong by the SFC, and in Singapore by the MAS and IES.

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

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 Board's 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.

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

The largest concentration of cash balances as at 31 December 2014 was 47.9% (2013: 33.0%) to a US based, AA- rated global banking group (2013: A+).

The largest concentration of exposures to exchanges, clearing houses and other counterparties exposures as at 31 December 2014 was 47.0% (2013: 46.0%) to a non rated global clearing house (2013: non rated global clearing house).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. Financial risk management objectives and policies (Continued)

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 Individual Liquidity Adequacy Assessment ('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. In the event of a liquidity issue arising, the Group has recourse to existing global cash resources, after which it could draw down on a \$50m committed revolving credit facility as an additional contingency funding.

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

All 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 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.

Value at risk ('VaR')

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

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

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

- 5,000 simulations using a variance covariance matrix,
- simulations generated using geometric Brownian motion,
- an exceptional decay factor is applied across an estimation period of 250 days, and
- VaR is calculated to a 1 day, 99.75% one tail confidence level, multiplied by the square root of time to calculate the VaR for a 1 day holding period.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

20. Financial risk management objectives and policies (Continued)

Value at risk ('VaR') (Continued)

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 1 day holding period assumes that all positions can be liquidated or hedged in 1 day. This may not fully reflect the market risk arising at times of severe liquidity stress, when a 1 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 2014 was \$1,427,000 (2013: \$317,440)

Capital management

For the purpose of the Group's capital management, capital includes issued share capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

20. Financial risk management objectives and policies (Continued)

Capital management (Continued)

	2014	2013
	\$'000	\$'000
Interest bearing loans and borrowings	25,000	-
Trade and other payables	764,683	868,838
Less cash and cash equivalents	<u>(374,153)</u>	<u>(310,021)</u>
Net debt	415,530	558,817
Equity	<u>357,293</u>	<u>338,800</u>
Total capital	<u>357,293</u>	<u>338,800</u>
	772,823	897,617
Gearing ratio	54%	62%

Many of the Group's material operating subsidiaries are subjected to regulatory restrictions and minimum capital requirements. At 31 December 2014 each of these subsidiaries had net capital in excess of the requisite minimum requirements.

No changes were made in objectives, policies or processes for managing capital during the year.

The table below presents the regulatory restrictions at 31 December 2014 and 2013. All balances are presented in USD unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
20. Financial risk management objectives and policies (Continued)
Capital management (Continued)

	Regulator	Regulatory capital 2014 '000	Regulatory requirement 2014 '000	Regulatory capital 2013 '000	Regulatory requirement 2013 '000
Marex Financial Limited	FCA - 730k investment firm	147,980	77,351	145,304	119,529
Marex Services International Limited	FCA - Exempt commodity firm	58,030	9,529	49,728	7,872
	NFA on behalf of CFTC - Introducing Broker	1,702	45	6,861	45
Marex North America LLC	CME on behalf of CFTC - Futures Commission Merchant	15,712	9,301	11,802	8,776
Marex Hong Kong Limited	Securities and Futures Commission	HKD 7,181	HKD 3,000	HKD 8,287	HKD 3,000
Marex USA Limited*	FCA - BIPRU 50k investment firm	2,926	411	2,775	1,003
Marex Spectron Asia Pte Limited**	IES	SGD 1,240	SGD 500	SGD 881	SGD 400
	MAS	1,240	500	-	-
	NFA on behalf of CFTC - Introducing Broker	828	45	-	-

*Marex USA Limited has ceased to be a NFA regulated entity. The submission to the FCA for de-authorisation is pending.

**Marex Spectron Asia Pte limited was granted Capital Markets Service License by MAS on 17 March 2014 and registered as Introducing Broker with the NFA on 12 June 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
21. Fair value measurements recognised in the statement of financial position

Certain of the Group's assets are carried at fair value or contract amounts that are approximate fair value

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 observable, 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

Set out below, is an analysis of the carrying amounts and fair value of the Group's financial instruments. Due to the nature of the underlying assets the carrying value approximates fair value

	Fair and book value 2014 \$'000	Fair and book value 2013 \$'000
Financial assets		
At fair value through the income statement:		
Financial instruments	12,182	17,675
Other assets	1,621	661
	<u>13,803</u>	<u>18,336</u>
Available-for-sale at fair value through OCI:		
Investments	8,990	8,152
At amortised cost:		
Amounts due from exchanges, clearing houses and other counterparties - fair value of transactions	535,658	648,865
Deposits with exchanges and clearing houses	7,000	7,000
Other debtors	943	2,703
Loans receivable	1,341	1,234
Financial assets - held to maturity	59,988	59,994
Cash and cash equivalents	374,153	310,021
	<u>979,083</u>	<u>1,029,817</u>
Total	<u>1,001,876</u>	<u>1,056,305</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
21. Fair value measurements recognised in the statement of financial position (Continued)

	Fair and book value 2014 \$'000	Fair and book value 2013 \$'000
Financial liabilities		
At Fair value through the income statement		
Financial instruments	10,252	12,538
	10,252	12,538
At amortised cost:		
Short term borrowings	25,000	-
Amounts due to exchanges, clearing houses and other counterparties	698,241	800,324
Accruals	63,601	65,370
Other creditors	254	656
Provisions	1,203	2,645
	788,299	868,995
Total	798,551	881,533

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

	2014 \$'000	2013 \$'000
Level 1		
Forward foreign exchange contracts - assets	12,182	17,675
Forward foreign exchange contracts - liabilities	(10,252)	(12,538)
Listed investments	1,469	1,440
Other assets	662	661
	4,061	7,238
Level 2		
Unlisted investments	4,133	6,712
	4,133	6,712
Level 3		
Unlisted investments	3,388	-
Other assets	959	-
	4,347	-
Total	12,541	13,950

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

22. Share Capital

	Issued and Fully Paid	
	2014	2014
	Number	\$
Ordinary shares of \$0 000165 each	106,491,588	17,571
Non-voting ordinary shares of \$0 000165 each	3,988,876	658
Deferred shares of \$1 65 each	106,798,427	176,217,405
Growth shares of \$0 000165 each	14,482,113	2,390
		<u>176,238,024</u>

	Issued and Fully Paid	
	2013	2013
	Number	\$
Ordinary shares of \$0 000165 each	106,491,588	17,571
Non-voting ordinary shares of \$0 000165 each	3,988,876	658
Deferred shares of \$1 65 each	106,798,427	176,217,405
Growth shares of \$0 000165 each	14,482,113	2,390
		<u>176,238,024</u>

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 ranking pari passu with non-voting ordinary shares In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares No right of redemption
Non-voting ordinary shares	As per 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 ranking pari passu with ordinary shares for any capital in excess of £50 billion

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

22. Share Capital (Continued)

Growth shares

No voting rights, no rights to participate in dividends, no entitlement to participate in winding up and no right of redemption

In 2010 and in 2012 the Group issued growth shares to 17 individuals, which entitle the holders to a share of the proceeds from a 'liquidity event', such as an IPO or a sale, if the proceeds exceeded some specific level thereby diluting existing ordinary shareholders. The holders of growth awards are not entitled to receive dividends nor do they have voting rights and cannot impact the timing of a transaction. The growth shares vest over 3 to 5 years, but do not expire.

The growth awards can be settled through the issuance of ordinary shares, whereby the firm issues the growth award holder a number of ordinary shares equal in value to the growth award amount, or in cash. While the default under the contract is for the awards to settle in cash, if the parties mutually agree to settle for shares, a share settlement is effected.

Notwithstanding the very high likelihood, given the difference between capital gains and income tax, that all growth shareholders will select to settle for shares, the appropriate accounting treatment is to fair value the awards and recognize this amount as a liability. The Board's view is that, at the year end, the fair value is not material and does not impact the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
23. Reserves

	Share premium \$'000	Retained earnings \$'000	Other reserves \$'000	Revaluation reserve \$'000	Total \$'000
Group					
At 1 January 2013	134,286	33,726	(244)	581	168,349
Loss for the year	-	(5,106)	-	-	(5,106)
Reclassification adjustment on sale of AFS investments, included in Consolidated Income Statement	-	-	-	(2,168)	(2,168)
Deferred tax on AFS disposal	-	-	-	502	502
Gain on revaluation of AFS investment	-	-	-	1,190	1,190
Deferred tax on revaluation of AFS investments	-	-	-	(205)	(205)
At 31 December 2013	<u>134,286</u>	<u>28,620</u>	<u>(244)</u>	<u>(100)</u>	<u>162,562</u>
Profit for the year	-	17,871	-	-	17,871
Gain on revaluation of AFS investment	-	-	-	810	810
Deferred tax on revaluation of AFS investments	-	-	-	(188)	(188)
At 31 December 2014	<u>134,286</u>	<u>46,491</u>	<u>(244)</u>	<u>522</u>	<u>181,055</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
23. Reserves (Continued)

	Share premium \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Total \$'000
Company				
At 1 January 2013	134,286	10,739	(870)	144,155
Profit for the year	-	156	-	156
Reclassification adjustment on sale of AFS investments, included in consolidated income statement	-	-	282	282
Deferred tax on AFS disposal	-	-	(73)	(73)
Gain on revaluation of AFS investment	-	-	782	782
Deferred tax on revaluation of AFS investments	-	-	(181)	(181)
At 31 December 2013	<u>134,286</u>	<u>10,895</u>	<u>(60)</u>	<u>145,121</u>
Profit for the year	-	795	-	795
Gain on revaluation of AFS investment	-	-	1,032	1,032
Deferred tax on revaluation of AFS investments	-	-	(215)	(215)
At 31 December 2014	<u>134,286</u>	<u>11,690</u>	<u>757</u>	<u>146,733</u>

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

Reserves	Description
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount of consideration received over and above par value of shares
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement or statement of comprehensive income
Revaluation reserve	Cumulative unrealised gains on investments in exchanges that are held as available-for-sale are recognised in equity

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

24. Dividends paid and proposed

Neither the Group nor the Company made any dividend payments during the year ended 31 December 2014 (2013 \$nil)

25. 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:

	2014	2013
	\$'000	\$'000
Not later than one year	9,504	10,043
Later than one year and not later than five years	17,623	26,408
Later than five years	-	1,774
At 31 December	<u>27,127</u>	<u>38,225</u>

The Group is expected to receive \$1,258,000 in future minimum sub-lease payments under non-cancellable sub-leases (2013 \$ nil)

26. 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 year ended 31 December 2014 of \$795,000 (2013 profit of \$156,000)

27. Subordinated loan (Company)

	2014	2013
	\$'000	\$'000
Subordinated loan	<u>10,000</u>	<u>9,500</u>

Marex Spectron Group Limited, the Company, loaned Marex North America LLC \$9,000,000 under a Revolving Subordinated Loan Agreement which terminates on 30 September 2018. The facility limit of this agreement is \$30,000,000. Interest is accrued on the liability at the U.S. Prime rate plus 0.5%.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

27. Subordinated loan (Company) (Continued)

Included in the Company income statement of Marex Spectron Group Limited is \$401,000 (2013 \$540,000) of interest income related to the subordinated loan

On 30 September 2013, Marex Spectron Group Limited, the Company, loaned \$1,000,000 under a Revolving Subordinated Loan Agreement, to Marex Spectron Asia Pte Limited, which terminates on 30 September 2018. The facility limit of this agreement is \$5,000,000. Interest is accrued on the liability at the U.S. Prime rate plus 0.5%. Included in the Company Income Statement of Marex Spectron Group Limited is \$38,000 (2013 \$9,554) of interest income related to the subordinated loan.

28. Non-controlling interest

During 2013, the Group acquired the remaining 40% interest in Xeram SA increasing the group's ownership to 100%. Cash consideration of \$1,280,000 was paid to the non-controlling shareholders.

29. Events after the reporting period

On 26 January 2015, Marex USA Limited, a directly held subsidiary, was de-registered as an NFA regulated entity.

On 18 March 2015, the Company invested an additional \$5,000,000 to Marex North America LLC to provide additional capital.

On 17 March 2015, the Group invested an additional \$1,000,000 into Marex Spectron Asia Pte Ltd to provide additional capital.

On 27 March 2015, Marex Spectron Asia Pte Ltd repaid the subordinated loan of \$1,000,000 and net interest of \$2,538.

In 2015, a growth share award was made to a new Non-Executive Board member. There is no impact for the financial statements as at the year end.

30. Related party transactions

Details of directors' emoluments are disclosed in note 5.

Transactions with entity having significant influence over the Group

The Group pays management fees to parties associated to the ultimate parent company based on a percentage of the Group's profitability amounting to \$1,508,000 (2013 \$162,000).

Loans to directors

The Group made loans to directors relating to tax payments associated with equity awards amounting to \$154,157 (2013 \$217,544). This amount is non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

Loans to senior employees

The Group made loans to certain senior current and former employees relating to tax payments associated with equity awards of \$420,263 (2013 \$406,967). The loan balance is non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

30. Related party transactions (Continued)

The Company amount owed from Group undertakings at 31 December 2014 and 31 December 2013, relates to subordinated loan interest payable

31. Ultimate and immediate parent undertaking

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

