

MAREX SPECTRON⁷

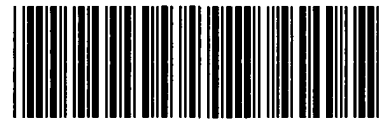
Marex Spectron Group Limited

Annual Report and Financial Statements

Year ended 31 December 2019

Registration Number 05613060

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Marex Spectron Group Limited
COMPANY INFORMATION

Country of Incorporation	England and Wales
Legal Form	Private limited company
Directors	C R Stent (Chair) I T Lowitt (Chief Executive Officer) J C Cohen Lord S Fink D A Hallgarten J M Isaacs CBE P Kadas R B Nagioff V Pignatti-Morano Campori H D P Richards P R Tonucci S J van den Born
Company Secretary	S Linsley
Registered Office	155 Bishopsgate, London, EC2M 3TQ
Auditor	Deloitte LLP Hill House, 1 Little New Street, London, EC4A 3TR
Bankers	Lloyds Bank plc 25 Gresham Street, London, EC2V 7HN Bank Leumi (UK) plc 20 Stratford Place, London, W1C 1BG HSBC Bank plc Level 19, 8 Canada Square, London, E14 5HQ Barclays Bank plc 1 Churchill Place, London, E14 5HP

Marex Spectron Group Limited

GROUP STRATEGIC REPORT

Marex Spectron Group Limited and its subsidiaries (collectively 'Marex Spectron' or the 'Group') is a leading independent global commodity specialist, providing clients with extensive access to financial and physical markets.

Headquartered in London, our global network of 14 offices spans Europe, Asia and North America and we have over 750 employees.

We segment our business based on the four types of services we provide to our clients across various commodity markets.

In Commercial Hedging we provide our clients with extensive execution and clearing services in Metals (Base, Ferrous and Precious), Agricultural products (including Cocoa, Coffee, Grains, Livestock and Sugar) and Financial Futures and Options. For clients who cannot find the hedge they require on exchange, we offer customised OTC hedging, which is also included in this segment, together with our structured notes businesses.

In Market Making we provide liquidity to our counterparties across all key commodity markets including Metals (Base, Ferrous and Precious), Agriculture (Cocoa, Coffee, Grains) and Energy (Crude Oil, Residual Fuel-Oil, Middle Distillates, Naphtha, Gasoline and several Dry Freight routes and sizes). This includes traditional market making and some firm positioning.

In Price Discovery we are matching buyers and sellers in the commodity markets. In Energy this includes Crude, Coal, Emissions, Fuel-Oil, Gasoline, Middle Distillates, Naphtha, Petchems, Power, Renewables and Tanker. This leverages our extensive knowledge-base and deep client relationships that we have built over many years, and where we enjoy a leading share across many products.

Data and Advisory encompasses our research, technology and data offerings. Many of these, including the NEON trading and risk platform, are proprietary to our business, adding value across our entire offering.

Underpinning each of these services is a global back-office infrastructure, focused on operational excellence. With a leading vibrant franchise in many major metal, energy and agricultural products, we support a broad and diverse client base that includes the largest commodities producers, consumers and traders, as well as large banks, hedge funds, asset managers and brokers. Around 65% of our commissions are generated by commodity producers and consumers, and 35% by financial companies who are actively involved in our markets.

Marex Spectron is regulated in the UK by the Financial Conduct Authority (FCA), which also regulates the Group under Consolidated Supervision; in the US by the Commodities Futures Trading Commission (CFTC) on behalf of the National Futures Association (NFA); in Hong Kong by the Securities and Futures Commission (SFC); in Singapore by the Monetary Authority of Singapore (MAS) and in Ireland by the Central Bank of Ireland (CBI).

Marex Spectron is an efficient, diverse and scalable business. With a comprehensive product and service offering, we are thoroughly embedded in the global commodity infrastructure. We are currently connected to 37 major global exchanges, including the London Metal Exchange, where we are a leading Category 1 Member and Ring Dealer, the CME Group (CME) and the Intercontinental Exchange (ICE). In 2019, we cleared over 183 million contracts on exchange (up 53% on the 120 million contracts cleared in 2018) and executed over 31 million trades for our clients (up 7% on the 29 million trades in 2018).

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

The Chair's Review

Overview

The political, economic and market background of 2019 reflects many of the challenging themes of the previous year. Slowing economic growth and heightened tensions in the international trade arena have created both opportunities and challenges for the Group.

Most recently, the global outbreak of Coronavirus Covid-19 has seen the business respond decisively to protect clients and staff, as well as preserving the financial position of the Group. The Board and management will continue to be responsive to the changing conditions over the coming months. Marex Spectron delivered a solid set of results in this reporting period, with profit before tax (before one-time expenses) increasing by 13% to \$50.9 million (2018: \$45.2 million), led by a solid performance in our core metals and energy businesses; coupled with encouraging results from the newly acquired businesses (Rosenthal Collins Group and CSC Commodities) as well as a new organic growth business, Marex Solutions.

The Board

The Group Board is responsible for setting the 'tone at the top', and for defining the risk culture and risk philosophy of the Group.

It has oversight of the establishment and maintenance of the business plan and risk strategy, sets the risk appetite and reviews and approves the risk strategies, risk management and control framework, risk policies and key risk limits.

The Group Board regularly monitors the risk profile of the businesses and ensures that adequate financial resources are in place to meet the regulatory and operational requirements. It also provides oversight for effective functioning of internal control systems.

As incoming Chair of the Board, I took the opportunity, as part of the 2018 Annual Board evaluation, to meet with each of the directors individually. These meetings took place during March and April 2019 and included all directors (Executive, Independent Non-Executive and Shareholder Representatives). I also met with the Company Secretary.

The directors concluded that the Board is effective. It was noted that the firm is well-managed and staffed by experienced leadership. Board composition is adequate, given the shareholder arrangements, and has been strengthened during the year by the addition of eminently well qualified advisors to the board; most especially as support to the Risk Committee.

Strategic Priorities

The key strategic priorities and agenda items discussed and reviewed by the Board in 2019 were:

- Strategy formulation and monitoring (including consideration of the acquisition strategy and regular reports from the CEO and various businesses and regions);
- Building and sustaining technology leadership (the Board received technology updates and presentations on technology integration and growth initiatives);
- Developing our people (including consideration of culture measurement, employee development and succession planning, workforce engagement and the Gender Pay Gap review);
- Financial performance (the Board received regular reports from the Chief Financial Officer, including results, capital and liquidity, reviewed the five-year financial plan & strategy and approved the 2019 Group budget, 2018 year end results and Pillar 3 disclosures);
- Governance and risk, including regulatory outcomes (the Board received reports on the activities of the Audit & Compliance, Risk, Remuneration & Nomination, Acquisitions & Disposals, and Board Executive Committees);
- Stakeholders and society (the Board considered the Corporate Social Responsibility / Social Purpose strategy, held presentations with, and considered inputs from, shareholders); and
- Health and Safety (the Board reviewed the Company's policies and procedures and associated conformance).

The Chair's Review (continued)

Board Strategy Day

In January 2019, the Board held a strategy day offsite to discuss key areas of focus related to future strategy. The Board was joined by members of the Management Executive Committee and advisors, and considered presentations from senior managers on the following strategic themes:

- Business Performance & Margin Updates
- 2019 Budget and 2020-21 Plan
- Capital & Liquidity Plan 2019
- Roadmap for the Future (including acquisition activity)
- Conduct & Culture
- Technology, Risk and HR strategies

During the Board meeting in November, the Board examined the progress of each of the businesses and considered the future focus in 2020 (*see 2020 Outlook below*).

Our People

At Marex Spectron, we believe that organisations with a diverse workforce are better equipped to innovate, excel and evolve over time. We are fully committed to promoting equality and diversity, and building a culture that values meritocracy, openness, fairness and transparency and will actively value differences.

As we build a world class organisation, we recognise the importance of making Marex Spectron a place where the most talented individuals, regardless of gender, culture or sexual orientation, want to build their career.

We believe that diversity is something every industry should be striving to achieve, but we are also acutely aware that there are specific challenges in our industry (including, but not limited to, the perceived culture and historic gender bias). We acknowledge these and are working hard, internally and with the industry, to overcome them.

Gender Pay Gap

In our recently published 2019 Gender Pay Gap Report we reported a total mean and median gender pay gap of 32% and 31% respectively, both improvements on 2018 (36% mean; 34% median) versus the industry's 36% and 33%¹. Whilst our pay gap is in line with the industry, it is higher than we would like, and we have work to do.

Analysis has shown that it is gender distribution (fewer women in senior positions), and not unequal pay, that is the driver of our pay gap (for matched roles, there is no pay gap between genders). We are therefore focusing our efforts on addressing the issue of gender distribution, and our mid to long term aim is to increase female numbers across the board, and specifically within senior roles that have higher bonus potential.

At the time of publication of our 2018 Gender Pay Gap Data, we committed to several specific objectives aimed at addressing these issues. As reflected in the 2019 Gender Pay Gap Report, we have made good progress towards implementing these, including:

- Appointed a female Chair;
- Changed the hiring process to ensure 50/50 long lists wherever possible;
- Ensured that diversity in the recruitment process is monitored and highlighted;
- Improved the maternity policy in response to feedback from employees;
- Sought to retain existing female employees and attract more female candidates for open positions; and
- Hired and promoted several female employees including a senior HR Business Partner, Head of Employment Law, Head of Compliance, Head of Marketing and Communications, and numerous other important hires across the Group.

¹ External comparisons are based on the latest available figures from the Office of National Statistics (as at April 2018)

The Chair's Review (continued)

We have made progress, but we know that there is still more to do. During the year, I have met with most of our UK female staff members to discuss gender diversity within the business, and receive their feedback on the current status, as well as suggestions for improvement. We have also increased training, such as unconscious bias / conscious inclusion, which we intend to roll out across the Group in 2020.

We are also taking a proactive role in helping to shape the industry response to gender diversity and are working closely with other companies including the London Metals Exchange.

Whistleblowing

I act as the Whistleblowing Champion for the Group. During the reporting period, two concerns pertaining to conduct were raised and following full investigations in accordance with approved policies and procedures, neither were deemed to be a 'reportable concern'

2020 Outlook

As we move into a new decade, the key priorities for the Group Board will be:

- **Culture & Conduct.** Corporate culture and conduct remains a key priority for the Group, and we have undertaken numerous initiatives to embed the firm's cultural values into daily business activities throughout 2019. These are validated by Internal Audit as part of every assignment that they undertake. The Board will increase its oversight of conduct and culture related matters; this will include the review of a new Culture Dashboard which will provide a more structured basis for assessing the Group's progress in fostering its desired culture. We will also build on feedback from our first Employee Engagement Survey, which was launched in 2019 and showed that whilst engagement is at an acceptable level, there is room to improve in a few areas.
- **Diversity.** As highlighted above, the Group is fully committed to promoting equality and diversity and we will continue to work towards our objectives in this space. We have recently updated our Equality and Diversity policy to highlight Marex Spectron's commitment to being an inclusive firm, providing equal opportunities and proactively tackling and eliminating discrimination.
- **Social Purpose.** A proposal has been presented to the Board in order to implement a Corporate Social Responsibility policy and Social Purpose Statement during 2020. The focus will build on plans (highlighted in the Chief Executive Officer's review) to promote and support environmental and sustainability initiatives.
- **Governance.** Effective governance will remain a key priority in 2020. Following successful implementation of the Senior Managers and Certification Regime ('SMCR') on 9 December 2019, the Group will continue to develop robust and effective processes to ensure ongoing compliance. The Board currently applies the Wates Corporate Governance Principles for Large Private Companies, and in 2020 the Group also aims to apply provisions of the UK Corporate Governance Code 2018 where appropriate.
- **Continued positive financial performance.** The Group Board and Management will continue to monitor the impact of the Coronavirus Covid-19 on staff, clients and other stakeholders, whilst seeking to minimise the risks to the operational and financial position of the Group. We also intend to capitalise on the acquisitions made during the course of the year, as well as continue to seek opportunities that complement the existing business. We will, of course, always balance the commercial opportunity with a prudent risk management attitude.

On behalf of the Group, I would like to take this opportunity to express my thanks and appreciation to all our clients for choosing to work with Marex Spectron; to all our employees for your continued dedication; and to my fellow Group Board members for the commitment they have shown.



Carla Stent
Non-Executive Chair

24 April 2020

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Chief Executive Officer's Review

I am pleased to report that 2019 was another record year for our firm. We exceeded our financial targets for the year, with record results across every financial metric - gross revenues, net revenues, EBITDA, profit margin, ROE and PBT. Gross revenues were \$554.9 million, up 43% on 2018's \$388.5 million, and net revenue up 19% at \$349.9 million, compared with \$294.7 million in 2018. EBITDA for the year was \$70.5 million, compared with \$52.0 million in 2018, \$39.6 million in 2017 and \$37.0 million in 2016. This record performance was achieved despite various headwinds that included the Fed lowering rates three times, global trade tensions and commodities coming under increased pricing pressure. We have transformed the scale and scope of the firm and these record results demonstrate the strength of our diversified global business as well as the commitment of our people across the firm.

A consistent growth trajectory and a more balanced franchise

Our continued growth is a result of acquisition as well as organic growth. Over the last year, we acquired and successfully integrated four businesses of varying sizes. The largest was Chicago-based Rosenthal Collins Group, a leading regulated agricultural Futures Commission Merchants. This 98 year-old business has over 150 employees and offers trade execution, clearing, brokerage, managed futures services and a full range of electronic trading services to institutional, commercial and professional customers.

London-based CSC Commodities, a trading firm specialising in market making in energy derivative products including crude oil, residual fuel oil, naphtha, gasoline, natural gas, coal and several dry freight routes and sizes, was acquired in January 2019. Dublin-based Energy Brokers Ireland, a leading Irish energy broker, closed in February 2019, and added Irish gas and power to Marex Spectron's existing energy business. We strengthened our capabilities in the physical energy and shipping markets in December 2019 through the acquisition of London-based Marquee Oil Broking, a specialist physical fuel oil broker.

These four bolt-on acquisitions materially expanded the firm and increased its regional diversification, with North America now accounting for a third of our business as well as a more extensive range of commodity product offerings.

Marex Solutions, our OTC derivative hedging business grew significantly in 2019, demonstrating our ability to generate organic growth and our success in building a business de novo. Combined with our acquisitions, the growth in new businesses has transformed the scale and scope of the firm, lifting profitability and materially diversifying our earnings.

We have also demonstrated our ability to successfully integrate our acquisitions and capture synergies with each of the businesses acquired in 2019 delivering a strong performance. We expect to invest in further strategic acquisitions throughout 2020 notwithstanding the global Coronavirus Covid-19 outbreak.

One of our achievements in 2019 was absorbing the capital requirements of two large businesses (Rosenthal Collins Group and CSC Commodities) and organic growth with minimal increases in our Pillar 1 regulatory requirement. In addition, we successfully supported the growth in the firm with the addition of only eleven people in core Support & Control. This demonstrates our ability to scale both capital and staff and to deliver economies as we grow.

Our financial strength was endorsed by S&P Global Ratings who reaffirmed its BBB long-term and A-3 short-term issuer credit ratings on Marex Spectron Group Limited and the BBB long-term and A-2 short-term issuer credit ratings on Marex Financial. We renewed our working capital facility on more flexible terms (reflecting our improving credit) and upsized the facility by \$40 million to \$165 million. Liquidity has been further diversified by our new capability to issue Structured Notes which in addition to being a new source of profitability has been a significant strength, enabling us to fund the acquisitions, while increasing net liquidity resources.

In 2019 we closed on the Nickel warehouse receipt matter, where the firm was the victim of an industry-wide fraud, with all the financial consequences reflected in the (record) results.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)
Chief Executive Officer's Review (continued)

Brexit

Our preparations for Brexit have focused on ensuring client business continuity. To achieve this, we established a Central Bank of Ireland regulated entity in Dublin as our European headquarters, and in June we migrated all our European Power clients to this new entity. This Irish entity also includes our newly purchased Irish Power business.

Culture

Over the past few years, we have sought to build an ever-stronger culture at Marex Spectron. We know you cannot grow a business successfully without a strong culture and value-set and investing in people. Underpinning our business are our people and we are absolutely committed to investing in and engaging with our employees to build a better business.

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

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

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

Making a difference

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

Given our position in the industry, we strongly believe that we have a role to play in promoting and supporting environmental sustainability initiatives. We made this clear in October 2019 when we announced our founding sponsorship of a multi-year Research Programme at the Smith School of Enterprise and the Environment at the University of Oxford. This is looking at the transition of capital-intensive industries to environmental sustainability, which includes the role of derivative markets and technology. Engaging in environmental sustainability and investing in renewable and recycling businesses is for us both a moral imperative as well as good business as we are confident these markets will evolve and grow rapidly.

At Marex Spectron, we work with big-hearted people. This was very clearly demonstrated by our energy franchise, which held a charity day that raised an extraordinary \$1.5 million for a colleague's experimental cancer treatment in the US. It is this strong sense of caring and willingness to "do the right thing" that is at the very heart of Marex Spectron's culture.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Chief Executive Officer's Review (continued)

Looking ahead

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

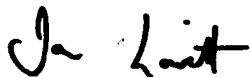
We want to continue to diversify our business and strengthen our competitive position across markets, products and regions. In North America, for example, our acquisition of Rosenthal Collins Group and other initiatives has increased the region's revenues to a third of our total revenue. We are looking to continue to grow our business in North America and believe that we can increase share to around half of our total revenue.

We will build on the successes of the past year and a core part of this is to develop an even stronger one-firm culture. This means deepening our relationships with clients to provide them with multiple value-added offerings from across our firm.

Q1 2020

The firm's performance in 2020 has been very encouraging so far as we remain on track for another record year. This demonstrates the resilience and diversification in our franchise. The Coronavirus Covid-19 crisis has challenged us with over 90% of our staff working from home but this has been navigated successfully to date. We believe we can grow market share and thrive through the inevitable dislocations which will result, and we remain very ambitious for the franchise.

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



I T Lowitt

Chief Executive Officer

24 April 2020

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Review of financial performance

It was against a backdrop of lower market volatility and three Fed interest rate cuts that we maintained our growth trajectory and reported yet another year of record revenues and operating profit. In 2019, our gross revenue was a record \$554.9 million, up 43% from \$388.5 million in 2018. Substantial improvements were achieved in all key financial metrics. PBT was \$46.6 million, compared with \$13.4 million in 2018 and \$25.4 million in 2017. These numbers and our long-term growth trajectory shows the strength of our business model, both its profit generating capacity as well as its risk management, and of our franchise.

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

	2019	2018	2017	2016	2015	2019 v 2018
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Revenue	554.9	388.5	322.2	330.4	347.7	166.4
Expenses	(537.0)	(346.7)	(297.1)	(304.2)	(325.0)	(190.3)
Interest Income	38.6	7.4	4.2	1.8	0.6	31.2
Interest expense	(5.6)	(4.0)	(4.2)	(2.0)	(1.8)	(1.6)
Profit before tax (before one-time expenses)	50.9	45.2	25.1	26.0	21.5	5.7
One-time expenses	(5.8)	(31.9)	-	0.9	(3.9)	26.1
Profit before tax (before one-time income)	45.1	13.3	25.1	26.9	17.6	31.8
One-time income	1.5	0.1	0.3	-	-	1.4
Profit before tax	46.6	13.4	25.4	26.9	17.6	33.2
Tax	(10.2)	(3.3)	(7.9)	(6.5)	-	(6.9)
Profit after Tax	36.4	10.1	17.4	20.4	17.6	26.3

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Review of financial performance (continued)

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

Adjusted PBT for 2019, which excludes non-operating items, was \$53.4 million, \$7.8 million higher than 2018. \$19.6 million above 2017, and \$31.2 million above 2015.

	2019	2018	2017	2016	2015	2019 v 2018
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Profit before tax (reported)	46.6	13.4	25.4	26.9	17.6	33.2
Exclude:						
One Time Revenues						
Contingent Consideration Adjustment	(1.5)	-	-	-	-	(1.5)
Dividends received	-	(0.1)	-	-	-	0.1
LCH clearnet share sale	-	-	(0.3)	-	-	-
One Time Expenses						
Warehouse Receipts Legal Matter	5.8	31.9	-	-	-	(26.1)
Dilapidations	-	-	-	(0.9)	0.9	-
Goodwill Impairment	-	-	-	-	3.0	-
Profit Before Tax (before one-time items)	50.9	45.2	25.1	26.0	21.5	5.7
Other Non-Op						
Renegotiated dilapidations	-	-	-	0.9	-	-
Exiting businesses	-	-	1.7	1.8	-	-
Investments in new initiatives	-	-	6.3	2.8	-	-
Owner fees	1.4	0.4	0.7	0.8	0.7	1.0
Onerous Lease	0.7	-	-	-	-	0.7
Customer List Amortisation	0.4	-	-	-	-	0.4
Adjusted profit before tax	53.4	45.6	33.8	32.3	22.2	7.8

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Review of financial performance (continued)

EBITDA was also a record at \$70.5 million, up \$18.5 million on 2018 and up \$30.9 million on 2017.

	2019	2018	2017	2016	2015	2019 v 2018
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Adjusted profit before tax	53.4	45.6	33.8	32.3	22.2	7.8
Exclude:						
Depreciation & amortisation	7.8	1.4	1.6	2.9	4.7	6.4
Financing costs	4.7	3.2	3.4	1.8	1.8	1.5
Lease expense relating to right of use asset	1.0	-	-	-	-	1.0
Implied interest cost of debt securities	3.1	-	-	-	-	3.1
Other non-operating costs	0.5	1.8	0.8	-	2.3	(1.3)
Management EBITDA	70.5	52.0	39.6	37.0	31.0	18.5
Net Revenue	349.9	294.7	245.6	243.1	251.0	
EBITDA Margin	20.1%	17.6%	16.1%	15.2%	12.4%	

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

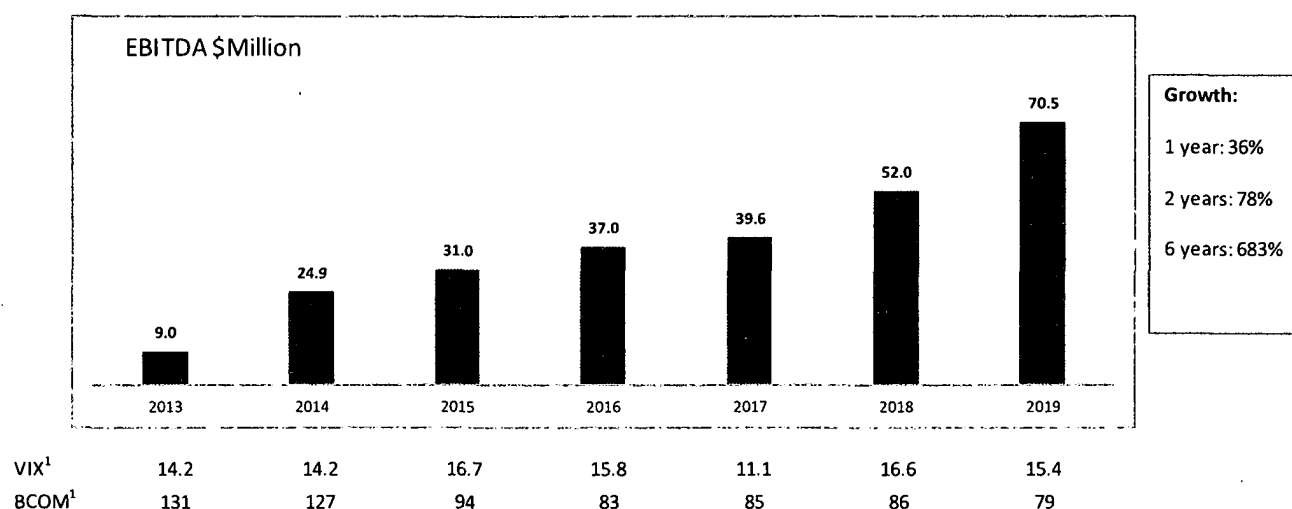
Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Review of financial performance (continued)

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

Similarly, the CBOE VIX index average declined 7.2%.

Despite these unfavourable conditions – high volatility and rising commodity prices typically help our business - the Group's EBITDA continued its dramatic upward trend, with 35% growth on 2018, a 78% increase on 2017, and a 683% increase on 2013.



¹ Average for the year. Data sourced from Bloomberg for VIX and Bloomberg Commodity Index

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Business Review

Marex Spectron is organised into four distinct business segments: Commercial Hedging, Market Making, Price Discovery, and Data & Advisory. Management evaluates the Group's performance on a net revenue basis – gross revenue of \$554.9 million (see note 5 to the financial statements) less cost of trade of \$235.8 million (included in operating expenses) and including net interest of \$33.0 million. The Company generated \$349.9m of net revenue, \$55.2 million higher than 2018.

2019

\$ million

	Commercial Hedging	Market Making	Price Discovery	Data & Advisory	Total
Base Businesses					
Metals	41.7	46.0	-	-	87.7
Agriculturals	14.4	7.5	-	-	21.9
Energy	7.6	-	123.4	3.3	134.3
Other Execution & Clearing	19.2	-	-	-	19.2
New Businesses					
Marex Solutions	18.8	-	-	-	18.8
RCG	41.6	-	-	-	41.6
CSC	-	12.7	-	-	12.7
Corporate	13.7	-	-	-	13.7
	157.0	66.2	123.4	3.3	349.9
	45%	19%	35%	1%	100%

2018

\$ million

	Commercial Hedging	Market Making	Price Discovery	Data & Advisory	Total
Base Businesses					
Metals	45.8	43.5	-	-	89.3
Agriculturals	16.3	17.3	-	-	33.6
Energy	6.6	-	119.0	3.3	128.9
Other Execution & Clearing	22.9	-	-	-	22.9
New Businesses					
Marex Solutions	7.0	-	-	-	7.0
Corporate	13.0	-	-	-	13.0
Total	111.6	60.8	119.0	3.3	294.7
	38%	21%	40%	1%	100%

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Commercial Hedging

Commercial Hedging net revenue in 2019 was \$157.0 million, \$45.4 million above the \$111.6 million in 2018. The acquisition of Rosenthal Collins Group and higher revenue from the successful growth in Marex Solutions has driven the 42% year on year increase.

A major part of the Commercial Hedging activities is our Metals execution and clearing, which generated net revenue of \$41.7 million, compared with \$45.8 million in 2018. This was in line with lower metal market volatility in 2019 that saw trading volumes generally fall across exchanges and relatively range-bound markets.

In Agriculturals, net revenue from cocoa, coffee, sugar and grains, was \$14.4 million in 2019, compared with \$16.3 million in 2018. The decline was largely due to currency weaknesses, over-supply and structural changes in a number of key supply markets for cocoa, coffee and sugar. Grains experienced higher trading volumes, as heavy rains impacted the Midwest United States.

Rosenthal Collins Group's net revenue for the year was \$41.6 million as volatility across core markets helped drive performance, with May and June recording the best volumes since 2012.

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

Market Making

Metal market making net revenue in 2019 was \$46 million, up from \$43.5 million. Volatility in metals was lower than the previous year, but the team benefited from a strong second half to the year, as various events, including Indonesia's expedited ban on nickel exports, along with directional moves in gold, zinc and a shift in the aluminium curve, created volatility and opportunity.

CSC, our energy trading arm, also had a very strong second half as the team profited from increased activity in fuel oil hedging opportunities that arose from the new IMO 2020 regulation.

Agricultural market making was more subdued in 2019, which was in line with the industry, with net revenue of \$7.5 million, down from \$17.3 million in 2018.

Price Discovery

Energy net revenue in 2019 was \$123.4 million, a 4% increase on 2018. Fuel Oil, Natural Gas, Canadian Crude, Naphtha, LPG, Biofuel, Environment Products, Physical Tanker, Options and Power desks all saw increases in 2018. Performance was assisted by increased energy market volatility, including oil market supply disruptions and the onset of new shipping regulation, IMO 2020, which was introduced on 1 January 2020 to reduce sulphur emissions.

Throughout the year we continued to expand our physical energy presence, not only in headcount, but also with the bolt-on acquisition in December of Marquee Oil Broking, a specialist provider of physical fuel oil broking services. This acquisition, and the additional changes through the year, has enhanced and strengthened our top-tier physical Gasoline, Fuel, Canadian Crude and Shipping franchises.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Data & Advisory

Our investments in data and content are a value-adding differentiator for our clients. In many areas we include these services to clients as part of a broader offering, and do not charge for it separately. We believe that investment in content, algorithms and data increase competitiveness and we intend to increase our investment in this area. The \$3.3 million revenue in this segment does not reflect the full value of this activity for the firm.

In 2019, we combined our fundamental and quantitative research teams in Global Research, a move that has allowed us to develop more coordinated value-added content. In October we launched a unique global copper smelting index, alongside Earth-i, that matches artificial intelligence and machine learning analytics with high definition satellite imagery of global smelters. We also added new data and functionality to our NEON trading, risk and data platform. In 2020 we will increase our investment in this space, as we see significant opportunities from proprietary data analytics and technology, and will look to monetise these services as we move beyond our more traditional channels.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Balance sheet

Shareholders' equity increased by \$35.9 million in 2019 (2018: increased by \$9.5 million). This resulted from the profit after tax of \$36.4 million (2018: \$10.1 million), a negative adjustment of \$1.7 million from the impact of the change in accounting policy for leases under IFRS 16, and a net gain in other capital reserves of \$1.2 million.

Tangible equity reduced by \$8.2 million in 2019 (2018: increase of \$8.4 million). This reduction was caused by the goodwill increase of \$38.2 million (2018: nil) and the increase of other intangible assets of \$5.9 million (2018: increase of \$1.1 million), which offset the increase in shareholders' equity of \$35.9 million (2018: increase of \$9.5 million). The increase in goodwill was caused by the acquisition of four businesses during 2019; \$20.6 million for the London based oil trading company, CSC Commodities UK Ltd; \$10.5 million for the acquisition of the trade and assets of the Rosenthal Collins Group, a Futures Commission Merchant; \$2.0 million for the acquisition of Energy Broking Ireland Ltd, an energy brokerage firm based in Dublin; and \$3.4 million for the acquisition of Marquee Oil Broking Ltd, a specialist provider of physical oil broking services; and \$1.7 million for an additional investment in the Group's subsidiary Carlton Commodities 2004 LLP.

Other intangible assets increased by \$5.9 million as a result of the recognition of \$3.5 million in Customer Relationships and \$0.7 million for the Brand, both in relation to the RCG purchase, and \$1.7 million for Software Development.

	2019	2018
	\$'million	\$'million
Shareholders' equity	417.8	381.9
Intangible assets	(7.8)	(1.9)
Goodwill	(179.2)	(141.0)
Tangible equity	230.8	239.0

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Balance sheet (continued)

The acquisition of Rosenthal Collins Group is the main driver of the substantial increase in the assets of the firm which are up \$1,140.9 million (91%) in 2019. The balance sheet remains very liquid as the preponderance of this increase is in Treasuries and Cash (up \$924.3 million) which reflects the customer receipts in the RCG business. The growth in the Solutions business is reflected in the increase in derivative instruments and equities held as hedges.

\$'million	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	217.5	-	160.7	-
Financial instruments (Treasuries)	1,093.9	-	226.4	-
Liquid assets	1,311.4	-	387.1	-
Trade receivables	891.5	-	797.1	-
Other receivables	29.0	-	22.9	-
Trade payables	-	(1,770.4)	-	(858.4)
Other payables	-	(88.0)	-	(72.9)
Trade and other receivables / (payables)	920.5	(1,858.4)	820.0	(931.3)
Derivative instruments	91.9	(77.0)	28.9	(48.8)
Net derivative assets / (liabilities)	91.9	(77.0)	28.9	(48.8)
Tax assets/ (liabilities)	3.6	(1.8)	5.2	(0.7)
Right-of-use asset	23.6	-	-	-
Lease liability	-	(27.6)	-	-
Debt securities	-	(196.2)	-	-
Equity instruments	29.6	-	-	-
Provisions	-	(1.1)	-	(32.2)
Non-current assets	12.3	-	10.8	-
Other	69.1	(226.7)	16.0	(32.9)
	2,392.9	(2,162.1)	1,252.0	(1,013.0)
Tangible equity		230.8		239.0

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Balance sheet (continued)

Deployment of equity

Liquid assets have increased by \$924.3 million, as a result of an increase in Financial instruments of \$867.5 million and an increase in Cash and cash equivalents of \$56.8 million. The Group had a net cash outflow of \$110.7 million from the investment in new acquisitions (both net assets and premiums paid) and \$29.6 million from the purchase of equity instruments. This was funded by the issuance of \$196.2 million of debt securities, which are structured note instruments issued by the Group.

	2019	2018	2019 v 2018
	\$'million	\$'million	\$'million
Cash and cash equivalents	217.5	160.7	56.8
Financial instruments – (Treasuries)	1,093.9	226.4	867.5
Liquid assets	1,311.4	387.1	924.3
Trade receivables	891.5	797.1	94.4
Trade payables	(1,770.4)	(858.4)	(912.0)
Net trade (payables) / receivables	(878.9)	(61.3)	(817.6)
Derivative instruments – assets	91.9	28.9	63.0
Derivative instruments – liabilities	(77.0)	(48.8)	(28.2)
Net derivative (liabilities) / assets	14.9	(19.9)	34.8
Other receivables	29.0	22.9	6.1
Other payables	(88.0)	(72.9)	(15.1)
Net tax assets / (liabilities)	1.8	4.5	(2.7)
Provisions	(1.1)	(32.2)	31.1
Lease liability	(27.6)	-	(27.6)
Debt securities	(196.2)	-	(196.2)
Right-of-use asset	23.6	-	23.6
Equity instruments	29.6	-	29.6
Non-current assets	12.3	10.8	1.5
Other net payables	(216.6)	(66.9)	(149.7)
Tangible equity	230.8	239.0	(8.2)

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Liquidity

Company liquidity resources are the cash or assets that can be quickly converted to meet immediate and short-term obligations. The resources include non-segregated cash, unencumbered US Treasuries, LME house forward profits in excess of house margin requirements, and LME house warrant inventory. The firm also includes the undrawn portion of its committed Revolving Credit Facility (RCF) in its liquidity resources. The Group ended 2019 with \$387 million of Liquidity Resources compared to the 2018 average of \$289 million.

In 2019, the firm increased its Working Capital Facility by \$40 million to \$165 million, with Lloyds Bank, Bank Leumi UK, Industrial and Commercial Bank of China Limited London Branch and Barclays Bank expanding the size of its commitments from \$25 million to \$35 million each. The facility also includes Allied Irish Bank with a commitment of \$25 million. In addition to increased size, access to same day liquidity increased by \$10 million to \$35 million for improved cash management.

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

Regulatory capital

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

The Group is regulated by the FCA and the Group has regulated subsidiaries operating in jurisdictions outside of the UK. The Group and its subsidiaries are in compliance with the regulatory requirements and are appropriately capitalised relative to the minimum requirements as set by the relevant competent authority.

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

As at 31 December 2019 the Group had Own Funds of \$192.8 million and a total minimum capital requirement ('Pillar 1') of \$89.2 million. Average Pillar 1 requirement for 2019 was \$90.0m.

As at 31 December 2019 the Group reported a Pillar 1 excess of \$103.6 million.

As at 31 December 2019, the Group reported a capital ratio of 17.28%. The ratio expresses the Group's capital as a percentage of Total Risk Exposure (Pillar 1 divided by 8%). The average capital ratio in 2019 was 18.34%, well above the regulatory requirement of 8%. The Group manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Group's growth and strategic options. The Group performs capital projections and stress testing at least annually as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP').

Pillar 3 Disclosures for the Group are published annually on the Group's website.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Overview of risk management

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

To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Group's Enterprise Wide Risk Management (EWRM) Framework which is enabled by people, processes and systems and sets the foundations and organisational structure for implementing and reviewing risk management practices and activities across the Group.

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

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

Components of the EWRM Framework

Risk Culture		Risk Governance		
Risk Appetite				
Risk Management Tools				
Risk Identification & Assessment				
Risk Measurement & Control				
Risk Reporting				
Credit	Market	Operational	Liquidity	Strategic & Business

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Risk Culture

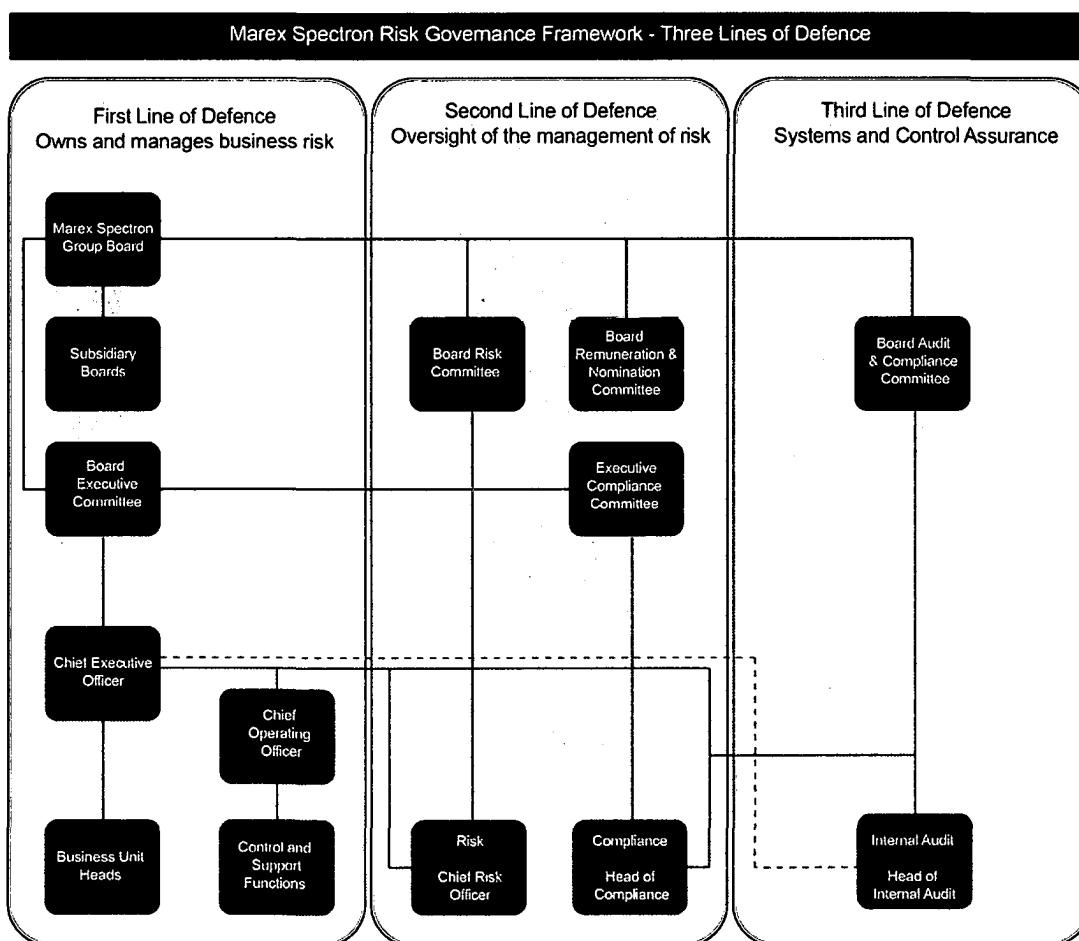
Risk culture describes the values and behaviours present throughout the organisation which shape risk decisions made by each employee. The risk culture is consistent with the Group's ethics and values, strategic and risk objectives.

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

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

Risk Governance

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



Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

First Line of Defence

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

Second Line of Defence

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

Third Line of Defence

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

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

Board of Directors:

Sets the overarching risk culture of the Group.

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

Board Executive Committee:

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

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

Chief Executive Officer (CEO)

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Risk Committee

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

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

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

Chief Risk Officer (CRO)

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

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

Audit & Compliance Committee (ACC)

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

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

Risk Appetite

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

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

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

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Risk Management Tools

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

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

RCM:

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

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Risk Measurement & Control

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

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

Risk Reporting

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

General Risks

Volatility

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

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

Pricing pressure

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

Commodity prices

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

Exchange rules

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Specific Risks

Cyber

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

Geopolitical

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

Brexit

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

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

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

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

Pandemic

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

Terrorism

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

Regulation

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

Movement to screens

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Section 172(1) Companies Act 2006

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term
- b) the interests of the Group's employees
- c) the need to foster the Group's business relationships with suppliers, customers and others
- d) the impact of the Group's operations on the community and the environment
- e) the desirability of the Group maintaining a reputation for high standards of business conduct
- f) the need to act as fairly as between members of the Group.

The Directors took into account the views and interest of a wider set of stakeholders, including the regulators, and our clients. Further detail on the above can be found in the Application of the Wates Corporate Governance Principles section as follows: (a) details Principle 4, (b) to (d) explained by Principle 6, (e) being covered by Principle 1 and (f) being covered by Principle 5 and 6.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)
Application of the Wates Corporate Governance Principles

Principle 1 – Purpose and Leadership

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

The Group Board is responsible for the long-term success of the Company and is the body empowered to set the Group's strategy, objectives and overall direction in line with the Group's purpose. As the body that oversees and monitors management decision-making, the Group Board defines and is accountable for the implementation of governance arrangements that ensure the effective and prudent management of all the Group's companies, including the segregation of duties and the prevention of conflicts of interest. The Group Board is the ultimate governing body of the Group and it plays a pivotal role in execution of the Group's strategy. The Group Board is also key in promoting and embedding the Group's cultural values and ensuring a sound risk management culture and environment.

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

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

Corporate culture and conduct remains a key priority for the Group, and the numerous initiatives undertaken to embed the firm's cultural values are validated by Internal Audit as part of every assignment that they undertake. The Group Board and executive management have increased its oversight of conduct and culture related matters throughout 2019, with regular debate and discussion at meetings of the Group Board and Board Sub-Committees.

The Group Board sets 'the tone at the top' and cascades this through the business via ongoing dialogue with the workforce and other stakeholders. In 2019, the Group conducted its first Employee Engagement Survey, which saw immediate results across the Group, with action plans put in place by each business head to make specific improvements at a divisional and geographical level.

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

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Principle 2 – Board Composition

The Group Board is structured to bring a broad balance of skills, knowledge and experience to the Group. The Group has a separate Chair and Chief Executive Officer, which maintains a balance of responsibilities, accountability and decision-making. The Group Board is currently comprised of:

- Independent Non-Executive Chair
- Three Executive Directors (Chief Executive Officer, Chief Operating Officer and President)
- One Independent Non-Executive Director
- Seven Non-Executive Directors (representing the majority shareholders)

The Board is currently in the process of recruiting an additional independent Non-Executive Director.

A biography for each board director can be found in the Corporate Governance Report.

The Non-Executive Directors combine broad experience with objective judgement and provide challenge to executive management. Each Director receives a comprehensive induction upon joining the Group Board, is expected to commit sufficient time to meet the expectations of their role, and receives continued support and training (facilitated by the Chair and Company Secretary) to enable them to carry out their duties effectively. The Group Board intends to appoint a further Independent Non-Executive Director in 2020, who will also Chair the Audit & Compliance Committee and become a member of the Remuneration & Nomination Committee.

The Group Board acknowledges a lack of diversity in its composition, which is a symptom of the specific challenges in our industry, however we are working hard to overcome these. As explained by both our Chair and the Chief Executive Officer in their reviews, the Group is fully committed to promoting equality and diversity, having recently updated the firm's Equality and Diversity policy, and strengthened diversity and inclusivity programmes.

The Board continually assesses the independence of each of the Non-Executive Directors and has determined that all of the Non-Executive Directors are independent in character and judgement.

None of the Non-Executive Directors, nor their immediate families, have received additional remuneration from the Group, apart from Independent Non-Executive Directors' fees paid and management fees paid to JRJ in accordance with the Shareholders' Agreement, and fees paid to MCS Advisory Ltd, a company associated with the Non-Executive Chair. The accuracy of the JRJ fees is reviewed annually by Internal Audit on behalf of the Audit & Compliance Committee. The Group Board believes that there are no relationships, conflicts of interest or other circumstances that are likely to affect, or could appear to affect, any Director's judgement and at the commencement of each Group Board Meeting, the Directors are invited to advise of any conflicts or potential conflicts in respect of any item on that meeting's agenda. The full Register of Directors Interests is presented to the Group Board annually for approval.

Effectiveness of the Group Board is assessed annually and in 2019 this was conducted by the Chair, who met with each of the directors individually. The directors concluded that the Group Board is effective, and that board composition is appropriate; and enhancements suggested by directors to processes were reviewed and implemented where appropriate (such as the addition of an experienced advisor as support to the Risk Committee).

Marex Spectron Group Limited GROUP STRATEGIC REPORT (CONTINUED)

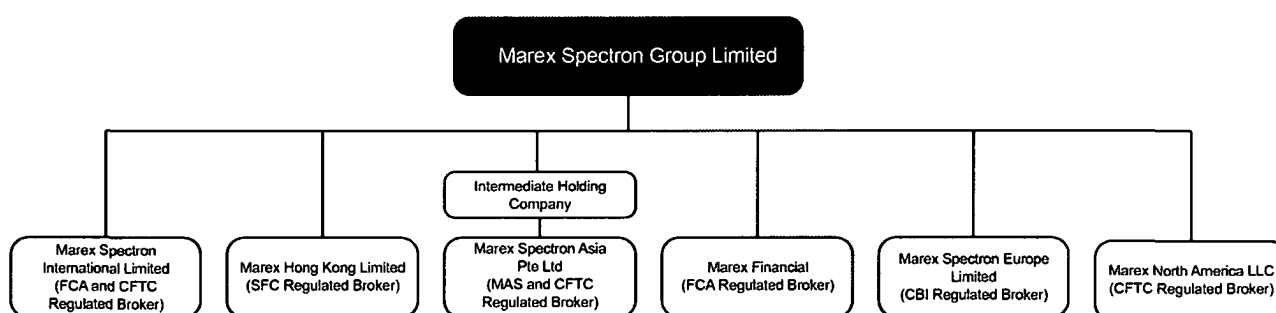
Principle 3 – Director Responsibilities

The Group's governance arrangements are assessed annually by the Company Secretary and the Chair to ensure that these are robust and effective, and that lines of accountability and responsibility are clear. Any required enhancements are suggested to the Group Board as appropriate.

The governance structure takes into account the specific governance requirements or guidelines issued by applicable regulators, and the Group has dispensation from its UK regulator, the Financial Conduct Authority, to centralise the governance of the Group at a holding company level. All participants are careful to consider the capacity within which decisions are taken and cognisant of the specific entity involved in the matter.

The Company Secretary advises the Group Board on matters of corporate governance and ensures that the correct procedures are followed. He attends all meetings of the Group Board, Subsidiary Boards, and Board Committees (including, with some exceptions, the Remuneration & Nomination Committee). All members of the Group Board, Subsidiary Boards and Board Committees have access to the services of the Company Secretary. In the 2019 Board Effectiveness Review, the Directors rated the quality of papers submitted to the Group Board from good to excellent and agreed that the Group Board receives good support from the Company. Further improvements have been made throughout 2019 to ensure that the Group Board receives papers in good time.

During 2019 the Group successfully implemented the Senior Managers and Certification Regime ('SMCR') for its UK-regulated subsidiaries and it continues to develop robust and effective processes to ensure ongoing compliance. These include statements of responsibility for the senior manager functions, enhanced handover procedures, a responsibilities map setting out allocation of functions and prescribed responsibilities, and clear reporting lines for individuals.



At least one director on each Regulated Company Board is a director or standing attendee of the Group Board. All other Regulated Company Board directors are members of the Management Executive Committee (subject to some exceptions based on local requirements). Directors of Regulated Company Boards are recommended by the Remuneration & Nomination Committee to the relevant Regulated Company Board for approval. Marex North America LLC does not have a Board of Directors.

In addition to the directors, board meetings may also include standing attendees and invitees. Standing attendees are expected to participate fully in the meeting (or relevant part thereof), however they will not have the right to vote. Invitees act simply as either presenters or observers and make contributions when called upon to do so.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

The formal corporate governance structure of Marex Spectron includes the following Board Committees:

- Board Audit & Compliance Committee
- Board Risk Committee
- Board Remuneration & Nomination Committee
- Board Executive Committee
- Board Acquisitions & Disposals Committee

Each committee is chaired by a Non-Executive Director except for the Board Executive Committee which is chaired by the Chief Executive Officer. The responsibilities of each Board Committee are in respect of the Group Board and the Regulated Company Boards and members of all Board Committees are appointed by the Group Board from amongst its directors. The roles and responsibilities of each Board Committee are set out in the relevant terms of reference, which are approved annually by the relevant Board Committee and by the Group Board.

Meetings of Board Committees are held at the frequency detailed in the relevant terms of reference and can also be convened by the relevant Chair or by any member on request. Copies of agendas for the meetings are distributed in advance, together with supporting papers and all meetings are formally minuted by the Group Company Secretary. Minutes of these meetings are shared with the full Board and are supplemented with verbal updates from the Committee Chairs at every Board meeting.

In addition to members, participants at Board Committee meetings may include standing attendees, alternates and invitees. Standing attendees are expected to participate fully (save for the right to vote) in the activities of the committee attended (or part thereof) and invitees are expected to present or to observe, making contributions when called upon to do so. Alternates are expected to participate fully in the absence of their relevant principal. An overview of each Board Committee is set out below.

Audit & Compliance Committee

The role of the Audit & Compliance Committee is to act independently from executive management to ensure that the interests of shareholders are properly protected in relation to financial reporting, external auditing, internal financial controls and regulatory compliance. The Committee also monitors the effectiveness of the Group's internal audit function and ensures there is an appropriate relationship with the external auditor. The Audit and Compliance Committee is responsible for:

- Reviewing the systems of internal control, including the effectiveness of policies, controls, risk identification and control, detection and prevention of fraud and compliance with legal and regulatory requirements;
- Oversight of the Internal Audit function, including approving, monitoring and challenging the scope of Internal Audit reviews, examining Internal Audit reports and ensuring timely resolution of issues; and
- Reviewing and recommending the annual financial statements and appointment and reappointment of auditors for the Group (and approval of associated fees).

The Audit & Compliance Committee is comprised of:

- Members*: Daniel Hallgarten (Interim Chair), Henry Richards, Joseph Cohen.
- Attendees: Group Chair, Global Head of Internal Audit, Group Head of Compliance, Chief Financial Officer, Head of Treasury, Chief Executive Officer, Chief Risk Officer and Chief Operating Officer.

* During the year under review the previous Chair of the Audit & Compliance Committee was appointed as Group Chair. Pending the appointment of an additional Independent Non-Executive Director, Daniel Hallgarten has acted as Interim Chair.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Risk Committee

The Risk Committee has been mandated to oversee and provide advice to the Group Board on the Group's current risk exposures and future risk strategies (including the strategy for capital and liquidity management); the embedding and maintenance throughout the Group of a supportive culture in relation to the management of risk; and the establishment of prescriptive rules and procedures in relation to risk.

The Risk Committee is responsible for the oversight and management of the key risks facing the Group and maintaining the Group's risk profile within the risk appetite set by the Group Board. It advises the Group Board on risk appetite, tolerance and future risk strategy, considering:

- the Group Board's overall risk appetite;
- the current financial resources of the Group;
- the Group's ability to manage and control risks within the agreed strategy; and
- the current and prospective economic and financial environment.

The Committee also supports the Group Board in setting an appropriate 'tone from the top', in order to promote a risk-aware culture and embed risk management throughout the Group. The Risk Committee is comprised of:

- Members: Lord Fink (Chair), Roger Nagioff, Daniel Hallgarten and Vittorio Pignatti-Morano.
- Standing Attendees: Chief Risk Officer, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Group Head of Compliance, President, Group Chair and the Head of Enterprise Risk.

An advisor to the Risk Committee was appointed in late 2019 and will attend meetings on an ongoing basis.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is mandated to act independently from executive management to ensure that the interests of shareholders are properly protected in relation to remuneration of employees; to ensure that there is a formal and transparent process for developing policies, practices and procedures for determining the remuneration packages of FCA Code Staff and other employees; to ensure compliance with all regulatory requirements pertaining to remuneration; and to nominate candidates for membership of the Group Board and Regulated Company Boards. The Remuneration & Nomination Committee is responsible for:

- approving the Remuneration Policy
- approving the annual FCA Remuneration Policy Statement
- approving the fixed and variable remuneration of board members, senior management and key employees (no Executive Director is involved in deciding his or her own remuneration)

The Committee is comprised of:

- Members*: Jeremy Isaacs (Chair), Carla Stent, Vittorio Pignatti-Morano and Peter Kadas.
- Standing Attendees: Chief Executive Officer and Group HR Director.

* A further Independent Non-Executive Director will be added as a member once appointed to the Group Board.

Board Executive Committee

The Board Executive Committee is charged with the day to day conduct of the Group's business; developing and recommending Group objectives, strategy and budget to the Group Board; and executing the strategy approved by the Group Board. The Board Executive Committee is comprised of:

- Members: Ian Lowitt (Chair), Paolo Tonucci, Simon van den Born.
- Standing Attendees: Chief Financial Officer, Chief Risk Officer, Group HR Director and Group Head of Energy.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Acquisitions & Disposals Committee

The Acquisitions & Disposals Committee meets as required and is tasked with evaluating potential acquisition and/or divestment of companies, businesses and/or teams, as proposed by management. The Committee carefully considers the risks of the proposed transaction and reviews the contribution to the Group's shareholder value; ensuring that appropriate due diligence is undertaken and that the terms of such acquisition or disposal have been satisfactorily negotiated. The Committee recommends proposals to the Group Board.

The Committee is comprised of:

- Members: Carla Stent (Chair), Daniel Hallgarten, Roger Nagioff and Joseph Cohen.
- Standing Attendees: Chief Executive Officer and Chief Operating Officer.

Principle 4 – Opportunity and Risk

The Group Board held an offsite 'Strategy Day' in January 2019, at which the overarching strategy of the Group, as formulated by the Board Executive Committee, was approved. The focus was largely strategic, covering acquisitions, technology, HR and Risk. The Group Board has continually identified opportunities to evolve the Group in line with agreed risk appetite and long-term strategy, as our acquisition of CSC Commodities, Rosenthal Collins Group and Energy Broking Ireland clearly demonstrate, in addition to the rapid growth shown by our innovative Marex Solutions business.

The Group Board has delegated authority to the Risk Committee for oversight and management of key risks and maintaining the Group's risk profile within the risk appetite set by the Group Board. The Risk Committee meets on a quarterly basis and ad-hoc as required, focussing on the key risks faced by the Group, including market, credit and operational risk. The committee oversees and challenges day-to-day risk management and oversight arrangements of senior management; assesses the current risk exposures of the Group, drawing on appropriate qualitative and quantitative metrics; reviews the Group's current risk exposures and advises the Group Board of any risk exposures of concern; and develops metrics to be used to monitor the Group's risk management performance and periodically review the methodologies and tools used in assessing and monitoring the Group's risk exposures. In 2019 the Group also enhanced its Enterprise Wide Risk Management Framework reflecting regulatory feedback and changes in the business.

The Group Board reviews and approves on an annual basis the Group's internal assessment of capital and liquidity adequacy which allows the Board to monitor the activities of the Group and its results against the targeted financial resilience and liquidity. The Group Board reviews the forecasted financing requirements, financing capacity and options that are required to deliver the targeted financial resilience levels and allowing for Group strategy to be set.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Principle 5 – Remuneration

The Remuneration & Nomination Committee reviews and approves the annual remuneration and discretionary bonus awards for all staff and ensures that remuneration has been designed to promote the long-term success of the company, is transparent, and aligned with behaviour, conduct and the Group's cultural values. In 2019 the Committee also reviewed and approved a new Management Incentive Plan for executive directors, and a Growth Share Plan for senior executives.

In 2019 the Group Remuneration & Nomination Committee reviewed and approved the Remuneration Policy, which was further developed and enhanced in January 2020. The Remuneration Policy sets out the way remuneration is structured, how potential conflicts of interest are managed, benefit arrangements, calculation of performance-based remuneration (using financial and non-financial metrics, the latter including effective risk management, compliance and conduct measures), and risk adjustment. The Group Remuneration & Nomination Committee is comprised of Non-Executive Directors in order to ensure independence and appropriate consideration of shareholder interests.

In our 2019 Gender Pay Gap Report we reported a total mean and median gender pay gap of 32% and 31% respectively, versus the industry's 36% and 33%. Whilst our pay gap is in line with the industry, analysis has shown that it is gender distribution (fewer women in senior positions), and not unequal pay, that is the driver of our pay gap (for matched roles, there is no pay gap between genders). Our mid to long term aim is to increase female numbers across the board (and specifically within senior roles) where in 2019 we appointed a female Chair, hired and promoted several female employees including a female resourcing manager, an employment lawyer, head of Compliance and payroll manager.

Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Principle 6 – Stakeholder Relationships and Engagement

During the course of the year we engage with a broad range of stakeholders that allows us to build more meaningful relationships and understand their expectations. These stakeholders includes our clients, our people, the environment, regulators, suppliers and shareholders.

Clients

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

Our people

We invest in our people and help them develop their careers. Our people are the basis of our competitive advantage, so we look to grow our own and make our business the place that ambitious, hardworking, and talented people choose to build their careers. We are committed to offering equality of opportunity to all, regardless of gender. We frequently engage with our employees through formal and informal channels. These include face-to-face dialogues between employees and line managers, regular 'Town Halls' and staff breakfasts with the CEO, the Chief Operating Officer hosts staff lunches, culture and conduct workshops were attended by over 400 staff in 2019, and quarterly newsletters were launched (with 75-80% readership). External events held for staff included a 'Tough Mudder', a Five-a Side football competition and fun runs. In 2019, we ran our inaugural employee survey that provided new levels of feedback and has already resulted in improvements to our business; this has also provided a benchmark to compare our business against, with the next survey planned for 2020. In 2019 the Group approved its first annual Whistleblowing Report, which sets out how reports of whistleblowing would be taken forward, reviewed the operation and effectiveness of policies and procedures, and suggested areas for enhancement. The Group Board Chair was also appointed as 'Whistleblowers' Champion' in 2019.

The Environment

As set out in the Chief Executive Officer's Review, the Group recognises its role in promoting and supporting environmental sustainability initiatives. In 2019 the Group announced a founding sponsorship of a multi-year Research Program at the Smith School of Enterprise and the Environment at the University of Oxford, and the Group Board intends on further strengthening its commitment to sustainability throughout 2020, driven by acquisitions, partnership initiatives and development of a Corporate Social Responsibility Policy and Social Purpose Statement.

Regulators

The Group is subject to an extensive supervisory and regulatory framework across each of the countries in which we operate. Changes in this regulatory framework could have a significant effect on our businesses and clients, position and costs, as well as on the financial and economic environment in which it operates. Because of this we maintain a constant and open dialogue with our regulators around the world. As a UK based company, our most frequent interaction is with the Financial Conduct Authority, centralised through the Compliance function and with regular discussions that include other relevant areas of the Group and also meetings with our Executive team. We have increased our dialogue with the Commodity Futures Trading Commission, our main regulator in the United States, as we continue to grow our footprint there.

Suppliers

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

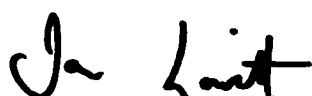
Marex Spectron Group Limited
GROUP STRATEGIC REPORT (CONTINUED)

Shareholders

As a private company, we maintain a balance between delivering value for our shareholders, but also developing our business as a world leading commodity specialist. Each of our key shareholder groups are represented by directors on the Group Board and between board meetings there is regular communication between our CEO, Chair and shareholder representatives. The Company also has a small amount of ordinary non-voting shares held by current and former management and staff, each of whom retains the right to receive any dividend paid by the Company. Our website is regularly updated to provide these shareholders (and other stakeholders) with the Group's latest news and developments, including copies of the latest financial statements of the Group and key subsidiaries.

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

Approved by the Board of Directors and signed on its behalf by:



I T Lowitt
Director
24 April 2020

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Group Board Director Biographies

Carla Stent, Chair

Carla Stent was appointed Non-Executive Chair of the Marex Spectron Board in January 2019, having previously been a Non-Executive Board Member since 2014. Carla has extensive executive and non-executive international experience across financial services, principally banking and private equity, as well as retail and travel. Her current Board roles include the Post Office Limited, JP Morgan Elect plc, Smith and Williamson Group and Power to Change. She has also served on the boards of Change Alliance (India) Private Limited, Christian Aid, The Young Women's Trust, and various Virgin Group entity boards, amongst others. From 2010 to 2013, Carla was Chief Operating Officer and Partner at Virgin Group. She was previously Deputy Chief Financial Officer and Chief Administrative Officer of the Global Retail and Commercial Bank arm of Barclays Bank. From 2000 to 2004, at Thomas Cook AG Group, she held a variety of roles, including Operations Director, as well as Director of Group Strategy & Corporate Finance.

Lord Stanley Fink, Non-Executive Director

Lord Fink is a well-known figure in the world of hedge funds and philanthropy, having been active in the industry for over twenty-five years. He is the former Chairman of systematic hedge fund ISAM and Zenith Hygiene Products, and was previously CEO of Man Group plc, where he presided over the company's rapid growth in an illustrious career dating from 1987 to 2008 (he served as CEO from 2000 to 2007 and headed Man's fund management business from 1996). Prior to this, he worked for Citibank in Structured Finance and Mars Confectionery, following a qualification as a Chartered Accountant with Arthur Andersen in 1982. Stanley read Law at Trinity Hall College Cambridge University and attended Manchester Grammar School. Stanley is a committed philanthropist with a focus on children's charity, particularly in the fields of health and education. He is President of the Evelina London Children's Hospital, as well as a longstanding Trustee of ARK. He is Co-Chairman of the Board of Governors of the Oxford Centre for Hebrew and Jewish Studies and Council Member of the Association of British Neurologists (ABN). He was also a Trustee of the Mayor's Fund for London between 2008-2017 and Chair Emeritus of the Governors at Burlington Danes School which he sponsored through ARK. Raised to the peerage in 2011 as Baron Fink of Northwood, Stanley is also active in politics. He was Conservative Party Treasurer and Co-Treasurer from 2009, standing down in 2013, prior to which he served on a number of policy committees for the party.

Jeremy Isaacs, Non-Executive Director

Jeremy Isaacs is a Founding Partner of JRJ Group, and has close to three decades of financial services industry and investment experience. Prior to establishing JRJ Group, in late 2008, Jeremy was the Chief Executive Officer of Lehman Brothers in Europe, Middle East, and Asia. Before joining Lehman Brothers, he led the European equity derivatives trading business of Goldman Sachs. He participates in numerous philanthropic activities, holding a range of positions, including Trustee of The J Isaacs Charitable Trust and Chair of Trustees for the Noah's Ark Children's Hospice. Jeremy is an Honorary Fellow of the London Business School. He has previously served as non-executive director of Imperial College Healthcare NHS Trust 2003-16 and as a Member of British Olympic Advisory Board 2007-12. Jeremy was appointed Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for his services to the NHS. In May 2019, Jeremy received a Doctor of Philosophy Honoris Causa from the Haifa University, Israel.

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Group Board Director Biographies (continued)

Roger Nagioff, Non-Executive Director

Roger Nagioff is a Founding Partner of JRJ Group, and has 35 years of operating and investing experience in the financial services and real estate industries. Prior to co-founding JRJ Group, he served in various senior executive positions within Lehman Brothers, holding leadership roles in a number of business lines in Europe and the United States. Roger was Global Head of Fixed Income at Lehman Brothers, succeeding to the role from his previous position as Chief Operating Officer for Europe, and before that, as Co-Head of Global Equities. Roger holds a BA degree in law.

Henry Richards, Non-Executive Director

Henry Richards is a Principal at JRJ Group, focussing on origination and execution of private equity investments. Prior to joining JRJ Group in 2015, Henry worked at JP Morgan in London in the Financial Institutions Group. Henry holds a BA (Hons) in Classics from the University of Durham.

Peter Kadas, Non-Executive Director

Peter Kadas is a senior adviser at BXR Corporate Consulting Partners SL. He founded and led CS First Boston Budapest from 1989 to 1995. In 1995 he co-founded Renaissance Capital in Moscow before moving to MC Securities in London in 1996. From 1997 to 2000 he was chief executive of Croesus Central European Corporate Restructuring Fund which he co-founded. He then worked in various roles in the UK arm of a predecessor of the BXR Group until 2010 when he joined BXR Partners LLP as a senior adviser in November 2010 moving to BXR Corporate Consulting Partners SL in 2017. He holds a number of non-executive directorships in BXR Group companies. Originally from Hungary, he holds Canadian citizenship. He has a degree in Economics and Politics from the University of Toronto and an MBA from Dartmouth College.

Daniel Hallgarten, Non-Executive Director

Daniel Hallgarten is a partner of BXR Advisory Partners LLP, an adviser to the BXR Group. He has worked in predecessor firms to BXR Advisory Partners and also the UK arm of a predecessor of the BXR Group since 2005. Prior to this he was CFO of a software start-up following ten years as an investment banker first at S.G. Warburg in London and Madrid and, following two years at the European Investment Fund in Luxembourg, UBS Investment Bank in London. A British national, he is a Chartered Accountant (Arthur Andersen & Co., London) and received a first class degree in Chemistry from the University of Nottingham, England.

Joseph Cohen, Non-Executive Director

Joseph Cohen is one of the three Founding Partners of Trilantic Europe. Prior to Trilantic Europe, Joe spent 20 years at Lehman Brothers, of which 13 years at Lehman Brothers Merchant Banking where he was the European Co-Head. He was also a member of the Lehman Brothers' Investment Management Division's European Operating Committee. Prior to that, he was a member of Lehman Brothers Corporate Finance team based in Paris, New York, and London. Joe is currently a director of Marex Spectron Group Limited and YM&U. Joe holds a BSc. degree in Economics from the London School of Economics.

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Group Board Director Biographies (continued)

Vittorio Pignatti-Morano, Non-Executive Director

Vittorio Pignatti Morano is Chairman and co-founder of Trilantic Capital Partners Europe, a private equity firm focused on investments in mid-size European companies. Trilantic Europe's assets under management are in excess of €1.4 billion. Prior to the foundation of Trilantic, Vittorio spent 21 years at Lehman Brothers where he held various positions. He was Vice Chairman of Lehman Brothers Holdings Inc. and member of its European Operating Committee and of Lehman Brothers' Global Investment Committee and head of the Private Equity division in Europe and the Middle East which included Merchant Banking, Real Estate, Infrastructure, Mezzanine Lending and Fund of Funds with AUM in excess of \$5.0 billion. Before joining Lehman Brothers, Vittorio was a Managing Director with Banque Paribas, having previously been a Vice President at Manufacturers Hanover Trust in New York. Vittorio also sits on the board of Marchesi de Frescobaldi, one of Europe's leading wine companies. Vittorio holds an M.A. in Economics from Columbia University and a B.A. Honours in Economics and Mathematics from the University of Sussex.

Ian Lowitt, Executive Director, CEO

Ian Lowitt is Chief Executive Officer at Marex Spectron. He was previously at Barclays Bank where after the acquisition of Lehman Brothers, he managed the integration of the businesses and support functions and served as the COO of Barclays Wealth America. Prior to Barclays, Ian spent 14 years at Lehman Brothers, latterly as Chief Financial Officer and before that was Co-Chief Administrative Officer for the firm responsible for Systems, Operations, Finance Risk, Expense Management. Prior to this role he was the Head of Strategy, Global Treasurer and Head of Tax; and European Chief Administrative Officer. He has an MSc in Economics, and a MA in Economics, Philosophy and Politics from the University of Oxford, which he attended as a Rhodes Scholar, and a BSc and an MSc in Electrical Engineering from University of Witwatersrand in Johannesburg.

Paolo Tonucci, Executive Director, COO

Paolo Tonucci joined Marex Spectron in March 2018 as Chief Operating Officer. He was previously at Commonwealth Bank of Australia (CommBank) based in Sydney, where he was Group Treasurer, with responsibility for funding, capital and balance sheet management. Before CommBank, he was Head of Funding and Liquidity at Barclays Bank in London. Prior to Barclays, Paolo spent 12 years at Lehman Brothers in London and New York, latterly as Global Treasurer where he managed a team of 220. Paolo is a Chartered Accountant and has an MA in Economics from the University of Cambridge.

Simon van den Born, Executive Director, President

Simon van den Born joined Marex Spectron in 2010 and was appointed to the Board of Marex Spectron Group in January 2016. He previously spent ten years at Goldman Sachs in the Commodity Index and Metals teams before moving to become a Portfolio Manager at Valhalla Capital Management in 2004.

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Group Board Activity Review

The Group Board holds six scheduled meetings each year and meetings are also held on an ad-hoc basis, as required, for specific subjects of focus or urgent matters. The January board meeting is an offsite full day strategy meeting. Attendance for Group Board and Board Committee meetings in 2019 was as set out below:

	Group Board	Risk Committee	Audit & Compliance Committee	Remuneration & Nomination Committee	Acquisitions & Disposals Committee	Executive Committee
Carla Stent	6/6	-	-	4/5	-	-
Lord Fink	4/6	6/6	-	-	-	-
Jeremy Isaacs	3/6	-	-	5/5	-	-
Roger Nagioff	3/6	6/6	-	-	-	-
Henry Richards	5/6	-	5/6	-	-	-
Peter Kadas	4/6	-	-	2/5	-	-
Daniel Hallgarten	4/6	6/6	6/6	-	-	-
Joseph Cohen	5/6	-	5/6	-	-	-
Vittorio Pignatti-Morano	6/6	5/6	-	5/5	-	-
Ian Lowitt	6/6	-	-	-	-	13/13
Paolo Tonucci	6/6	-	-	-	-	11/13
Simon Van Den Born	6/6	-	-	-	-	11/13
Hunter Baldwin (resigned 18.12.19)	6/6	-	-	-	-	9/13
<p>The above chart does not show ad-hoc Group Board meetings, or articulate attendance by standing attendees (for example the Chair and CEO will attend the majority of Risk Committee and Audit & Compliance Committee meetings).</p> <p>Members of the Risk Committee, Audit & Compliance Committee and Remuneration & Nomination Committee are occasionally represented by their alternate, who is required to be another board member representing the same shareholder.</p> <p>The Acquisitions and Disposals Committee did not meet in 2019, as our acquisitions were reviewed and approved by the full Group Board.</p>						

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT

Board Committee Reports

Audit & Compliance Committee

Key Agenda Items in 2019

The key areas of focus for the Committee in 2019 were:

- Review of Internal Audit (as well as the Committee's usual monitoring of reports, progress against the internal audit plan and actions taken as a result of recommendations made). An independent third party quality assurance review of the in-house Internal Audit function was also carried out by the Institute of Internal Auditors with no significant issues being raised; and in July 2019, Mazars were engaged as a co-source provider for Internal Audit, in order to provide support and assurance over some of the increasingly complex risks facing the Group. Mazars will continue to provide support for the 2020 Internal Audit plan.
- External Auditors. Deloitte provide external audit services to the Group, and in order to safeguard their independence, the Company does not engage Deloitte for any non-audit services except where it is work that they must, or are clearly best suited to, perform.
- Approval of RSM US LLP's appointment as auditors for Marex North America LLC for a one-year period, given their working knowledge of the Rosenthal Collins Group (which was acquired by the Marex Spectron Group during the year). The Committee have ensured that RSM and Deloitte work closely together to ensure a full and robust audit process is undertaken.
- Disclosures Relating to the Annual Financial Statements. The Committee provided the following assurances and recommendations to the Group Board in respect of the 2019 Annual Report:
 - In our view, the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.
 - We have considered the assumptions relating to the going concern statement and recommended to the Group Board that the Annual Report and Financial Statements be prepared on a going concern basis.
 - We have reviewed the objectivity and independence of the external auditor and considered the professional and regulatory guidance on auditor independence and Deloitte's policies and procedures for managing independence.
- Oversight of the Compliance function, including:
 - Review of the Group's Compliance function's plans for identifying, assessing, monitoring, managing and reporting regulatory risk;
 - Approval of the Group's Compliance function's review programme for the forthcoming 12 months; and
 - Oversight of the Group's implementation of MiFID II, GDPR and SMCR.
- Review of Group's whistleblowing policy and procedures (considering guidance published by the relevant statutory and regulatory regimes).
- Review of CASS policies, operating structures, reports and breaches.

Focus for 2020

Key priorities for the Committee will be:

- Embeddedness of the Senior Manager's Certification Regime;
- Ongoing regulatory compliance across the global operations;
- GDPR compliance (including an effectiveness review); and
- The establishment of processes to enable the inclusion of a Viability Statement in the next annual report.

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Board Committee Reports (continued)

Risk Committee

Key Agenda Items in 2019

The key agenda items considered by the Committee in 2019 were:

- The Group's Enterprise Wide Risk Management Framework (drawing on regulatory feedback and changes in the business, the framework was enhanced to improve risk management);
- Financial risk exposure (the Committee considered the Group's exposure to FX risk, interest rates and credit risks; as well as reviewing the Group's liquidity position and Group Recovery Plan);
- Marex Solutions (in response to the increasing scale of this business division, the Committee dedicated significant time to consider the associated risks);
- Capital and liquidity adequacy (at the May 2019 meeting, the Committee reviewed the ICAAP and ILAA returns for the UK regulated entities); and
- Emerging risks (including Brexit, MiFID II implementation, increasing cyber risk and operational resilience).

Focus for 2020

Key priorities for the Committee will be:

- Deep dives into specific areas of interest and concern, which will include operational resilience in terms of loss of key people/ inability to use the Group's offices/ extreme market moves;
- Work on the level of embeddedness of the Enterprise Wide Risk Management Framework (reflecting regulatory feedback, the Committee will look to ensure that risk management is embedded and integrated throughout the Group); and
- Continued focus on the Marex Solutions business, given the increasing scale of this division.

Marex Spectron Group Limited
CORPORATE GOVERNANCE REPORT
Board Committee Reports (continued)

Remuneration & Nomination Committee

Key Agenda Items in 2019

The key areas of focus for the Committee in 2019 were:

- Introduction of the balanced scorecard and new Management Incentive Plan for senior executives;
- The review and approval of the draft Remuneration Policy and the Equality & Diversity Policy;
- Review and recommendation of the annual remuneration and discretionary bonus awards; and
- Review and approval of the FCA Remuneration Policy Statement.

Focus for 2020

Key priorities for the Committee will be:

- Recommending the appointment of a new Chair of the Audit & Compliance Committee;
- Ensuring ongoing compliance with FCA requirements;
- Embedding of the new balanced scorecard throughout the organisation;
- Review of the Equality & Diversity Policy to promote diversity on the Group Board, including targets for the representation of any underrepresented characteristics and a plan for achieving those targets;
- A review of formulaic bonus structures across the Group; and
- Global standardisation of terms and conditions, benefits and HR operating standards (within legal constraints).

Board Executive Committee

The focus of the Board Executive Committee in 2019 was, and remains for 2020, the day-to-day conduct of the Group's business.

Board Acquisitions & Disposals Committee

The Acquisitions & Disposals Committee did not meet in 2019, as each acquisition was reviewed and approved by the full Group Board.

Marex Spectron Group Limited GROUP DIRECTORS' REPORT

The directors present their report and audited consolidated financial statements of Marex Spectron Group Limited ('Marex Spectron', 'the Group' or 'the firm') and the standalone financial statements for Marex Spectron Group Limited ('the Company') for the year ended 31 December 2019.

Directors

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

	Appointed	Resigned
C R Stent (Chair)		
I T Lowitt		
J H Baldwin		18 December 2019
J C Cohen		
Lord S Fink		
D A Hallgarten		
J M Isaacs CBE		
P Kadas		
R B Nagioff		
V Pignatti-Morano Campori		
H D P Richards		
P R Tonucci		
S J van den Born		

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.

Directors' statement as to disclosure of information to the Auditor

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

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

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

Charitable and political contributions

Marex Spectron budgets to spend \$100,000 per annum to support employees in their charitable fundraising activities. It does this by donating 50% of the sum raised by the employee to the chosen charities. In order to ensure that the fund can be accessed by as many employees as possible, donations from the Company are capped at \$4,000 per fundraising event. The total charitable donations from this programme were \$1,607,331 (16 times higher than target level) during the year ended 31 December 2019 (2018: \$131,636).

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

Marex Spectron Group Limited
GROUP DIRECTORS' REPORT

Foreign exchange

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

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

Going concern

After reviewing the Group and Company's annual budget, liquidity requirements, plans and financial arrangements as well as the economic situation in the context of Coronavirus Covid-19 discussed in note 35, and in note 3 (c) of the accounting policies, 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 date of 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 the preparation of these financial statements.

Events after the reporting period

Events since the statement of financial position date are disclosed in note 35.

Overseas branches

The Group has branches, as defined in s1046(3) of the Companies Act 2006, in Canada, Germany, Norway and the US.

Dividends

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

Financial risk management

Financial risk management objectives are included in the strategic report.

Future developments

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

Research and Development

The Group produces commodity research across energy, agricultural, base metals and ferrous metals markets and has developed key partnerships in this field.

Employees

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

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings and the Group website. Further statements regarding actions taken by the Group during the financial year in regard to its employees are set out in the Strategic Report.

Marex Spectron Group Limited
GROUP DIRECTORS' REPORT

Suppliers, customers and others

In accordance with the Reporting on Payment Practices and Performance Regulations 2017, the Group submits biannual reports on payment practices and performance to the Department for Business, Energy and Industrial Strategy. Strong business relationships are essential for the Group and for the key subsidiaries for which reporting is required, the average time taken to make payments under qualifying contracts was between 21 and 24 days in the first six months of the year, reducing to 14 days in the second half of the year. Further statements regarding how the directors have regard to the need to foster the Group's relationships with suppliers, customers and others are contained in the Strategic Report.

Corporate Governance Arrangements

In 2019, the Group followed the Wates Corporate Governance Principles for Large Private Companies therefore as it was newly followed our reporting against that framework is contained in the Strategic Report.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. In accordance with company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- make an assessment of the Group and Company's ability to continue as a going concern.

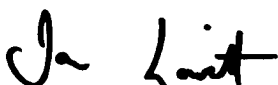
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements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

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

Auditor

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

Approved by the Board and signed on its behalf by:



I T Lowitt
Director
24 April 2020

Registration Number: 05613060

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

Report on the audit of the financial statements

Opinion

In our opinion:

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

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity and movements in reserves;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MAREX SPECTRON GROUP LIMITED (CONTINUED)**

Matters on which we are required to report by exception

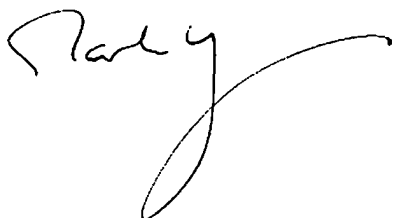
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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.

We have nothing to report in respect of these matters.

Use of our report

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



Mark Rhys, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2020

Marex Spectron Group Limited
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	5	554,876	388,476
Operating expenses		(536,963)	(346,665)
Interest income	10	38,626	7,440
Finance expense	10	(5,683)	(4,010)
Operating profit	6	50,856	45,241
Other income	9	1,570	96
Other expense	9,25	(5,800)	(31,904)
Profit before taxation		46,626	13,433
Tax	11(b)	(10,234)	(3,281)
Profit after taxation		36,392	10,152

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

	Notes	2019 \$'000	2018 \$'000
Profit after taxation		36,392	10,152
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Loss on revaluation of investments	16(a)	(249)	(285)
Deferred tax credit on revaluation of investments	11(c), 23	44	92
Gain on revaluation of financial instruments		595	62
Gain / (loss) on cash flow hedge reserve	29	884	(673)
Other comprehensive gain / (loss), net of tax		1,274	(804)
Total comprehensive income		37,666	9,348

All operations are continuing for the current and prior years.

The notes on pages 59 to 139 form part of these financial statements.

Marex Spectron Group Limited
**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

		Group		Company	
	Notes	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets					
Non-current assets					
Goodwill	13	179,175	140,969	-	-
Intangible assets	14	7,830	1,864	46	46
Property, plant and equipment	15	4,132	2,481	-	-
Right of use assets	31	23,577	-	-	-
Investments	16(a)	8,052	8,029	3,082	3,554
Investments in subsidiaries	16(b)	-	-	374,467	331,722
Deferred tax	23	1,369	922	117	36
Other assets	11(d)	47	316	-	-
Subordinated loans due to group undertakings	18	-	-	90,000	17,500
Financial instruments – unpledged	19	19,966	34,287	-	-
Financial instruments – pledged as collateral	19	188,344	81,284	-	-
Total non-current assets		432,492	270,152	467,712	352,858
Current assets					
Equity instruments	32	29,629	-	-	-
Derivative instruments	22	91,933	28,930	-	-
Financial instruments – unpledged	19	17,948	19,237	-	-
Financial instruments – pledged as collateral	19	867,633	91,596	-	-
Trade and other receivables	20	920,594	820,011	1,176	171
Corporation tax		2,255	4,257	-	-
Cash and cash equivalents		217,501	160,728	65	28
Total current assets		2,147,493	1,124,759	1,241	199
Total assets		2,579,985	1,394,911	468,953	353,057

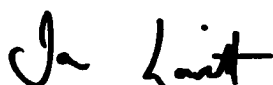
The notes on pages 59 to 139 form part of these financial statements.

Marex Spectron Group Limited
**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)**

		Group		Company	
	Notes	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Liabilities					
Current liabilities					
Derivative instruments	22	77,000	48,764	-	-
Trade and other payables	24	1,858,484	931,377	109,394	20,887
Short-term borrowings	21	-	4	-	-
Corporation tax		1,839	654	270	57
Debt securities	32	183,253	-	-	-
Lease liability	31	6,476	-	-	-
Provisions	25	1,073	32,178	-	-
Total current liabilities		2,128,125	1,012,977	109,664	20,944
Non-current liabilities					
Lease liability	31	21,159	-	-	-
Debt securities	32	12,946	-	-	-
Total non-current liabilities		34,105	-	-	-
Total liabilities		2,162,230	1,012,977	109,664	20,944
Total net assets		417,755	381,934	359,289	332,113
Equity					
Share capital	27,28	176,240	176,238	176,240	176,238
Share premium	28	134,327	134,516	134,327	134,286
Retained earnings	28	107,013	72,279	49,294	21,767
Revaluation reserve		208	(182)	(572)	(178)
Cash flow hedge reserve	28, 29	211	(673)	-	-
Other reserves	28	(244)	(244)	-	-
Total equity		417,755	381,934	359,289	332,113

The Company reported a profit for year ended 31 December 2019 of \$27,527,035 (2018: \$46,830).

The financial statements on pages 52 to 139 were approved and authorised for issue by the Board of Directors on 28 March 2020 and signed on its behalf by:



I T Lowitt
Director

24 April 2020

The notes on pages 59 to 139 form part of these financial statements.

Marex Spectron Group Limited
**STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2019**

Group	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Reval- uation reserve \$'000	Cash flow hedge reserve \$'000	Other reserve \$'000	Total \$'000
At 1 January 2018	176,238	134,314	62,127	(51)	-	(244)	372,384
Profit for the period	-	-	10,152	-	-	-	10,152
Loss on revaluation of investments	-	-	-	(285)	-	-	(285)
Deferred tax on revaluation of investments	-	-	-	92	-	-	92
Gain on revaluation of financial instruments	-	-	-	62	-	-	62
Capital contribution	-	202	-	-	-	-	202
Loss on revaluation of hedge	-	-	-	-	(673)	-	(673)
Dividends (note 12)	-	-	-	-	-	-	-
At 31 December 2018 and 1 January 2019	176,238	134,516	72,279	(182)	(673)	(244)	381,934
Impact of IFRS 16	-	-	(1,658)	-	-	-	(1,658)
Profit for the period	-	-	36,392	-	-	-	36,392
Loss on revaluation of investments	-	-	-	(249)	-	-	(249)
Deferred tax on revaluation of investments	-	-	-	44	-	-	44
Gain on revaluation of financial instruments	-	-	-	595	-	-	595
Capital contribution	2	(189)	-	-	-	-	(187)
Gain on revaluation of hedge	-	-	-	-	884	-	884
At 31 December 2019	176,240	134,327	107,013	208	211	(244)	417,755

The notes on pages 59 to 139 form part of these financial statements.

Marex Spectron Group Limited**STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

Company	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Reval- uation reserve \$'000	Total \$'000
At 1 January 2018	176,238	134,286	21,720	158	332,402
Profit for the period (note 34)	-	-	47	-	47
Gain on revaluation of investments	-	-	-	(390)	(390)
Deferred tax on revaluation of investments	-	-	-	54	54
At 31 December 2018 and 1 January 2019	176,238	134,286	21,767	(178)	332,113
Profit for the period (note 34)	-	-	27,527	-	27,527
Loss on revaluation of investments	-	-	-	(474)	(474)
Deferred tax on revaluation of investments	-	-	-	80	80
Capital contribution	2	41	-	-	43
At 31 December 2019	176,240	134,327	49,294	(572)	359,289

The notes on pages 59 to 139 form part of these financial statements.

Marex Spectron Group Limited
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Profit before tax		46,626	13,433	28,157	159
Adjustment to reconcile profit before tax to net cash flows:					
Amortisation of intangible assets	6, 14	1,031	196	-	-
Loss on disposal of intangibles	6	10	281	-	-
Depreciation of property, plant and equipment	6, 15	1,540	1,221	-	-
Depreciation of right-of-use-asset	31	5,702	-	-	-
Decrease / (Increase) in provisions	25	(31,105)	31,889	-	-
Interest income	10	(38,626)	(7,440)	(4,990)	(880)
Interest expense	10	5,683	4,010	1,297	-
Provision for doubtful debts	6, 20	811	1,573	-	-
Revaluation of lease liability	31	653	-	-	-
Revaluation of deferred consideration	17	(1,525)	-	-	-
Operating cash flows before changes in working capital		(9,200)	45,163	24,464	(721)
Working capital adjustments:					
(Increase) / decrease in trade and other receivables		11,625	(214,284)	(617)	(93)
Increase / (decrease) in trade and other payables		(246,599)	291,932	88,386	(17)
(Increase) / decrease in derivative instruments – assets		(62,116)	(21,987)	-	-
Increase / (decrease) in derivative instruments – liabilities		28,236	39,456	-	-
Decrease / (increase) in financial instruments – pledged as collateral		245,054	16,675	-	-
Increase in financial instruments – unpledged		15,610	(17,427)	-	-
Cash (outflow) / inflow from operating activities		(17,390)	139,528	112,233	(831)
Corporation tax paid		(5,749)	(9,233)	(418)	(55)
Net cash (outflow) / inflow from operating activities		(23,139)	130,295	111,815	(886)

Marex Spectron Group Limited
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Group		Company	
	Notes	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Investing activities					
Purchase of intangible assets	14	(2,373)	(1,565)	-	-
Purchase of property, plant and equipment	15	(2,759)	(1,029)	-	-
Proceeds from sale of property, plant and equipment		248	-	-	-
Increase in subordinated loan receivable		-	-	(72,500)	-
Purchase of equity instruments		(29,629)	-	-	-
Interest received		38,781	-	-	-
Purchase of equity investments	32	-	-	(42,745)	-
Net cash from acquisitions		(110,150)	-	-	-
Purchase of investments	16(a)	(272)	-	-	-
Net cash outflow from investing activities		(106,154)	(2,594)	(115,245)	-
Financing activities					
(Decrease) / increase in short-term borrowings		(4)	(59,997)	-	-
Increase in debt securities		196,199	-	-	-
Payment of lease liabilities		(5,566)	-	-	-
Interest received		-	7,598	4,678	880
Interest paid		(4,563)	(4,000)	(1,211)	-
Increase in capital contribution		-	202	-	-
Net cash (outflow) / inflow from financing activities		186,066	(56,197)	3,467	880
Net increase / (decrease) in cash and cash equivalents		56,773	71,504	37	(6)
Cash and cash equivalents					
Cash available on demand and short-term deposits at 1 January		160,728	89,224	28	34
Increase / (decrease) in cash		56,773	71,504	37	(6)
Cash and cash equivalents at 31 December		217,501	160,728	65	28

Marex Spectron Group Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Marex Spectron Group Limited ('the Company') is a company incorporated in England and Wales under the Companies Act. The address of the registered office is 155 Bishopsgate, London EC2M 3TQ. The principal activities of the Group and the nature of the Group's operations are set out in note 5 and in the Strategic Report.

The Group and company financial statements are presented in US Dollars ('USD') which is also the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3(j).

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

Impact of initial application of IFRS 16 Leases

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

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

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

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

(a) Impact of the new definition of a lease

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

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

(b) Impact on Lessee Accounting

(i) Former operating leases

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

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

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

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

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

(c) Impact on Lessor Accounting

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

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

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

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

The tables in note 31 show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements of the Group and the standalone financial statements of Marex Spectron Group Limited 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 part of the financial statements.

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

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

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

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

The principal accounting policies adopted are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('its subsidiaries') made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

(c) Going concern

In considering going concern, the Directors have reviewed the capital, liquidity and financial position of the Group and Company. With recent developments caused by the Coronavirus Covid-19, the Directors reassessed these components and concluded the going concern basis is still appropriate. The reassessment was completed with reference to specific pandemic stress testing procedures and their impact on capital, liquidity and financial performance. The results of the pandemic stress highlighted that the Group has sufficient capital and liquidity to satisfy its regulatory requirements. In addition to this a reverse stress analysis has been performed to identify the tail risk scenarios which would lead to challenges in meeting regulatory requirements. As funding is managed on a Group basis the directors considered the Group stress tests in determining their assessment for the Company. As a result of both the pandemic stress test and reverse stress analysis the Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue to satisfy its regulatory obligations as well as its liabilities for the foreseeable future. Thus the Group and Company continue to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition (including the fair value of deferred and contingent consideration) of a business combination, over the share 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill has an indefinite useful economic life and is measured at cost less any accumulated impairment losses. It is tested for impairment annually and whenever there is an indicator of impairment. Where the carrying value exceeds the higher of the value in use or fair value less cost to sell, an impairment loss is recognised in the income statement.

(f) Revenue recognition

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

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

(g) Dividend income

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

(h) Finance income and expense

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Borrowing costs

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

(j) Foreign currency translation

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

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 prevailing when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into USD at rates approximating to those prevailing 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 rates ruling at the prevailing date.

(k) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefits: defined contribution schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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

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

Current tax and deferred tax for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

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

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

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

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

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

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

(n) Intangible assets

Internally generated intangible assets (internally generated software)

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

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

Capitalised development costs are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over estimated economic useful lives of 2 to 5 years, which represents the period that the Group expects to benefit from using or selling the products developed, and is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets (continued)

Software

These represent software licences which have a finite useful economic life of 2 to 5 years with the option of renewal at the end of this period. They are amortised in the consolidated income statement on a straight-line basis over the period of the licence.

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

Trademarks

Trademarks are measured initially at purchase cost and as they are treated as if they have an indefinite useful life and as such is tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. If any such indications exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amounts of the cash-generating unit to which the asset belongs.

Customer Relationships and Brands

Customer relationships relate to the stable and established customer base which provides a recurring stream of income. Brands represents to the name under which business activity is conducted. Both customer relationships and brands are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives. At each reporting date the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss.

(o) Impairment of non-financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments

Initial recognition and measurement

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

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

Effective interest method

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

Financial assets

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

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

Amortised cost and effective interest method (continued)

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

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

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

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

Debt instruments classified as at FVTOCI

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Financial assets (continued)

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

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

Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

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

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

Significant increases in credit risk

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

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

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses

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

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

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

Measurement and recognition of expected credit losses (continued)

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

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

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

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

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Financial liabilities

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

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

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

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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

Derivative instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Hedge accounting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

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

(s) Cash and non-cash distributions

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

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

(t) Client money

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

(u) Leases

The Group as lessee

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

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Leases (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in profit or loss (see note 31).

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

The Group as lessor

Leases for which the Group is a lessor are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as an operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(v) Debt securities

Debt securities are the Group's issued debt instruments which contain hybrid financial instruments. Hybrid financial instruments are composed of debt components and embedded derivatives. In accordance with IFRS 9, financial liabilities may be designated at fair value, with gains and losses taken in the income statement within revenue (Note 5) and interest income (Note 10).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Judgements

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

- Provisions and contingent liabilities

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

- Taxation

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimates

▪ 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 pre-tax price earnings multiples derived from adjusting comparative peer multiples. This multiple is applied to the pre-tax earnings of each cash generating units ('CGUs') arising in the period. Note 13 describes the assumptions used together with an analysis of the sensitivities to change in key inputs.

▪ 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, quoted market prices of comparable instruments or unobservable inputs which are considered reasonably possible. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Further information on the carrying amounts of these assets and the sensitivity of those amounts to change in unobservable inputs are provided in note 32.

▪ Provisions and contingent liabilities

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

▪ Provisions against trade and other receivables

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

5. REVENUE

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

	Group	
	2019	2018
	\$'000	\$'000
Commercial hedging	347,070	188,095
Market making	79,976	70,847
Price discovery	124,486	126,191
Advisory & Data	3,344	3,343
	554,876	388,476

	Group			
	North America	Europe	Asia	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2019				
Commercial hedging	168,461	164,016	14,593	347,070
Market making	8,920	70,632	424	79,976
Price discovery	37,393	83,046	4,047	124,486
Advisory & Data	-	3,344	-	3,344
Revenue	214,774	321,038	19,064	554,876

	Group			
	North America	Europe	Asia	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2018				
Commercial hedging	14,687	150,665	22,742	188,094
Market making	3,073	65,753	2,021	70,847
Price discovery	39,302	82,477	4,441	126,220
Advisory & Data	-	3,315	-	3,315
Revenue	57,062	302,210	29,204	388,476

The revenue analysis has changed compared to last year in order to align it with our internal management reporting.

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

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

		Group	
	Notes	2019 \$'000	2018 \$'000
Staff costs	8	211,916	184,110
Cost of trade		235,748	100,509
Amortisation of intangible assets	14	1,031	196
Depreciation of property, plant and equipment	15	1,540	1,221
Loss on disposal of intangibles assets		10	281
Provision for doubtful debts	20	811	1,573
Charges under operating leases		9,445	6,992
Foreign exchange (gains) / losses		406	(187)

7. AUDITOR'S REMUNERATION

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

	Group	
	2019	2018
	\$'000	\$'000
Fees payable to auditors of the Group and its subsidiaries for the audit of the annual accounts		
Audit of the Group's annual accounts	263	202
Audit of the Company's subsidiaries	1,063	1,022
Total audit fees payable to the Group's auditor	1,326	1,224
Fees payable to other auditors for the audit of a subsidiary's financial statements	250	-
Total audit fees	1,576	1,224
	2019	2018
	\$'000	\$'000
Fees payable to the Group's auditor and their subsidiaries for other services comprise:		
Audit-related assurance services	32	45
Tax compliance services	6	15
Other taxation advisory services	1	9
Other services	30	540
Total non-audit fee	69	609

Audit fees for the Group for the year ended 31 December 2019 and the prior year were paid by a group undertaking.

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

	Group	
	2019 Number	2018 Number
Front office	353	279
Control & support	337	244
Average monthly number of staff	690	523

	Group	
	2019 \$'000	2018 \$'000
Aggregate wages and salaries	195,156	166,516
Employer's National Insurance Contributions and similar taxes	10,071	12,845
Short-term monetary benefits	4,070	2,736
Defined pension contribution cost	1,674	1,345
Apprenticeship levy	214	193
Redundancy payments	731	475
Total staff costs (note 6)	211,916	184,110

As at 31 December 2019, there were contributions totalling \$272,243 (2018: \$230,258) payable to the defined contribution pension scheme by the Group.

9. OTHER INCOME AND EXPENSE

	Group	
	2019 \$'000	2018 \$'000
Other income		
Dividends received	47	49
Release of contingent consideration	1,523	47
	1,570	96

The release of contingent consideration relates to the purchase price for the assets of Rosenthal Collins Group. As of the acquisition date, a liability for \$3,289,000 was recorded for the value of contingent consideration payable. This was remeasured at 31 December 2019 to \$1,766,000, resulting in a release of \$1,523,000.

9. OTHER INCOME AND EXPENSE (CONTINUED)

		Group	
		2019 \$'000	2018 \$'000
Other expense			
Legal provisions	25	(5,800)	(31,904)
		(5,800)	(31,904)

10. FINANCE INCOME AND EXPENSE

		Group	
		2019 \$'000	2018 \$'000
Finance income			
Bank interest income		438	732
Interest income on financial instruments		38,188	6,708
		38,626	7,440
Finance expense			
Bank interest expense		(188)	(952)
Credit facility interest expense		(4,535)	(3,058)
Lease interest expense		(960)	-
		(5,683)	(4,010)

For further details on the credit facility, refer to note 21.

11. TAXATION

(a) Tax charge

	Notes	Group	
		2019 \$'000	2018 \$'000
Current tax			
UK corporation tax on profit for the year		7,833	2,716
Foreign corporation tax on profit for the year		1,606	753
Total UK and Foreign corporation tax		9,439	3,469
 Adjustment in respect of prior years:			
UK corporation tax		86	(752)
Foreign corporation tax		(331)	(233)
Total adjustments in respect of prior years		(245)	(985)
		9,194	2,484
 Deferred tax			
Origination and reversal of temporary differences		744	588
Adjustment in respect of prior years – other		296	209
	23	1,040	797
Tax charge for the year	11(b)	10,234	3,281
 Tax charge relating to items recognised directly in equity			
Credit for the year		(44)	-

11. TAXATION (CONTINUED)**(b) Reconciliation between tax charge and profit before tax**

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). Finance (No. 2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017. Accordingly, UK corporation tax for this accounting period has been calculated at 19.00% of the estimated assessable profits for the period. Taxation for other jurisdictions is calculated at rates prevailing in the relevant jurisdictions. Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% from 1 April 2020. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020.

	Notes	Group	
		2019 \$'000	2018 \$'000
Profit before tax		46,626	13,433
Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)		8,859	2,552
Explained by:			
Effect of overseas tax rates		411	(188)
Expenses not deductible for tax purposes		550	828
Income not subject to tax		(10)	(12)
Tax losses not recognised for deferred tax purposes		292	486
Foreign exchange and other differences		80	391
Prior year adjustments		52	(776)
Tax charge for the year		10,234	3,281

(c) Amounts recognised in other comprehensive income

Amounts directly recognised in the consolidated statement of other comprehensive income relate to fair value through other comprehensive income ('FVTOCI') financial assets. The amount recognised in 2019 is a deferred tax credit of \$44,000 (2018: deferred tax credit of \$92,000).

(d) Other assets

Following the signing of the 'Tax Cuts and Jobs Act' on 22 December 2017 there has been a significant number of changes in US corporate taxation. Alternative Minimum Tax ('AMT') has been abolished from 1 January 2018 and all tax credits arising from payments of AMT suffered up to 31 December 2017 are no longer deemed a deferred tax asset, instead these amounts of \$47,232 (2018: \$316,362) are now recognised as other non-current assets and are eligible for a refund in future years.

12. DIVIDENDS PAID AND PROPOSED

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

13. GOODWILL

		Group
		\$'000
Cost		
At 1 January 2019		150,101
Additions during the year	17	38,207
Cost at 31 December 2019		188,308
Accumulated impairment losses		(9,133)
Net book value at 31 December 2019		179,175
Net book value at 31 December 2018		140,969

(a) Goodwill impairment testing

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

	2019	2018
	Group	Group
	\$'000	\$'000
Group goodwill:		
Energy	129,686	126,311
Agriculturals	13,100	11,416
Rosenthal Collins	10,501	-
ProTrader	3,242	3,242
CSC Commodities	20,647	-
Marex Spectron Europe Limited	1,999	-
As at 31 December 2019	179,175	140,969

The acquisition of Marquee Oil Broking Limited resulted in a \$3.4m goodwill which is reflected in the Energy CGU.

During the year, Marex Financial bought out a non-voting equity holder in Carlton Commodities 2004 LLP. This transaction was treated as an addition to the investment in that subsidiary. Due to the nature of Carlton's business, it is included within the Agriculturals CGU.

The acquisition Energy Broking Ireland Limited ('EBI') resulted in a \$2m goodwill which is reflected in the Marex Spectron Europe Limited CGU.

13. GOODWILL (CONTINUED)

(a) Goodwill impairment testing (continued)

The Group performed the annual impairment test as at 31 December 2019 and 2018. In assessing whether impairment is required, the carrying value of the CGU is compared with the recoverable amount which is determined by fair value less cost of disposal ('FVLCD'). In the event that the FVLCD does not exceed the carrying value, the value in use (VIU) is measured and compared with the carrying value of the CGU.

(b) Key assumptions

- For valuation purposes, we have used the market approach for all of our acquisitions apart from Rosenthal Collins Group ('RCG'), where we have used an income approach.
- The fair value less cost of disposal is determined by applying a price earnings multiple to the pre-tax earnings of each CGU arising in the period, after adjusting for exceptional items and for the effect of any organisational changes to the CGU.
- The price earnings multiples applied are derived from comparable peer multiples.
- Comparable peers are those against whom our stakeholders evaluate our performance against whilst the price earnings multiples are obtained from third party market data providers. Whilst third party data considers this to be a Level 1 input, management applies a level of judgement in determining the price earning multiple and as such is considered to be a Level 2 input.
- In assessing Value in Use ('VIU'), we use a discounted cash flow model with a stable growth method and a multiples approach to derive a terminal value.
- For RCG, the discount rate is the internal rate of return of the transaction, where the free cash flow is discounted to arrive at the total consideration. For the purpose of free cash flow, the revenue growth assumptions in the first five years ranges from 3.2% to 6%, with the assumed terminal growth rate being 2%.
- For an impairment to occur:
 - assuming all other inputs constant, the discount rate would have to increase by 150 basis points to 16.5%
 - assuming all other inputs constant, the growth rate factored in the terminal value would have to decrease by 280 basis points to negative 0.8%
 - assuming all other inputs constant, based on an exit multiple approach, the exit multiple would have to decrease by 54% to 6.3 times.

14. INTANGIBLE ASSETS

	Group					
	Internally generated software \$'000	Trade- marks \$'000	Software \$'000	Customer Relationships \$'000	Brands \$'000	Total \$'000
Cost						
At 1 January 2018	300	46	6,733	-	-	7,079
Additions	-	-	1,565	-	-	1,565
Transfers	-	-	(281)	-	-	(281)
At 31 December 2018	300	46	8,017			8,363
Additions	-	-	2,588	3,915	720	7,223
Disposals	-	-	(289)	-	-	(289)
At 31 December 2019	300	46	10,316	3,915	720	15,297
Impairment provisions and amortisation						
At 1 January 2018	15	-	6,288	-	-	6,303
Charge for the year (note 6)	60	-	136	-	-	196
Transfers	-	-	-	-	-	-
At 31 December 2018	75	-	6,424	-	-	6,499
Charge for the year (note 6)	60	-	579	359	33	1,031
Disposals	-	-	(63)	-	-	(63)
At 31 December 2019	135	-	6,940	359	33	7,467
Net book value						
At 31 December 2019	165	46	3,376	3,556	687	7,830
At 31 December 2018	225	46	1,593	-	-	1,864

14. INTANGIBLE ASSETS (CONTINUED)

	Company	
	Trademarks \$'000	Total \$'000
Cost		
At 1 January 2018, 1 January 2019, 31 December 2018 and 31 December 2019	46	46
Impairment provisions and amortisation		
At 1 January 2018, 1 January 2019, 31 December 2018 and 31 December 2019	-	-
Net book value		
At 31 December 2018 and 31 December 2019	46	46

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

15. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improve- ments \$'000	Computer equipment \$'000	Furniture, fixtures and fittings \$'000	Total \$'000
Cost				
At 1 January 2018	5,751	17,487	3,781	27,019
Additions	277	668	84	1,029
Disposals	(4)	(106)	(33)	(143)
At 1 January 2019	6,024	18,049	3,832	27,905
Additions	569	2,437	215	3,221
Disposals	(22)	(261)	(8)	(291)
At 31 December 2019	6,571	20,225	4,039	30,835
Depreciation				
At 1 January 2018	5,112	15,639	3,595	24,346
Charge for the year (note 6)	319	866	36	1,221
Disposals	(4)	(106)	(33)	(143)
At 1 January 2019	5,427	16,399	3,598	25,424
Charge for the year (note 6)	295	1,177	68	1,540
Disposals	(22)	(232)	(4)	(258)
Transfers	(2)	(1)	-	(3)
At 31 December 2019	5,698	17,343	3,662	26,703
Net book value				
At 31 December 2019	873	2,882	377	4,132
At 31 December 2018	597	1,650	234	2,481

16. INVESTMENTS

(a) Investments

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cost				
At 1 January	8,029	8,314	3,554	3,944
Revaluation	(249)	(285)	(472)	(390)
Additions	272	-	-	-
At 31 December	8,052	8,029	3,082	3,554
 Listed investments	 3,219	 2,837	 1,463	 1,191
Unlisted investments	4,833	5,192	1,619	2,363
	8,052	8,029	3,082	3,554

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

(b) Investments in subsidiaries

	Company	
	2019 \$'000	2018 \$'000
Cost		
At 1 January	331,722	331,722
Additions	42,745	-
At 31 December	374,467	331,722

16. INVESTMENTS (CONTINUED)
(c) Group subsidiaries and undertakings

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

Subsidiaries held directly

Name / Registered office	Country of incorporation/ Principal place of business	Class	Proportion of ownership interest	Nature of business
Marex Financial 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Commodities and financial instruments broker and clearer
Marex Hong Kong Limited 20/F Alexandra House, 16-20 Chater Road, Central, Hong Kong	Hong Kong	Ordinary shares	100%	Futures and options broking
Marex North America LLC 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Membership interest	100%	Commodities and financial instruments broker and clearer
Marex Spectron International Limited ¹ 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Energy OTC broking
Spectron Services Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Facilities services
Marex Spectron Europe Limited ³ 10 Earlsfort Terrace, Dublin 2, D02 T380	Ireland	Ordinary shares	100%	Energy broking
CSC Commodities UK Limited ² 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Services company
Marex Spectron USA, LLC 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Membership Interest	100%	OTC derivatives

16. INVESTMENTS (CONTINUED)

¹Marex Spectron International Limited operates branches in the following countries:

- Canada (Alberta) - Suite 400, 4th Floor, 110-9th Avenue SW, Calgary, Alberta
- Canada (Québec) - 1250 boulevard René-Lévesque West, 39th Floor. Montréal, Québec, H3B4W8
- Norway - Kronprinsesse Marthas Plass 1, 0160 Oslo
- United States of America - 360 Madison Avenue, Third Floor, New York 10017

²CSC Commodities UK Limited operates branches in the following countries:

- United States of America – 80 State Street, Albany, New York, NY12207-2543
- Gibraltar – 28 Irish Town, Gibraltar

³Marex Spectron Europe Limited operates a branch in the following country:

- Germany - Romerstrasse 31, 63486 Bruchköbel, Frankfurt
-

Marex Spectron Group Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****16. INVESTMENTS (CONTINUED)****(c) Group subsidiaries and undertakings**Subsidiaries held indirectly

Name / Registered office	Country of incorporation / Principal place of business	Class	Proportion of ownership interest	Nature of business
Marex Spectron Limited 20/F Alexandra House, 16-20 Chater Road, Central, Hong Kong	Hong Kong	Ordinary shares	100%	Dormant
Marex Spectron Pte. Ltd. 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Dormant
Spectron Energy (Asia) Pte Ltd 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Energy OTC broking
Spectron Energy Inc. 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Ordinary shares	100%	Energy OTC broking
Carlton Commodities 2004 LLP 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Partnership interest	N/A	Commodity and option trading
Marex Spectron Asia Pte. Ltd. 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Freight broking
Marex Spectron Inc. 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Ordinary shares	100%	Dormant
Energy Broking Ireland Limited 10 Earlsfort Terrace, Dublin 2, D02 T380	Ireland	Ordinary shares	100%	Services Company
Marquee Oil Broking Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Energy OTC broking
Marex Spectron Limited 20/F Alexandra House, 16-20 Chater Road, Central, Hong Kong	Hong Kong	Ordinary shares	100%	Dormant
Marex Spectron Pte. Ltd. 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Dormant

All subsidiaries have a financial year end of 31 December with the exception of Carlton Commodities 2004 LLP which has a year end of 31 March.

16. INVESTMENTS (CONTINUED)**(c) Group subsidiaries and undertakings (continued)**Other Related Entities

Name	Country of incorporation	Class	Nature of business
Intertrust Employee Benefit Trustee Limited, 44 Esplanade St Helier Jersey, JE4 9WG	Jersey	Ordinary shares	Trustee of the employee benefit trust

17. BUSINESS COMBINATIONS**(a) Acquisition of Rosenthal Collins Group**

On 1st February 2019, the Group acquired the trade and assets of Rosenthal Collins Group LLC ("RCG") in exchange for the consideration. RCG is a member firm of the Chicago Mercantile Exchange and is a regulated Futures Commission Merchant offering trade execution, clearing, brokerage, managed futures and a range of electronic trading services. The Group acquired the RCG business as it provided an extension to the Group's existing North American business, gaining access to additional clients and client accounts. As a purchase of assets, the Group has elected to measure the assets acquired at fair value at the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
17. BUSINESS COMBINATIONS (CONTINUED)**(a) Acquisition of Rosenthal Collins Group (continued)**

	Company
	\$'000
Cash consideration	80,833
Contingent consideration	3,289
Total consideration	84,122
 Recognised amounts of identifiable net assets:	
Property, plant and equipment	653
Cash	13,690
Deposits	752,871
Securities	374,687
Amounts due from clearing organisations	95,863
Other assets	1,454
Net current liabilities	(11,461)
Funding creditors	(1,158,771)
Total identifiable assets and liabilities	68,986
Less intangible assets acquired	4,635
Goodwill	10,501

Consideration paid

The acquisition was settled for \$84,122,000, which was calculated using the value of the acquisition balance sheet in addition to a premium. The purchase agreement included additional consideration calculated as a specific percentage of the net revenue after tax of the acquired business, for the three years following the acquisition date. The \$3,289,000 fair value of the deferred consideration recognised at the acquisition date represents the present value of the Group's estimate of the cash outflow. It contains management's best estimate of the profit levels of the acquired business after combination, including a discount of 15.2%. At year end, the earn out creditor was revalued downwards by \$1,525,000 to \$1,766,000. This decrease was due to the federal reserve dropping the base interest rate in the USA. This impacted the profitability of the acquired business and as such, the expected pay-out has been reduced. This movement has been recognised in the statement of profit or loss. The discount rate is the internal rate of return of the transaction, where the free cash flow is discounted to arrive at the total consideration. For the purpose of free cash flow, the revenue growth assumptions in the first five years ranges from 3.2% to 6%, with the assumed terminal growth rate being 2%.

17. BUSINESS COMBINATIONS (CONTINUED)**(a) Acquisition of Rosenthal Collins Group (continued)**Identifiable net assets

At 31 December 2019, the valuation of the RCG brand, direct customer relationships and division customer relationships were \$720,000, \$1,150,000 and \$2,765,000, respectively. These were valued by an independent valuation specialist. These are calculated based on the best estimate of the future cash flows receivable by the Group attributable to each of the assets identified.

Goodwill

The goodwill recognised on the acquisition relates to the expected growth, cost synergies and the value of RCG's workforce which cannot be separately recognised as an intangible asset. It has been allocated to the Group's North American Business unit and is expected to be deductible for tax purposes.

(b) Acquisition of CSC Commodities UK Limited

On 18 of January 2019, the Group acquired the entire share capital of CSC Commodities UK Limited ('CSC'). CSC is a London-based oil trading team, specialising in on-exchange commodity derivatives, making markets and trading oil related derivatives across the barrel, from crude oil to fuel oil, distillates and light ends, alongside freight, natural gas and agricultural markets.

	Company
	\$'000
Fixed consideration settled in cash	20,500
Contingent consideration	15,434
Total consideration	35,934
Recognised amounts of identifiable net assets:	
Trade and other receivables	14,397
Deferred tax	1,431
Receivable from HMRC	703
Trade and other liabilities	(1,244)
Net identifiable assets and liabilities	15,287
Goodwill	20,647

Consideration paid

The consideration transferred was \$20,500,000 in addition to the net asset value of the acquired business at the date of acquisition. This amount was subsequently adjusted resulting in an amount due from BGC European Holdings LP, the previous shareholder of CSC. The goodwill is not expected to be deductible for tax purposes

17. BUSINESS COMBINATIONS (CONTINUED)**(c) Acquisition of Energy Broking Ireland Limited**

Marex Spectron acquired 100% of the share capital of Energy Broking Ireland Limited ('EBI'). EBI is a company based in Dublin, Ireland. On 7 February 2019, EBI was acquired by the Group's Irish subsidiary, Marex Spectron Europe Limited ('MSEL').

MSEL is a fully authorised MiFID investment firm and is able to passport these regulatory permissions into all EU member states, mitigating the impact of a potential 'hard' Brexit on the Group.

	Company
	\$'000
Amount settled in cash	2,000
Total consideration paid	2,000
Recognised amounts of identifiable net assets:	
Property, plant and equipment	6
Trade and other receivables	82
Trade and other payables	(87)
Net identifiable assets and liabilities	1
Goodwill	1,999

The goodwill is not expected to be deductible for tax purposes

Consideration paid

The acquisition was settled in cash for €1,750,000, translated into US dollars at the rate ruling on the acquisition date.

17. BUSINESS COMBINATIONS (CONTINUED)**(d) Acquisition of Marquee Oil Broking Limited**

On 19 of December, Marex Spectron acquired 100% of the share capital of Marquee Oil Broking Limited, a specialist provider of physical fuel oil broking services.

Marex Spectron's OTC energy business has a leading share across multiple energy markets, with teams based in London, New York, Houston, Connecticut, Calgary, Oslo and Singapore.

	Company
	\$'000
Cash consideration	3,425
Additional earn out consideration	295
Total consideration	3,720
Recognised amounts of identifiable net assets:	
Property, plant and equipment	21
Trade and other receivables	685
Trade and other payables	(361)
Net identifiable assets and liabilities	345
Goodwill	3,375

Additional earn-out consideration relates to the subsequent receipt of uninvoiced deals. The goodwill is not expected to be deductible for tax purposes.

Consideration paid

The acquisition was settled in cash of £2,616,000 translated into US dollars at the rate ruling on the acquisition date.

18. SUBORDINATED LOANS DUE FROM GROUP UNDERTAKINGS

The revolving subordinated loan agreement with Marex North America LLC was renewed during the year ended 31 December 2019 with the approval of the CME. The facility has a drawing termination date of 30 September 2020, maturity date of 31 January 2024 and total credit line of \$120,000,000 (2018: \$55,000,000). The subordinated borrowings of \$90,000,000 (2018: \$17,500,000) are unsecured and carry interest at the daily three-month LIBOR plus 3.25% (2018: LIBOR plus 3.25%).

The subordinated borrowings qualify as equity capital as defined by the CFTC regulation 1.17d.

19. FINANCIAL INSTRUMENTS – PLEDGED AND UNPLEDGED

(a) Pledged as collateral

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

At year end, the Group has pledged \$1,055,976,996 (2018: \$172,879,361) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Group cannot:

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

(b) Unpledged

Unpledged financial instruments comprise of \$37,914,731 (2018: \$53,524,002) US Treasuries which will fully mature by 31 December 2020.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Amounts due from exchanges, clearing houses and other counterparties	764,035	708,722	-	-
Trade debtors	26,652	21,759	-	-
Default funds and deposits	99,012	65,993	-	-
Amounts due from group undertakings	-	-	422	110
Loans receivable	713	669	-	-
Other tax and social security taxes	1,681	1,982	17	-
Other debtors	19,456	13,923	-	-
Prepayments	9,045	6,963	737	61
	920,594	820,011	1,176	171

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of \$378,665,920 (2018: \$467,627,742) and non-segregated balances of \$385,369,440 (2018: \$241,094,502).

For the Company, amounts due from group undertakings arise mainly as a result of interest charged on an intercompany loan with Marex North America LLC.

Trade receivables disclosed above are measured at amortised cost with the exception of amounts due from exchanges, clearing houses and other counterparties of \$311,461,455 (2018: \$263,950,430) which are classified as fair value through profit or loss.

Included in other debtors is \$14,161,965 (2018: \$6,776,677) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade receivables are assessed on an individual basis for impairment, with a provision of \$2,040,000 (2018: \$2,791,000) recognised for the Group's entire exposure on the impaired trade receivable. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

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

	Group	
	2019 \$'000	2018 \$'000
Less than 30 days	16,386	5,624
31 to 60 days	2,283	2,484
61 to 90 days	2,028	1,333
91 to 120 days	1,206	780
More than 120 days	4,749	2,150
	26,652	12,371

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2019				
	Provision for 12 months ECL \$'000	Provision for lifetime ECL \$'000	Provision for lifetime ECL credit impaired \$'000	Specific provision for lifetime ECL \$'000	Total \$'000
Group					
At 1 January	-	-	-	2,791	2,791
Bad debts written off	-	-	-	(1,567)	(1,567)
Charged to the consolidated income statement (note 6)	-	-	-	811	811
Foreign exchange revaluation	-	-	-	5	5
At 31 December	-	-	-	2,040	2,040

	2018				
	Provision for 12 months ECL \$'000	Provision for lifetime ECL \$'000	Provision for lifetime ECL credit impaired \$'000	Specific provision for lifetime ECL \$'000	Total \$'000
Group					
At 1 January	-	-	-	1,265	1,265
Bad debts written off	-	-	-	(51)	(51)
Charged to the consolidated income statement (note 6)	-	-	-	1,573	1,573
Foreign exchange revaluation	-	-	-	4	4
At 31 December	-	-	-	2,791	2,791

21. SHORT-TERM BORROWINGS

	Group	
	2019	2018
	\$'000	\$'000
Borrowings at amortised cost		
Secured revolving credit facility	-	-
Secured receivables finance facility	-	4
	<u>-</u>	<u>4</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. DERIVATIVE INSTRUMENTS

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

	Group	
	2019 \$'000	2018 \$'000
Financial assets		
Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:		
Agricultural forward contracts	49,338	2,789
Agricultural option contracts	12,985	5,200
Energy forward contracts	4,259	4,475
Energy options contracts	715	5,337
Foreign currency forward contracts	16,592	5,671
Foreign currency option contracts	624	2
Precious metal forward contracts	4,953	5,431
Precious metal option contracts	961	25
Credit forward	74	-
Equity option	991	-
Emissions forward	228	-
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	213	-
	91,933	28,930

22. DERIVATIVE INSTRUMENTS (CONTINUED)

	Group	
	2019	2018
	\$'000	\$'000
Financial liabilities		
Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:		
Agricultural forward contracts	40,624	1,846
Agricultural option contracts	9,258	916
Energy forward contracts	1,744	3,559
Energy options contracts	16	2,024
Foreign currency forward contracts	10,160	8,177
Foreign currency option contracts	696	19
Precious metal forward contracts	12,012	14,610
Precious metal options contracts	121	53
Credit forward	28	-
Interest rate forward contracts	22	-
Interest rate options	-	16,888
Equity option contracts	2,319	-
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	-	672
	77,000	48,764

23. DEFERRED TAX

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revaluation of investments	(507)	(550)	117	36
Depreciation in excess of capital allowances	963	1,069	-	-
Tax losses	1,966	1,901	-	-
Leases	193	-	-	-
Other	(1,246)	(1,498)	-	-
31 December	1,369	922	117	36

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	922	1,627	36	(18)
Charged to the income statement (note 11(a))	(1,040)	(797)	-	-
Recognised on acquisition	1,443	-	-	-
Credited to other comprehensive income	44	92	80	54
31 December	1,369	922	116	36

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

Deferred tax balances have been calculated at the effective tax rate ruling at the balance sheet date. Finance (No. 2) Act 2016 reduced the UK corporation tax rate from 19% to 17% from 1 April 2020 and was substantively enacted on 15 September 2016. The reduction of the UK corporation tax rate to 17% has been recognised in the deferred tax charge within the closing deferred tax position. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020. Had this change in rate been effective at the balance sheet date for 2020 and subsequent years, due to revaluation the net deferred tax asset recognised at 31 December 2019 would have been \$1,517,000.

Overseas deferred tax assets and liabilities are recognised at the relevant jurisdictions ruling tax rate to the extent the group will receive future benefit from them.

23. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets in respect of:

- employee compensation deductions of \$4,775,469 (2018: \$4,594,000). The potential deferred tax asset at 17% is \$ 881,830 (2018: \$781,045). These assets have not been recognised as it is not foreseeable when a tax deduction will arise; and
- tax losses of \$13,670,000 (2018:\$12,410,000) relate to losses with no expiry date. Losses of \$1,080,000 (2018: \$130,000) are subject to approval by the relevant tax authorities. These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

Marex Spectron Group Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****24. TRADE AND OTHER PAYABLES**

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amounts due to exchanges, clearing houses and other counterparties	1,770,416	858,429	-	-
Amounts due to group undertakings	-	-	107,642	20,429
Other tax and social security taxes	2,402	1,760	-	-
Other creditors	3,040	1,555	76	-
Accruals	81,758	69,027	1,676	458
Deferred income	868	606	-	-
	1,858,484	931,377	109,394	20,887

Included in the amounts due to exchanges, clearing houses and other counterparties are segregated balances of \$1,294,169,691 (2018: \$516,027,515) and non-segregated balances of \$476,246,309 (2018: \$342,401,485).

For the Company, amounts due to group undertakings arise mainly due to cash received in order to facilitate another intercompany loan.

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

25. PROVISIONS

	Group		
	Legal	Leasehold dilapidations	Onerous lease provisions
	\$'000	\$'000	\$'000
At 1 January 2019	31,904	274	-
Movement in the year:			
Arising during the year (note 9)	5,800	-	788
Utilised during the year	(37,704)	-	-
Foreign exchange valuation	-	11	-
	(31,904)	11	788
At 31 December 2019	-	285	788
			1,073

25. PROVISIONS (CONTINUED)

	Group		
	Legal	Leasehold	Total
	\$'000	dilapidations	\$'000
	\$'000	\$'000	\$'000
At 1 January 2018	-	289	289
Movement in the year:			
Arising during the year (note 9)	31,904	-	31,904
Foreign exchange valuation	-	(15)	(15)
	31,904	(15)	31,889
At 31 December 2018	31,904	274	32,178

(a) Legal

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

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

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

(b) Leasehold dilapidations

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

(c) Onerous lease

The onerous lease provision relates to the estimated remaining lease costs on a property in Chicago that is no longer occupied due to the relocation of staff to a new office.

26. CONTINGENT LIABILITIES

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

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

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

27. SHARE CAPITAL

	Group and Company			
	Issued and fully paid		Issued and fully paid	
	2019 Number	2019 \$'000	2018 Number	2018 \$'000
Ordinary shares of \$0.000165 each	106,491,588	18	106,491,588	18
Non-voting ordinary shares of \$0.000165 each	3,986,376	1	3,986,376	1
Deferred shares of \$1.65 each	106,798,427	176,217	106,798,427	176,217
Growth shares of \$0.000165 each	26,181,025	4	13,981,025	2
	243,457,416	176,240	231,257,416	176,238

12.2 million of the growth shares are currently held by Intertrust Employee Benefit Trustee Limited.

27. SHARE CAPITAL (CONTINUED)

	Group and Company				
	Ordinary shares Number	Non-voting ordinary shares Number	Deferred shares Number	Growth shares Number	Total Number
At 1 January 2019	106,491,588	3,986,376	106,798,427	26,181,025	243,457,416
At 31 December 2019	106,491,588	3,986,376	106,798,427	26,181,025	243,457,416

The rights of the shares are as follows:

Class of share	Rights
Ordinary shares	Full voting rights and right to participate in ordinary dividends ranking pari passu with non-voting ordinary shares. In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares and no right of redemption.
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 or distributions and no right to redemption. On a return of capital on a winding up or otherwise, the assets of the Company available for distribution to its members shall be applied in paying a sum equal to £1 to the holders of the Deferred Shares pro-rata according to the number of Deferred Shares held by them (rounded to the nearest £0.01, but such that the total paid in aggregate to all the holders shall in no event exceed £1).
Growth shares	<p>In 2010, 2012, 2015 and 2016 the Group issued growth shares to 21 individuals (in total), and in 2019 the Group issued growth shares to a nominee who holds such shares on bare trust for 22 individuals. The growth shares entitle the holders thereof to a share of the proceeds from a 'liquidity event', such as an Initial Public Offering or a sale, if the proceeds exceeded some specific level thereby diluting existing ordinary shareholders. The holders of growth shares have no voting rights, no rights to participate in dividends, no entitlement to participate in winding up and cannot impact the timing of a liquidity event.</p> <p>The growth shares issued in 2010, 2012 and 2015 vested over 3 to 5 years, although remain subject to 'bad leaver' provisions. The 2016 and 2019 growth shares will generally only vest on a liquidity event.</p> <p>The growth shares do not expire and may be redeemed prior to a liquidity event, or converted into non-voting ordinary shares, whereby the Company issues the growth share holder a number of non-voting ordinary shares equal in value to the redemption price.</p> <p>The directors' view is that it is currently probable the growth shares will be converted into non-voting shares and, therefore, they are treated as equity-settled share-based payments.</p>

28. RESERVES

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

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

29. CASH FLOW HEDGE RESERVE

	2019	2018
	\$'000	\$'000
At 1 January	(673)	-
Profit on revaluation	884	(673)
At 31 December	211	(673)

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

30. LEASE COMMITMENTS

The Group has entered into commercial leases on its properties. The lessee has the options of renewal on each of these leases subject to negotiation between the 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 (including service charge) are due as follows:

	Group	
	2019	2018
	\$'000	\$'000
Within one year	6,947	5,318
In the second to fifth years inclusive	22,285	20,204
After five years	11,287	6,777
	40,519	32,299

The total sublease receipts included in the income statement during the year is \$433,725 (2018: \$1,155,831).

The total future minimum sublease receipts are due as follows:

	Group	
	2019	2018
	\$'000	\$'000
Within one year	451	433
In the second to fifth years inclusive	300	723
	751	1,156

31. LEASES

	2019
	Right of use asset \$'000
Right of use assets:	
As at 1 January 2019:	12,534
Additions during the year	17,424
Release of IAS 17 lease liability	(679)
Depreciation charged to income statement	(5,702)
31 December 2019	23,577

	2019
	Lease liability \$'000
Lease liabilities:	
As at 1 January 2019:	14,166
Additions during the year	17,424
Interest expense charged to income statement	958
Payment of lease liabilities	(6,437)
Foreign exchange revaluation	653
Lease incentive	871
At 31 December 2019	27,635

The difference of \$1,657,667 between the right of use asset and lease liability on 1 January 2019 has been recognised as an adjustment against retained earnings.

Other Operating lease expenses including service charges, utilities, property insurance and maintenance amounted to \$5,650,635 during 2019. Due to the adoption of IFRS16, there is no comparable amount for 2018.

Operating lease expenses for short term leases amounted to \$33,635. Due to the adoption of IFRS16, there is no comparable amount for 2018.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.8%.

32. FINANCIAL INSTRUMENTS

(a) Capital risk management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 27 and 28. The primary objective of the Group's capital management is to maximise 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 covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current year.

Many of the Group's material operating subsidiaries are subject to regulatory restrictions and minimum capital requirements. As at 31 December 2019, each of these subsidiaries had net capital in excess of the requisite minimum requirements. These requirements are designed to ensure institutions have an adequate capital base to support the nature and scale of their operations. Management of regulatory capital forms an important part of the Group's risk governance structure. A robust programme of regular monitoring and review takes place to ensure each regulated entity is in adherence to local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Group's risk appetite, as determined by the Board.

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

(b) Debt securities

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

(c) Equity instruments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
32. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Categories of financial instruments**

Set out below, is an analysis of the Group and Company's categories of financial assets as at 31 December 2019.

	Group			
	FVTPL \$'000	FVTOCI \$'000	Amortised cost \$'000	Total \$'000
Financial assets:				
Equity instruments	29,629	-	-	29,629
Cash and cash equivalents	-	-	217,501	217,501
Financial instruments	-	917,164	176,727	1,093,891
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	452,574	764,035
Trade debtors	-	-	26,652	26,652
Default funds and deposits	-	-	99,012	99,012
Loans receivable	-	-	713	713
Other debtors	-	-	3,192	3,192
Investments	-	8,052	-	8,052
Derivative instruments	91,933	-	-	91,933
31 December 2019	433,023	925,216	976,371	2,334,610
	FVTPL \$'000	FVTOCI \$'000	Amortised cost \$'000	Total \$'000
Financial assets:				
Cash and cash equivalents	-	-	160,728	160,728
Financial instruments	-	50,078	176,326	226,404
Amounts due from exchanges, clearing houses and other counterparties	263,950	-	444,772	708,722
Trade debtors	-	-	21,759	21,759
Default funds and deposits	-	-	65,993	65,993
Loans receivable	-	-	669	669
Other debtors	-	-	2,093	2,093
Investments – FVTOCI	-	8,029	-	8,029
Derivative instruments	28,930	-	-	28,930
31 December 2018	292,880	58,107	872,340	1,223,327

32. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (continued)

	Company		
	FVTOCI	Amortised cost	Total
	\$'000	\$'000	\$'000
Financial assets:			
Cash and cash equivalents	-	65	65
Investments	3,082	-	3,082
Amounts due from group undertakings	-	422	422
Subordinated loans due from group undertakings	-	90,000	90,000
31 December 2019	3,082	90,487	93,569

	FVTOCI	Amortised cost	Total
	\$'000	\$'000	\$'000
Financial assets:			
Cash and cash equivalents	-	28	28
Investments	3,554	-	3,554
Amounts due from group undertakings	-	110	110
Subordinated loans due from group undertakings	-	17,500	17,500
31 December 2018	3,554	17,638	21,192

	Group		
	FVTPL	Amortised cost	Total
	\$'000	\$'000	\$'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	-	1,770,416	1,770,416
Derivative instruments	77,000	-	77,000
Other creditors	-	3,040	3,040
Accruals	-	81,758	81,758
Deferred income	-	868	868
Lease liability	-	27,635	27,635
Debt securities	196,199	-	196,199
31 December 2019	273,199	1,883,717	2,156,916

32. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (continued)

	Group		
	FVTPL	Amortised	Total
	\$'000	cost	\$'000
		\$'000	\$'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	-	858,429	858,429
Derivative instruments	48,764	-	48,764
Other creditors	-	1,555	1,555
Accruals	-	69,027	69,027
Deferred income	-	606	606
Short-term borrowings	-	4	4
31 December 2018	48,764	929,621	978,385

	Company	
	Amortised	Total
	cost	\$'000
	\$'000	\$'000
Financial liabilities:		
Amounts due to group undertakings	107,642	107,642
Accruals	1,676	1,676
Other creditors	76	76
31 December 2019	109,394	109,394

	Amortised	Total
	cost	\$'000
	\$'000	\$'000
Financial liabilities:		
Amounts due to group undertakings	20,429	20,429
Accruals	458	458
31 December 2018	20,887	20,887

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The effect of offsetting is disclosed below:

	Group					
	Gross amount \$'000	Amounts set-off \$'000	Net amount presented \$'000	Non-cash collateral rec'd / (pledged) \$'000	Cash collateral rec'd / (pledged) \$'000	Net amount \$'000
31 December 2019						
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,295,275	(531,240)	764,035	-	-	764,035
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	2,301,656	(531,240)	1,770,416	(138,813)	-	1,631,603
	Group					
	Gross amount \$'000	Amounts set-off \$'000	Net amount presented \$'000	Non-cash collateral rec'd / (pledged) \$'000	Cash collateral rec'd / (pledged) \$'000	Net amount \$'000
31 December 2018						
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,147,121	(438,399)	708,722	-	-	708,722
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	1,296,828	(438,399)	858,429	(122,802)	-	735,627

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

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

The 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 Executive Credit and 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 Executive Credit and Risk Committee through a formalised process.

Credit quality

The table below does not take into account collateral held.

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
AA and above	1,485,899	362,746	-	-
AA-	126,616	56,777	65	28
A+	128,915	53,298	-	-
A	36,731	183,530	-	-
A-	48,185	23,867	-	-
BBB+	5,017	823	-	-
Lower and unrated	503,247	542,286	93,504	21,164
	2,334,610	1,223,327	93,569	21,192

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Credit quality (continued)

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments	8,052	8,029	3,082	3,554
Financial instruments	1,093,891	226,404	-	-
Derivative assets	91,933	28,930	-	-
Equity instruments	29,629	-	-	-
Amounts due from exchanges, clearing houses and other counterparties	764,035	708,722	-	-
Trade debtors	26,652	21,759	-	-
Default funds and deposits	99,012	65,993	-	-
Amounts due from group undertakings	-	-	422	110
Loans receivable	713	669	-	-
Other debtors	3,192	2,093	-	-
Cash and cash equivalents	217,501	160,728	65	28
Subordinated loans due from group undertakings	-	-	90,000	17,500
	2,334,610	1,223,327	93,569	21,192

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

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 (excluding Marex Solutions), 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 Value-at-Risk ('VaR'), sensitivity analysis and stress testing.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

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

The Monte Carlo simulation model used by the 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.

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

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

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 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 VaR as at 31 December 2019 was \$872,589 (2018: \$1,275,766) and the average monthly VaR for the year ended 31 December 2019 was \$1,557,346 (2018: \$1,452,169).

Foreign currency risk

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

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

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)**(f) Financial risk management objectives (continued)**Foreign currency risk (continued)

2019				
	Average forward rates	Foreign currency \$'000	Notional value £'000	Fair value assets \$'000
Outstanding contracts				
Derivative designated as Cash flow hedges				
Less than 3 months	1.3107	19,227	14,626	196
3 to 6 months	1.2994	773	595	15
		20,000	15,221	211
2018				
	Average forward rates	Foreign currency \$'000	Notional value £'000	Fair value liabilities \$'000
Outstanding contracts				
Derivative designated as Cash flow hedges				
Less than 3 months	1.2963	6,848	5,276	97
3 to 6 months	1.3019	7,911	6,069	113
6 to 12 months	1.3111	16,132	12,288	244
More than 12 months	1.3183	14,518	11,003	219
		45,409	34,636	673

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

As at 31 December 2019, the aggregate amount of gains/losses under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future commitments is \$213,182 (2018: \$672,522). It is anticipated that these commitments will come due monthly over the course of the next 14 months, at which time the amount deferred in equity will be reclassified to profit or loss.

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

Interest rate risk

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Interest rate risk (continued)

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, with the exception of US Treasuries which have a maturity of up to two years.

Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems, or from external events. It is inherent in every business organisation and covers a wide spectrum of issues.

Operational risk is managed through systems and procedures in which processes are documented, authorisation is independent, and transactions are monitored and reconciled.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Operational risk (continued)

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

Compliance or Regulatory risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to the Group. 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, the CME Group of exchanges, NLX, DGCX, London Stock Exchange, ICE US, NYSE Liffe, ICE Futures and Eurex. The Group is regulated in the UK by the FCA (which regulates the Group under consolidated supervision), in the US by the CFTC, in Hong Kong by the SFC, and in Singapore by the MAS.

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

Concentration risk

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

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

The largest concentration of cash balances as at 31 December 2019 was 71% (2018: 83%) to a UK-based, AA rated global banking group (2018: UK-based, AA- rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2019 was 33% (2018: 37%) to the LME (2018: LME).

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 \$165 million committed revolving credit facility.

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

The financial liabilities are based upon rates set on a daily basis, apart from the financing of the warrant positions and the credit facility where the rates are set for the term of the loan. For assets not marked-to-market there is no material difference between the carrying value and fair value.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)*Liquidity risk exposures*

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

		Group	
	Notes	2019 \$'000	2018 \$'000
Financing facilities			
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used		-	-
Amount unused	21	-	15,000
		<u>-</u>	<u>15,000</u>
Secured revolving credit facility, reviewed annually:			
Amount used	21	-	-
Amount unused		165,000	125,000
		<u>165,000</u>	<u>125,000</u>
Secured receivables finance facility, reviewed bi-annually:			
Amount used	21	-	4
Amount unused		-	9,996
		<u>-</u>	<u>10,000</u>

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)*Liquidity risk exposures*

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

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due to exchanges, clearing houses and other counterparties	1,770,416	-	-	-	1,770,416
Other creditors	-	3,040	-	-	3,040
Accruals	-	81,758	-	-	81,758
Deferred income	-	868	-	-	868
Short-term borrowings	-	-	-	-	-
Debt securities	-	54,463	128,790	12,946	196,199
Lease liabilities	-	1,378	4,767	25,062	31,207
At 31 December 2019	1,770,416	141,507	133,557	38,008	2,083,488

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due to exchanges, clearing houses and other counterparties	858,429	-	-	-	858,429
Other creditors	-	1,555	-	-	1,555
Accruals	-	68,508	519	-	69,027
Deferred income	-	606	-	-	606
Short-term borrowings	-	4	-	-	4
At 31 December 2018	858,429	70,673	519	-	929,621

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

32. FINANCIAL INSTRUMENTS (CONTINUED)**(f) Financial risk management objectives (continued)**Liquidity risk (continued)

	Company				Total \$'000
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	
Amounts due to group undertakings	107,685	-	-	-	107,685
Accruals	-	1,676	-	-	1,676
At 31 December 2019	107,685	1,676	-	-	109,361

	Company				Total \$'000
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	
Amounts due to group undertakings	20,429	-	-	-	20,429
Accruals	-	458	-	-	458
At 31 December 2018	20,429	458	-	-	20,888

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)

Shown below is the Group's contractual maturity for non-derivative financial assets:

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due from exchanges, clearing houses and other counterparties	764,035	-	-	-	764,035
Trade debtors	-	26,652	-	-	26,652
Default funds and deposits	-	99,012	-	-	99,012
Loans receivable	-	713	-	-	713
Other debtors	-	3,192	-	-	3,192
Equity instruments	29,629	-	-	-	29,629
Cash and cash equivalents	217,501	-	-	-	217,501
Financial instruments	-	694,618	190,963	208,311	1,093,892
At 31 December 2019	1,011,165	824,187	190,963	208,311	2,234,626

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due from exchanges, clearing houses and other counterparties	708,722	-	-	-	708,722
Trade debtors	-	21,759	-	-	21,759
Default funds and deposits	-	65,993	-	-	65,993
Loans receivable	450	-	219	-	669
Other debtors	-	1,856	232	5	2,093
Cash and cash equivalents	160,728	-	-	-	160,728
Financial instruments	-	30,106	95,166	101,132	226,404
At 31 December 2018	869,900	119,714	95,617	101,137	1,186,368

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	Company				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due from group undertakings	422	-	-	-	422
Cash and cash equivalents	65	-	-	-	65
Subordinated loans due from group undertakings	-	-	-	90,000	90,000
At 31 December 2019	487	-	-	90,000	90,487

	Company				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due from group undertakings	110	-	-	-	110
Cash and cash equivalents	28	-	-	-	28
Subordinated loans due from group undertakings	-	-	-	17,500	17,500
At 31 December 2018	138	-	-	17,500	17,638

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	Group			
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
Derivative instruments - assets	-	42,030	43,858	6,045
Derivative instruments - liabilities	-	(33,421)	(30,126)	(13,453)
At 31 December 2019	-	8,609	13,732	(7,408)

	Group			
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000
Derivative instruments - assets	-	13,693	14,100	1,137
Derivative instruments - liabilities	-	(22,898)	(24,019)	(1,847)
At 31 December 2018	-	(9,205)	(9,919)	(710)

The derivative asset and liability do not meet the offsetting criteria in IAS 32:42, but the entity has the right of offset in the case of default, insolvency or bankruptcy. Consequently, the gross amount of the derivative asset \$91,933,182 (2018: \$28,930,381) and gross amount of the derivative liability of \$77,000,635 (2018: \$48,764,345) are presented separately in the Group's statement of financial position.

Fair value measurement

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

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

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Fair value measurement (continued)

The level 2 pricing for investments is based on the latest traded price. The level 2 pricing for derivative instruments is determined using quantitative models that require the use of multiple market inputs including commodity prices, interest and foreign exchange rates to generate continuous yield or pricing curves and volatility factors, which are used to value the position.

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

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

	Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	-	311,461
Derivative instruments	-	91,661	272	91,933
Equity shares	29,629	-	-	29,629
Financial assets – FVTOCI:				
Investments	3,219	4,833	-	8,052
Financial instruments	917,164	-	-	917,164
Financial liabilities – FVTPL:				
Derivative instruments	-	(76,962)	(38)	(77,000)
Debt securities	-	(196,199)	-	(196,199)
At 31 December 2019	1,261,473	(176,667)	234	1,085,040

32. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Fair value measurement (continued)

	Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	263,950	-	-	263,950
Derivative instruments	-	28,869	61	28,930
Financial assets – FVTOCI:				
Investments	2,837	5,192	-	8,029
Financial instruments	50,078	-	-	50,078
Financial liabilities – FVTPL:				
Amounts due to exchanges, clearing houses and other counterparties	-	-	-	-
Derivative instruments	-	(48,657)	(107)	(48,764)
At 31 December 2018	316,865	(14,596)	(46)	302,223

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

32. FINANCIAL INSTRUMENTS (CONTINUED)**(f) Financial risk management objectives (continued)**

The following table summarises the movements in the Level 3 balances during the period.

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

Reconciliation of Level 3 fair value measurements of financial assets

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

Reconciliation of Level 3 fair value measurements of financial liabilities

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

The Group's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate.

The impact of reasonably possible alternative assumptions from the unobservable input parameters shows no significant impact on the Group's profit, comprehensive income or shareholders' equity.

33. CLIENT MONEY

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

	Group	
	2019	2018
	\$'000	\$'000
Segregated assets at banks (not recognised)	716,322	318,391
Segregated assets at exchanges, clearing houses and other counterparties (recognised)	1,342,771	523,959
	2,059,093	842,350

Segregated assets at exchanges, clearing houses and other counterparties of \$1,342,771,587 (2018: \$523,958,440) are included on the statement of financial position within trade and other receivables.

34. COMPANY PROFIT AND LOSS

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its income statement for the year. The Company reported a profit for year ended 31 December 2019 of \$27,527,035 (2018: \$46,830). Marex Spectron Group Limited standalone financial statements are available at 155 Bishopsgate, London, EC2M 3TQ.

35. EVENTS AFTER THE BALANCE SHEET DATE**(a) Acquisitions**

On 2 March 2020, the Group acquired 100% of the share capital of the metal scrap trading firm Tangent Trading Holdings Limited for cash consideration of \$16,901,847, subject to adjustment for the value of net assets as at the completion date. On 20 March 2020, the Group acquired 100% of the share capital of the equities trading fund, Volatility Performance Fund S.A., incorporated in Luxembourg, for a cash consideration of €1, and a further consideration of €2,000,000 contingent on certain conditions being satisfied regarding the subsequent performance of the fund.

(b) Impact of Coronavirus pandemic

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

Since 23 March 2020, the majority of the Group's employees have been working from home in accordance with Government requirements. The Group has successfully continued to service its clients both in terms of its trade offering and the associated administration.

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

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

36. RELATED PARTY TRANSACTIONS**(a) Parent and ultimate controlling party**

In these financial statements of the Group, being the Company and its subsidiaries, subsidiaries refer to the entities controlled by the Company as disclosed in note 16(c).

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

(b) Key Management Personnel

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

	Group	
	2019	2018
	\$'000	\$'000
Aggregate wages and salaries	23,320	16,327
Short-term monetary benefits	157	138
Defined pension cost	108	87
	23,585	16,552

The remuneration of the highest paid director for their services to the Group was \$4,526,338 (2018: \$2,525,150). No pension contributions were made on their behalf whilst they were a director of the Group (2018: \$nil). As at 31 December 2019, there were 9 key management personnel in the Group's defined contribution scheme (2018: 5).

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key Management Personnel transactions

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

During the year, certain employee directors of the Company were part of a long-term senior management compensation plan arranged by the majority shareholders of the Company. The majority of the compensation plan payable under these arrangements is contingent upon sale of the Company and the sale price being at a level which provides all the shareholders of the Company with a profit. A minority of the compensation plan is contingent on the profits of the Company exceeding a given threshold over a multi-year period. The only time when the Company will be required to make a payment under this plan would be when it is sold by its shareholders.

During the year the Group paid \$160,835 (2018: nil) for consultancy services provided by MCS Advisory Ltd, a company 50% owned by Carla Stent.

(d) Transactions with entities having significant influence over the Group

Balances and transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and not disclosed in this note.

The Group pays management fees to parties associated with the ultimate parent company based on a percentage of the Group's profitability amounting to \$1,395,283 (2018: \$385,964).

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