Marex Financial

Annual Report and Financial Statements

Year ended 31 December 2020

Registration Number 05613061

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COMPANY INFORMATION

Country of Incorporation	England and Wales
Legal Form	Private unlimited company
Directors	N G W Grace 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 Industrial and Commercial Bank of China Limited 81 King William Street, London, EC4N 7BG

DIRECTORS' REPORT

The directors present their report and audited financial statements of Marex Financial ('the Company' or 'the Firm') for the year ended 31 December 2020. The Company is an unlimited subsidiary of Marex Spectron Group Limited (collectively 'Marex', or the 'Group').

About Marex Financial

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

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

- Market Making
- Commercial Hedging

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

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

Marex is an efficient, robust and scalable business. With a comprehensive product and service offering, we are thoroughly embedded in the global commodity infrastructure. As part of the wider Group, the Company is connected to 37 major global exchanges, including the London Metal Exchange, where Marex is a Category 1 Member and Ring Dealer, the CME Group (CME) and the Intercontinental Exchange (ICE). In 2020, the Company cleared over 100 million contracts on exchange and executed over 16 million trades for our clients, compared with 99 million contracts and 12 million trades in 2019.

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

CORE SERVICES

The core components of the Company's business are as follows: Market Making and Commercial Hedging. This is consistent with prior periods and also consistent with other similar businesses in the market.

Market Making

In Market Making we are providing liquidity across all key commodity markets including Metals (Base, Ferrous and Precious), Agriculture (Cocoa, Coffee, and Grains) and Energy (Crude Oil, Residual Fuel-Oil, Middle Distillates, Naphtha, Gasoline, and several Dry Freight routes and sizes).

Commercial Hedging

Commercial Hedging provides clients with extensive execution and clearing services in Metals (Base, Ferrous and Precious), Agricultural products (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.

Support

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

Culture

Our culture is grounded in five key principles:

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

Directors

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

	Appointed	Resigned
R J Reid		10 September 2020
P R Tonucci		
S J van den Born		
N G W Grace		

Indemnity of directors

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

Directors' statement as to disclosure of information to the Auditor

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

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

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

Charitable and political contributions

The company made charitable donations of $22,161 during the year ended 31 December 2020 (2019: $52,886).

No contributions were made for political purposes during the year (2019: $nil).

Foreign exchange

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

	2020		2019	
	Average Rate	Year-end Rate	Average Rate	Year-end Rate
GBP / USD	1.2840	1.3675	1.2771	1.3265
EUR / USD	1.1420	1.2214	1.1195	1.1213

Going concern

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

Events after the reporting period

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

Overseas branches

The Company has a branch, as defined in s1046 (3) of the Companies Act 2006, in France

Legal provisions

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

Dividends

The Company did not declare or make any dividend payments during the year ended 31 December 2020 (2019: $nil).

Financial risk management

Financial risk management objectives are included in the strategic report.

Future developments

Future developments are included in the Group 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 Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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

Suppliers, customers and others

In accordance with the Reporting on Payment Practices and Performance Regulations 2017, the Company submits biannual reports on payment practices and performance to the Department for Business, Energy and Industrial Strategy. The average time taken to make payments from the Company under qualifying contracts was 17 days in the first six months of the year and 18 days in the second half of the year. Relationships with suppliers, customers and others are not managed at company level, as the directors of the Company's immediate parent manage the operations of Marex Spectron on a Group-wide basis. Further statements regarding how the Group's relationships with suppliers, customers and others are managed, are contained in the Marex Spectron Group Limited Annual Report (which does not form part of this report).

Streamlined Energy Carbon Reporting (SECR)

Greenhouse gas emission estimates are produced for the Group as a whole and are contained in the annual report of the Company's parent, Marex Spectron Group Limited, which does not form part of this report.

Auditor

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). In accordance with company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

Approved by the Board and signed on its behalf by:

N Grace
Director
27 April 2021

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

"Challenging" is a word frequently deployed to describe market conditions. 2020 was a year - with the Covid-19 pandemic, the consequent roiling of global markets, and so many clients and staff working from home - that was genuinely challenging. With that backdrop, I am delighted to report another outstanding set of results.

In this extraordinary environment, the Company has maintained its positive earnings trajectory, achieving yet another record year by growing operating profit by 27.2% to $40.7m. We also continued to invest in our organisation and platform to further diversify our business and support ongoing growth in 2021 and beyond. In 2020, the Company has continued to deliver increased revenue through both strong organic growth.

I am particularly proud of how the whole Firm came together and extremely grateful for the hard work and dedication of our staff. We demonstrated the ability to successfully operate our businesses, maintain controls, and limit operational or credit losses in genuinely challenging operating conditions. Our managers set the tone and provided countless examples of selflessness and commitment to the Firm, which was critical to our success. Frequent and open communication reassured staff and motivated everyone to perform despite the difficulties faced and we maintained or increased share as we differentiated ourselves through our resilience and adaptability.

Financials

Notwithstanding the market conditions - the high levels of volatility in Q1 2020, the impact of working from home on our clients and staff, and the decline in interest rates - we continued to achieve new records, growing both revenues and profits consistent with our historic trajectory of 15 to 30 percent per year.

The Company's gross revenue was a record $281.4 million, up 14.8% from 2019, and Net Revenue which we regard as the relevant revenue metric was up 16.5% to $186.0 million. Operating profit before tax was $40.7 million, 27.2% above 2019. Reported profit before tax of $39.1 million was up 48.9% on 2019.

Our efforts and investment in diversifying our earnings streams, have resulted in a steady growth in profitability through a number of different market environments. The resilience of our business model is apparent as we have continued to grow and generate performance through a range of markets in 2017, a year characterised by low volatility; in 2018 when commodity process declined; and 2020 when interest rates declined, and we had to deal with the impact of the pandemic.

Operational Management

Disciplined risk management is central to the Firm's DNA. In our Market Making business, we enjoyed 70 percent of positive days, 92 percent of positive weeks and 100 percent of positive months, consistent with our focus on facilitating customer flows rather than taking proprietary risk. In our Commercial Hedging businesses, we worked proactively with clients to manage risks through volatile markets. While we did experience some credit losses (with four clients requiring provisions), the net impact to profitability from this, after recoveries and compensation, was limited.

We further strengthened our liquidity and ended the year with $310 million of available liquidity, and surplus versus regulatory requirement of $210 million. We maintained our investment grade rating with S&P at BBB for the Company.

Technology is essential to how we operate. The quality of our technology infrastructure was tested and proven this year as 90% of our staff, both in the businesses and Control and Support, shifted seamlessly to remote working during the height of the pandemic. We continued to invest in our two-client facing front end platforms: Neon, which provides a one stop hub connecting clients to our data, research and insights as well as execution capabilities; and Agile, our versatile Solutions platform which provides real time pricing for clients and ability to stress their OTC derivative portfolios. Neon users have increased almost five-fold in 2020, and we are looking to grow to over 8,000 in 2021.

Operational Management (continued)

Not being encumbered with embedded, legacy systems enables us to remain nimble. We deliver new functionality to clients in a timely and efficient manner, through highly accessible applications, therefore providing a differentiated customer experience compared with our competitors.

Strategy

We continue to grow and diversify the products and services offered by our essential, tech enabled liquidity hub which connects customers to the global commodity, energy, and financial markets.

Our strategy is to diversify our earnings and build our customer base by growing out products and geographies in the four specialised value add services we provide to clients:

1. Market Making;
2. Commercial Hedging - both on exchange where we provide execution and clearing services and if no on-exchange instrument available to meet a customer's need, via a bespoke OTC derivative.

Market Making

We successfully expanded our Market Making segment in 2020, growing net revenue from $51.9 million to $54.2 million, and profit from $23.0 million to $29.1 million, extending our product range and geographic reach, through the investments in Cambridge Machines and the Energy options desk.

Commercial hedging

Our largest business line is Commercial Hedging, which includes our on-exchange execution and clearing services and OTC derivatives. Notwithstanding the significant headwinds from declining interest rates, we grew net revenues from $105.5 million to $131.8 million.

Our OTC derivatives business, Marex Solutions, continued its impressive growth, almost tripling revenues and increasing profit to $17.9 million. This business, which was just a concept in 2017 has grown steadily and now has over 100 employees, and net revenue of $44.9 million in 2020.

We continue to have ambitious growth targets for this business, not only expanding our client base for our current products but generating new product opportunities. We have invested in governance and risk management to ensure we have a robust operating platform to support this growth.

The growth of the Solutions business demonstrates our ability to innovate when we identify a market need, leveraging our technology, management expertise, client relationships, brand, rating and culture to continue to successfully build upon the business.

Culture

As we continue to grow both geographically and through acquisition, culture is the spine that connects us and informs the way in which we want to operate day to day, both in our interactions with our colleagues and with our clients. We recognise that we cannot reach our goals and meet our ambitions without a healthy, robust culture, the value of which has been proven through 2020 as we led the Firm through remote working.

I am truly proud of how our employees have stepped up in what has proven to be an extraordinary year, demonstrating our ability to work around challenges whilst maintaining our exceptional client service levels. Our executive team led by example and showed their personal dedication to both the Firm and their teams throughout.

In 2020 we refreshed our values as part of our wider cultural framework, which also defines our mission, vision and behaviours. These ensure we are all working to unified goals with talented and engaged employees:

- Respect for our clients and our fellow employees
- High level of integrity by doing business the right way
- Collaboration through teamwork
- Developing our people
- Adaptability and nimbleness

A great culture not only connects employees, driving happiness and productivity, but is vital to attract and retain talented staff to the Firm. Culture can be as important as a differentiator for prospective employees than the opportunity. To ensure that we continually build on our employee engagement, we run a Firm wide survey each year that provides us with invaluable insights into our employees’ thinking. It identifies what we need to continue to do well and where we can make Marex an even better place for our employees to work.

Looking ahead

Revenue growth for the first quarter of 2021 was strong, with positive signs in key growth businesses such as Marex Solutions, and the Group’s new UK focused equities franchise in its Market Making business. The Group’s operating profit before taxation for the first quarter of 2021, was above the Group’s average quarterly operating profit before taxation for the last three quarters of 2020 despite some weakness in March. Operating profit before taxation for the first quarter of 2020 was exceptionally high given the unprecedented volatility and market turmoil during the early stages of the Covid-19 pandemic and, accordingly, operating profit before taxation for the first quarter of 2021 was, as expected less than the first quarter of 2020.

Given market conditions in the period since 31 December 2020, the Group’s operating profit before taxation in 2021 is expected to be weighted to the second half of the year due to, among other factors, the ongoing impact in the first half, of lockdowns and other Covid-19 measures on client activity, overall economic slowdowns as evidenced by lower exchange volumes and low interest rates. We expect the positive revenue developments in key growth businesses, coupled with cost reductions in select businesses, to lead to increased profitability through the year.

I T Lowitt

Group Chief Executive Officer

27 April 2021

Review of financial performance

In response to the challenges presented in 2020, the Company continued its path of high growth, achieving another record year of revenues and profit. The Covid-19 pandemic caused a significant economic shock and whilst the monetary policy response of reducing interest rates dampened a source of revenue for the Company, higher market volatility converted to increased traded volumes and created opportunities in commodities, particularly in the first half of the year.

The Company achieved a 14.8% increase in gross revenue to $281.4 million in 2020, from $245.2 million in 2019. Profit before tax (PBT) of $39.1 million in 2020 represented an increase of 49.2% compared to the 2019 result of $26.2 million.

	2020	**2019**	**2018**	**2017**	**2016**	**2020 v 2019**
	$ million	**$ million**	**$ million**	**$ million**	**$ million**	**$ million**
Revenue	281.4	245.2	242.6	189.9	199.1	36.2
Expenses	(242.2)	(216.0)	(208.5)	(172.6)	(184.5)	(26.2)
Interest income	3.8	7.1	5.8	3.9	1.8	(3.3)
Interest expense	(2.2)	(4.3)	(3.8)	(4.0)	(1.9)	2.1
Profit before tax (before one-time expenses)	**40.8**	**32.0**	**36.1**	**17.2**	**14.5**	**8.8**
One-time expenses	(1.7)	(5.8)	(32.0)	-	(0.9)	4.1
Profit Before Tax (before one-time revenues)	**39.1**	**26.2**	**4.1**	**17.2**	**13.6**	**12.9**
One-time revenues	0.0	-	0.1	0.4	-	-
Profit before tax (reported)	**39.1**	**26.2**	**4.2**	**17.6**	**13.6**	**12.9**
Tax	(7.1)	(5.1)	(0.4)	(3.5)	(2.9)	(2.0)
Profit after tax	**32.0**	**21.1**	**3.8**	**14.1**	**10.7**	**10.9**

Review of financial performance (continued)

The key performance indicators (KPIs) that are the focus of senior management include adjusted operating profit before tax, net revenue, and adjusted operating return on equity.

From a financial management perspective adjusted operating PBT is the key measurement of financial performance, reflecting the underlying profitability of the business. It excludes costs and revenues that are considered to be non-operating such as exceptional items, cost of investments, and business restructuring costs.

Adjusted operating PBT of $40.7 million for 2020 was an increase of 27.2% from the 2019 result of $32.0 million. Since 2016. the Company has achieved a 151% increase in its adjusted operating PBT equivalent to a compound annual growth rate of 25.9%. Adjusted operating return on equity increased from 12.9% in 2019 to 13.8% in 2020, reflecting the growth in the Solutions business.

	2020	2019	2018	2017	2016	2020 v 2019
	$ million	$ million	$ million	$ million	$ million	$ million
Profit before tax (reported)	**39.0**	**26.2**	**4.2**	**17.7**	**13.6**	**8.4**
Exclude:						
One Time Revenues						
Dividends received	-	-	(0.1)	-	-	-
LCH Clearnet share sale	-	-	-	(0.4)	-	-
One Time Expenses						
Right of use asset impairment	1.7	-	-	-	-	1.7
Warehouse receipts legal matter	-	5.8	32.0	-	-	(5.8)
Intra-group loan forgiveness	-	-	-	-	1.4	-
Leasehold dilapidations	-	-	-	-	(0.5)	-
Profit Before Tax (before one-time Items)	**40.7**	**32.0**	**36.1**	**17.3**	**14.5**	**8.7**
Other Non-Operating items						
Renegotiated dilapidations	-	-	-	-	0.5	-
Restructuring	-	-	-	-	0.9	-
Investments in new initiatives	-	-	-	3.8	0.3	-
Adjusted operating profit before tax	**40.7**	**32.0**	**36.1**	**21.1**	**16.2**	**8.7**
Adjusted operating profit after tax	**33.6**	**26.9**	**35.7**	**17.6**	**13.3**	**6.7**
Tangible equity	**243.4**	**208.7**	**188.2**	**185.8**	**171.2**	**34.7**
Adjusted operating return on tangible equity	**13.8%**	**12.9%**	**19.0%**	**9.5%**	**7.8%**	**0.9%**

Review of financial performance (continued)

Another metric used as a performance indicator, Adjusted Earnings before Interest, Tax, Depreciation and Amortisation ('Management EBITDA'), was also a record at $50.7 million, up $8.8 million on 2019 and $10.7 million on 2018.

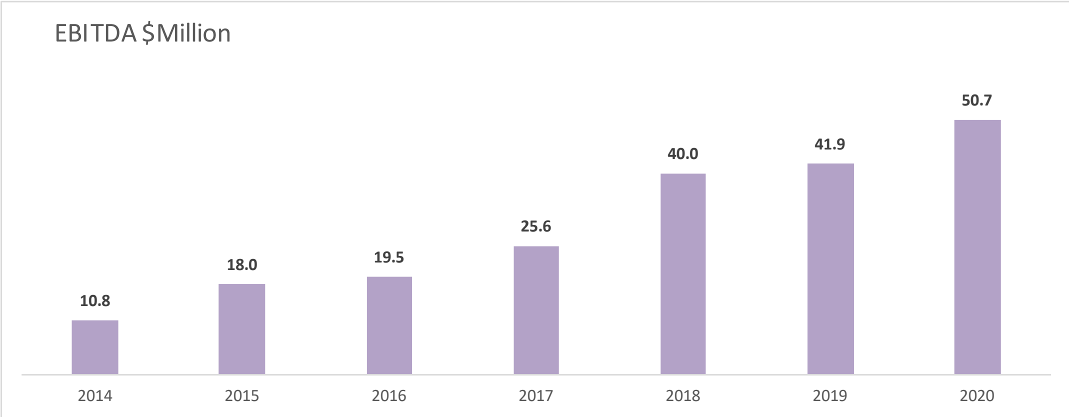
	2020 $ million	2019 $ million	2018 $ million	2017 $ million	2016 $ million	2020 v 2019 $ million
Adjusted profit before tax	**40.7**	**32.0**	**36.1**	**21.1**	**16.2**	**8.7**
Exclude:						
Depreciation & amortisation	2.1	2.3	0.4	0.7	2.1	(0.2)
Financing costs	0.8	3.3	3.1	3.2	1.8	(2.5)
Lease expense relating to right of use asset	0.1	0.2	-	-	-	(0.1)
Implied interest cost of debt securities	7.0	3.1	-	-	-	3.9
Other non-operating costs	(0.0)	1.0	0.4	0.6	(0.6)	(1.0)
Management EBITDA	**50.7**	**41.9**	**40.0**	**25.6**	**19.5**	**8.8**

	2020 $ million	2019 $ million	2018 $ million	2017 $million	2016 $ million
Gross revenue	281.4	245.2	242.6	189.9	199.1
Net revenue	186.0	157.4	149.6	116.9	114.9

Gross revenue increased year over year from 2017 to 2020, which was achieved through a combination of growth in existing base and growth businesses in particular the Solutions business. The growth in client activity has also increased gross revenues and in particular for the commercial hedging business.

Net revenue is a measure that includes gross revenue and interest income from operations after deducting cost of trade and bad debt. Net revenue was $186.0 million, an increase of 16.5% from 2019 where net revenues were 159.7 million. Net revenue excludes the implied interest expense ($7.0 million in 2020 and $3.1 million in 2019) associated with the issuance of structured notes. This expense is recorded within gross revenue in the financial statements but is considered by management as a finance expense for the purposes of calculation of net revenue.

Review of financial performance (continued)



Growth:

1 year: 21%

2 years: 27%

6 years: >100%

VIX[1]	14.2	16.7	15.8	11.1	16.6	15.4	29.1
BCOM[1]	127	94	83	85	86	79	70.0

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

Given the breadth of our commodities business, with sizeable businesses in the energy, metals and agricultural sectors, the Bloomberg Commodity Index (BCOM) is a reasonable representation of the markets in which we operate. The 2020 weightings (across 23 raw materials) were Energy 29.9% (2019: 30.3%), Grains 22.2% (2019: 22.9%), Industrial Metals 17.5% (2019: 17.7%), Precious Metals 17.4% (2019:16.1%), Softs 7.2% (2019: 7.1%) and Livestock 5.8% (2019: 6.0%). In 2020, the BCOM index was down 11% (the average close was 70 compared with 79 in 2019) with the more defensive commodities the best performing. Conversely, the CBOE VIX index average increased 89%.

The Company's EBITDA continued its upward trend, with 21.0% growth on 2019 and a 26.7% increase on 2018.

Review of financial performance (continued)

Business review

Marex Financial is organised into distinct business segments: Market Making and Commercial Hedging. Management evaluates the Company's performance on a net revenue basis – i.e., gross revenue of $281.4 million (see note 5 to the financial statements) and interest expense of $7.0 million less cost of trade of $102.4 million (see note 6 to the financial statements). On this basis, the company generated net revenue of $186.0 million, $28.6 million higher than 2019.

2020 **$ million**	**Commercial Hedging**	**Market Making**	**Total**
Base Businesses			
Metals	27.2	36.0	63.2
Agriculturals	13.0	15.8	28.8
Energy	12.1	-	12.1
Other execution & Clearing	12.1	-	12.1
New Businesses			
Marex Solutions	44.9	-	44.9
Energy Options	-	2.0	2.0
Cambridge Machines	-	0.4	0.4
Corporate	22.6	-	22.6
	131.8	**54.2**	**186.0**
	71%	29%	100%

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

Commercial Hedging

Commercial Hedging net revenue in 2020 was $131.8 million, compared with $105.5 million in 2019, with the increase largely driven by significantly higher revenue from Marex Solutions.

Review of financial performance (continued)

Commercial Hedging (continued)

A major part of the Commercial Hedging activities is our Metals broking and clearing, which saw net revenue of $27.2 million, compared with $31.0 million in 2019. This reduction reflected the lower metal market volatility that saw trading volumes generally fall across exchanges and relatively range-bound markets.

In Agricultural broking and clearing, net revenue from cocoa, coffee, sugar and grains desks were $13.0 million in 2020, compared with $12.5 million in 2019. The increase in net revenue for the Agriculture business was driven by increased market share during the year for the cocoa, sugar and coffee businesses. There were also increases in net revenues from the grains brokerage business, which gained a significant amount of traction from targeted institutional businesses.

Marex Solutions, our corporate hedging and structured notes business, generated net revenue of $44.9 million, which was a 139% increase on $18.8 million in 2019. The team continued to increase its offerings and develop geographically, with new offices and higher headcount. The team also continued to develop their proprietary technology, AGILE, which has proved to be a scalable market leading platform.

Market Making

Metal market making net revenue in 2020 was $36 million, down from $46.8 million, mainly due to fewer trading opportunities as a result of dampened market conditions.

Agricultural market making was stronger in 2020, with net revenue of $15.8 million, up from $5.1 million in 2019 when the team profited a turnaround in price volatility and improved market conditions.

Review of financial performance (continued)

Balance sheet

Shareholders' equity increased by $33.7 million in 2020 (2019: increased by $21.5 million). This resulted from the profit after tax of $32.0 million (2019: $21.1 million) and a net gain in other capital reserves of $1.7 million.

	2020 $'million	2019 $'million
Shareholders' equity	247.6	213.9
Intangible assets	(1.0)	(2.0)
Goodwill	(3.2)	(3.2)
Tangible equity	**243.4**	**208.7**

Overall, total assets on the balance sheet have increased by $466.6 million (32.0%) year-on-year. Trade receivables increased by $198.3 million (22%) from $901 million to $1,099.3 million, year on year, mainly driven by margin requirements with exchanges. The growth in the Solutions business is reflected in the increase in derivative instruments from $91.9 million to $199.0 million and equities of $52.0 million held as hedges. Other receivables have increased by $133.0 million, primarily driven by amounts due from group undertakings.

	2020		2019	
$'million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Cash and cash equivalents	132.3	-	136.4	-
Financial instruments (US Treasuries)	178.0	-	175.9	-
Liquid assets	**310.3**	**-**	**312.3**	**-**
Trade receivables	1,099.3	-	901.0	-
Other receivables	242.0	-	109.0	-
Trade payables	-	(1,018.3)	-	(935.9)
Other payables	-	(51.8)	-	(39.5)
Trade and other receivables / (payables)	**1,341.3**	**(1,070.1)**	**1010.0**	**(975.4)**
Derivative instruments	199.0	(234.3)	91.9	(77.0)
Net derivative assets / (liabilities)	**199.0**	**(234.3)**	**91.9**	**(77.0)**
Net tax asset	3.7	-	1.4	-
Provisions	-	(0.3)	-	(0.2)
Non-current assets	20.7	-	15.6	-
Equity instruments	52.0	-	29.2	-
Lease liability	-	(2.1)	-	(2.9)
Issued debt securities	-	(376.8)	-	(196.2)
Other	**76.4**	**(380.0)**	**46.2**	**(199.3)**
	1,927.0	**(1,683.6)**	**1,460.4**	**(1,251.7)**
Tangible equity		**243.4**		**208.7**

Review of financial performance (continued)

Balance sheet (continued)

Deployment of equity

The Company's liquid assets have decreased by $2.0 million (0.6%) from $312.3 million to $310.3 million as at 31 December 2020, primarily due to the funding of other group entities. Cash and cash equivalents have decreased by $4.1 million (3%) year-on-year.

	2020 $'million	2019 $'million	2020 v 2019 $'million
Cash and cash equivalents	132.3	136.4	(4.1)
Financial instruments – (Treasuries)	178.0	175.9	2.1
Liquid resources	**310.3**	**312.3**	**(2.0)**
Trade receivables	1,099.3	901.6	197.7
Trade payables	(1,018.3)	(935.7)	(82.6)
Net trade (payables) / receivables	**81.0**	**(34.1)**	**115.1**
Derivative assets	199.0	91.9	107.1
Derivative liabilities	(234.3)	(77.0)	(157.3)
Net derivative instruments (liabilities) / assets	**(35.3)**	**14.9**	**(50.2)**
Other receivables	242.0	108.7	133.3
Other payables	(51.0)	(39.8)	(11.2)
Net tax assets	3.7	1.4	2.3
Issued debt securities	(376.8)	(196.2)	(180.6)
Lease liability	(2.9)	(3.0)	0.1
Equity instruments	52.0	29.2	22.8
Provisions	(0.3)	(0.3)	0.0
Non-current assets	20.7	15.6	5.1
Other net payables	**(112.6)**	**(84.3)**	**(28.2)**
Tangible equity	**243.4**	**208.7**	**34.7**

Review of financial performance (continued)

Balance sheet (continued)

Liquidity

Company liquidity resources are the cash or assets that can be quickly converted to meet immediate and short-term obligations. The resources include non-segregated cash, unencumbered US Treasuries, and LME house forward profits in excess of house margin requirements. The Group also includes the undrawn portion of its committed Revolving Credit Facility (RCF) in its liquidity resources. The Group ended 2020 with $468 million of Liquidity Resources including the undrawn portion of the RCF.

The Group maintained its Working Capital Facility at $165 million with the five existing participant banks: Lloyds Bank, Bank Leumi UK, Industrial and Commercial Bank of China Limited London Branch, Barclays Bank, and Allied Irish Bank.

In 2020, the Marex Solutions business continued to significantly grow their structured notes programme, which has become an important source of liquidity for the firm. At year-end, total notes issued was $376.7 million (including $6.0 million of Tier 2 debt) compared to $196.2 million at 2019 year, with focus on spreading out the maturity profile of the notes issued, as well as maintaining a minimum portfolio duration.

Regulatory capital

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

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

As at 31 December 2020, the Firm had Own Funds of $215.6 million, of which $209.6 million is CET1 capital and $6.0 million is Tier 2 capital.

As at 31 December 2020, the Firm had a total minimum capital requirement (‘Pillar 1’) of $80.6 million.

As at 31 December 2020, the Firm reported a Pillar 1 excess of $135.0 million.

As at 31 December 2020, the Firm reported a capital ratio of 21.41%. The ratio expresses the Firm’s capital as a percentage of Total Risk Exposure (Pillar 1 divided by 8%) where the regulatory minimum is 8%. The Firm manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Firm’s growth and strategic options. The Firm performs capital projections and stress testing at least annually as part of the Firm’s Internal Capital Adequacy Assessment Process (‘ICAAP’).

Overview of risk management

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

Risk management is not managed solely at a company level, and instead places reliance on the overall risk management function of the Group. To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the 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.

EWRM Framework

The purpose of the framework is to articulate the control mechanisms to identify, measure, asses, monitor, control and report on underlying risks, ensuring:

- Consistency in approach to risk management across the Group;
- Appropriate measurement, evaluation, aggregation, comparison and control of risks
- Sets governance and control structures to effectively implement risk management strategies; and,
- Targeted and regular reporting on risk exposures, or concentration.

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.

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.

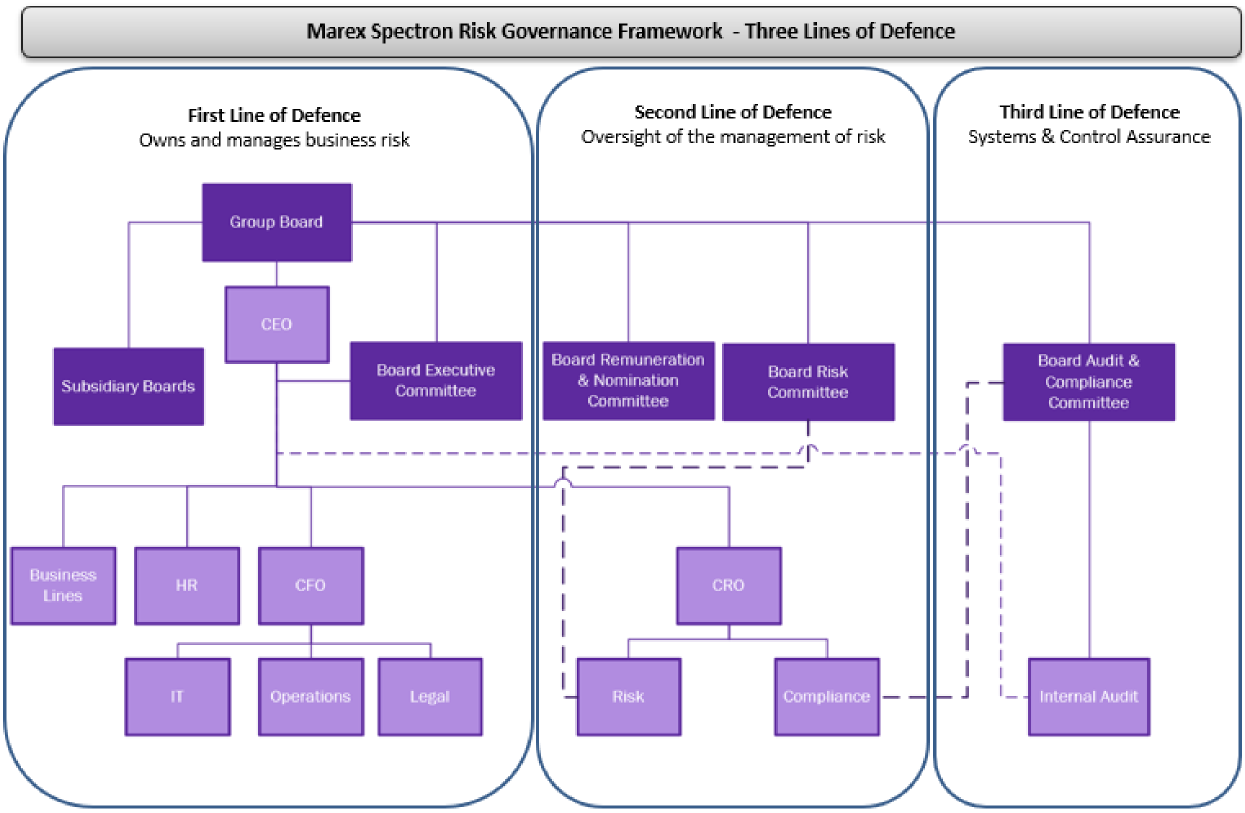
Responsibility for risk management resides at all levels within the Group, from the Group Board and the Board Executive Committee down through the organisation to each business manager, employee and risk specialist. Responsibility for effective review and challenge of risk policies reside with senior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

All individuals within the Group should understand its risk and compliance rules, which is fostered through a risk-aware culture and the embedding of risk management throughout the organisation. The Group's risk culture objective is for every employee to take personal accountability for recognising current and potential risks and managing them effectively.

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.

Information flows and reporting lines are clearly communicated to the relevant personnel and are represented on the risk governance model. The model includes role and responsibility allocation between the organisation centre and business units.



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 conclusions of each risk-based audit carried out by Internal Audit are reported to all Three Lines of Defence. Internal Audit action plans are tracked through the Audit & Compliance Committee to ensure that resolutions are reached within the indicated timescales.

The roles and responsibilities of core functions within the Group are clearly defined, while reporting and escalation lines are strong.

A high-level summary of the roles and responsibilities are included in the table below:

Function	Role and Responsibility
Board of Directors	The Board of Directors set the overarching risk culture of the Group.
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.
Chief Executive Officer (CEO)	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 & Compliance Committee are appropriately implemented.
Chief Financial Officer (CFO)	The CFO is responsible for overseeing the operational and financial practices of the Group, therefore responsible for the implementation of internal controls to manage the risks identified, and responsible for the testing of these internal controls with Internal Audit. As a member of the Audit & Compliance Committee, Risk Committee and the Group Board, the CFO is able to ensure that the strategies and policies for the management of risk can be operationalised.
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 that committee and the Group Board on the formulation of risk appetite, strategies, policies, delegated authorities and limit structures for the management of risks.
Audit & Compliance Committee (ACC)	The role of the ACC is to act independently from the executive management to ensure that the interests of the shareholders are properly protected in relation to financial reporting, external auditing, internal financial controls and regulatory compliance. It provides independent assurance that the internal controls processes are operating effectively. The ACC has oversight of the Compliance and Internal Audit functions, including the approving, monitoring and challenging the scope of reviews and ensuring the timely resolution of issues. In addition, the ACC is responsible for reviewing and recommending the annual financial statements and is responsible for the appointment and reappointment of auditors for the Group.
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. 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 risks to which the Group is exposed considering the Group Board's overall appetite of Risk along with its current financial situation and resources.
Remuneration & Nomination Committee	The Remuneration & Nomination Committee acts 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.
Board Acquisition & Disposal Committee	The Acquisition and Disposal Committee is tasked with the evaluation of potential acquisitions and disposals of companies, businesses and/or teams. The Acquisition and Disposal Committee considers the risks of the proposed transaction, whilst reviewing the proposed transaction's potential contribution to the Group's shareholder value.

Risk Appetite

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.

Qualitative Risk Appetite Statements for each risk category are approved by the Board and are supplemented by various qualitative and quantitative risk metrics. The statements underpin the risk appetite and are monitored monthly to three risk appetite levels (Trigger, Limit, and Capacity) across the following areas;

- Performance Based Measures such as People, Processes, Markets and Profitability;
- Risk Based Measures such as Systems, Capital, Liquidity and Volatility; and
- Compliance Based Measures such as Regulatory / Legal, Transformation and Client Money.

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 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.

Risk Identification and Assessments

The Group's Risk Characterisation Model, (RCM), considers a range of risks the Group faces. This model forms an integral part of the EWRM Framework and serves as an effective linkage to risk appetite. The RCM is reviewed on an ongoing basis and formally on an annual basis.

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

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. The Group operates extensive liquidity management processes and procedures that involve scenario stress testing.
Compliance / Legal Risk	Represents the risk to the Group arising from violations of, or non-conformance with, laws, rules and regulations. There are established Legal and Compliance departments 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.

Risk Type	Description
Financial Crime Risk	Financial Crime Risk encompasses five key risk areas: 'Sanctions', 'Money Laundering and Terrorist Financing', 'Bribery and Corruption', 'Tax Evasion' and 'Fraud' risks. Respectively, these represent the risk that the Group: (i) knowingly makes funds or services available, deals in economic resources, directly or indirectly, to or for the benefit of, a designated sanctions target subject to an asset freeze (or an entity majority owned by such a target) listed by sanctions regimes; (ii) partakes in acts of money laundering or terrorist financing either directly or indirectly; (iii) is involved in active or passive bribery, or other acts of corruption; (iv) facilitates, directly or indirectly, the establishment of solutions to evade taxes, anonymise beneficial owners or hide assets of any third party engaged in a relationship with the Group; and (v) perpetrates fraud, either directly or indirectly through related third parties. The Group has adopted a holistic approach to financial crime and has one group-wide Financial Crime Policy that sets the minimum control requirement in the five key risk areas. This combined approach allows us to identify and manage connections between the key risk areas. Entity-level policies formally adopt the Group Financial Crime Policy and define any local regulatory requirements that apply to specific entities across the Group. Methodologies and Standards underpin the Group and the Company policies. Methodologies identify, select, process, and analyse Financial Crime Risk. Standards provide the detailed guidance on how to comply with the financial crime policies. Procedures provide the 'step-by-step' instructions to assist process operators in carrying out routine or complex operations consistently in alignment with policies and standards. For each financial crime typology an overarching risk appetite statement has been produced, which is supported by qualitative statements and quantitative thresholds and limits. A set of Key Risk Indicators (KRI) and Key Performance Indicators measure the quantitative thresholds and limits. These are produced on a quarterly basis in order to assess compliance standards and highlight areas of potential weaknesses. Financial Crime management information is presented to the Financial Crime Committee and Audit & Compliance Board Subcommittee for review and challenge as part of their oversight responsibilities. An annual MLRO Report is produced to articulate and summarise the current risks across financial crime and the adequacy and effectiveness systems and controls in place to combat the risks. The report is presented to the Audit and Compliance Committee each year. **Market abuse, whilst considered a financial crime, is treated as a standalone Compliance risk within the Group*
Concentration Risk	Concentration risk can be defined as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten the Group's ability to maintain its core business. Concentration risk can arise from credit concentration to a specific country, or to specific counterparty, revenue concentration, exposure concentration to a specific product or concentrations from specific suppliers. To counter such risk, the Group impose various concentration limits, specifically within credit and market risk exposures.
Settlement Risk	Settlement risk is the risk that arises when payments are not exchanged simultaneously. it is a type of counterparty risk associated with default risk as well as timing differences between parties. Robust policies and procedures ensure that Group settlement risk is kept to a minimum.

Risk Type	Description
Technology Risk	Technology risk, or information technology risk, is the potential for any technology to disrupt the business. Risk management includes the strategies, processes, systems and people aimed at effectively managing potential technology risks. The goal of cybersecurity risk management is to identify potential technology risks before they occur and have a plan to address those technology risks. Risk management looks at internal and external technology risk that could have an effect on the Group.
Group Risk	Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole Group. For the Group, this risk is small because over 90% of the market risk and credit risk faced by the group sits within Marex Financial Limited, the main trading entity.
Reputational Risk	Reputational risk is viewed as a secondary risk by the Group, one resulting from the impact of other risks, such as operational risk or compliance risk. It is important to note, that all departments have their own control processes and procedures in place to limit the impact of all relevant risks.

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

Risk Measurement & Control

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

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, Agriculturals, 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 senior management. The escalation procedures for raising significant issues with managers and supervisors are clear and well embedded across the Group and are detailed within relevant policies and procedures for the business area.

The flow of information and communication across the Group relating to the management of risk and the effectiveness of the control framework within the risk governance structure is an important component of the framework. There is regular reporting on the performance and effectiveness of KRIs and formalise management information relating to the risks inherent in the business. The escalation procedures for raising significant issues with managers and supervisors are clear and well embedded across the Group.

Reporting requirements include monitoring the on-going adequacy and effectiveness of the control framework, taking account of the trends and frequency of breaches of the control framework recorded on the Risk Register. Inherent risks and mitigating controls are assessed by the Risk Committee during the Risk Control Self Assessments.

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

Specific Risks

Pandemic

We continue to share the global community concern over coronavirus Covid-19, which in addition to the loss of life, has severely impacted economies. We continue to take appropriate action as a business 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 have facilitated 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 loan wolves and small groups against soft targets have become more common. Our London Office is situated in a potentially 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 January 2022.

Movement to screens

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

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

Section 172(1) Companies Act 2006

For the year ended 31 December 2020, in order to satisfy the reporting requirements of The Companies (Miscellaneous Reporting) Regulations 2018, the Company forms part of the larger Group which has applied the Wates Corporate Governance Principles for Large Private Companies as a framework against which all of the section 172 reporting requirements can be covered. This section demonstrates how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

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

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

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

We invest in our people and help them develop their careers. Our people are the basis of our competitive advantage, so we look to grow our own and make our business the place that ambitious, hardworking, and talented people choose to build their careers. We are committed to offering equality of opportunity to all, regardless of gender. We frequently engage with our employees through formal and informal channels. These include face-to-face dialogues between employees and line managers, the staff newsletter, and regular 'Town Halls' hosted by the Chief Executive Officer together with other senior managers such as the Chief Financial Officer, Group President and Group HR Director.

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

Suppliers

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

Section 172(1) Companies Act 2006 (continued)

Clients

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

Regulators

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

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

The Company recognises its role in promoting and supporting environmental sustainability initiatives and as part of the Group, the Company participates in these initiatives. The Group continues to sponsor a multi-year Research Program at the Smith School of Enterprise and the Environment at the University of Oxford, and the Group Board has further strengthened its commitment to sustainability throughout 2020, approving our inaugural Environmental, Social, and Governance ("ESG") policy that focuses on the impact of our actions on customers, employees and communities and our focus on responsible trading, business integrity, and the use of technology to promote sustainability and protect the environment. It commits us to high ethical standards, proactive dialogue with our stakeholders, safe and fair treatment of employees, and the sustainable use of natural resources. During 2020 the Group Board also approved the first Environment Policy, constituted an ESG Committee and set up an Environment and Climate Working Party to further develop its ESG positive initiatives.

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

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

Section 172(1) Companies Act 2006 (continued)

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

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

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

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).

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

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

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

N Grace
Director
27 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX FINANCIAL

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's the obligations as a regulated Company by Financial Conduct Authority ('the FCA').

We discussed among the audit engagement team and internal specialists including tax, valuation and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Unrealised revenue from over the counter trades. We performed the following procedures:
  - Obtained an understanding and tested operating effectiveness of relevant controls relating to trade confirmation, collateral management and trade settlement processes.
  - Engaged our IT specialist to test IT systems and IT application controls over relevant systems.
  - For the year end substantive sample we independently requested confirmation from external counterparties to corroborate the validity of the underlying trades. Where we were not able to obtain responses from external counterparties, alternative procedures were performed.
- Valuation of stability notes in Marex Solutions. We performed the following procedures:
  - Obtained an understanding and tested operating effectiveness of relevant controls relating to the trade flow process and the fair value pricing process.
  - Engaged IT specialists to test IT systems and IT application controls over relevant systems.
  - Engaged complex instruments pricing specialists to perform an independent recalculation of the fair values for a sample of trades and challenge the appropriateness of the valuation technique and pricing inputs.
  - Confirmed existence and underlying terms by obtaining and reviewing contracts.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA and Her Majesty's Revenue and Customs ('HMRC').

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

In our opinion the information given in note 33 to the financial statements for the financial year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Mark Rhys, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 April 2021

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Revenue	5	281,403	245,211
Operating expenses		(242,180)	(215,982)
Finance income	10	3,838	7,117
Finance expense	10	(2,253)	(4,334)
Operating profit	6	**40,808**	**32,012**
Other income	9	37	29
Other expense	9	(1,740)	(5,800)
Profit before taxation	11(b)	**39,105**	**26,241**
Tax	11(a)	(7,095)	(5,168)
Profit after taxation		**32,010**	**21,073**

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Profit after taxation		32,010	21,073
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Gain on revaluation of investments	16(a)	55	223
Deferred tax charge on revaluation of investments	11(c), 21	(10)	(38)
Gain on cash flow hedge reserve	27	1,664	793
Other comprehensive gain net of tax		**1,709**	**978**
Total comprehensive income		**33,719**	**22,051**

All operations are continuing for the current and prior years.

The notes on pages 45 to 112 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Assets			
Non-current assets			
Goodwill	13	3,243	3,243
Intangible assets	14	1,044	2,085
Property, plant and equipment	15	2,675	228
Investments	16(a)	4,855	4,800
Investments in subsidiaries	16(b)	7,323	7,323
Investments in associates	16(c)	5,564	-
Deferred tax	21	-	186
Financial instruments – unpledged	17	23,454	19,967
Financial instruments – pledged as collateral	17	13,995	89,903
Right of use asset	28	-	3,035
Total non-current assets		**62,153**	**130,770**
Current assets			
Equity instruments	29	51,978	29,250
Derivative instruments	20	199,025	91,933
Financial instruments – unpledged	17	52,127	17,118
Financial instruments – pledged as collateral	17	88,437	48,911
Trade and other receivables	18	1,341,328	1,009,972
Corporation tax		3,847	1,357
Cash and cash equivalents		132,291	136,432
Total current assets		**1,869,033**	**1,334,973**
Total assets		**1,931,186**	**1,465,743**

The notes on pages 45 to 112 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

	Notes	2020 $'000	2019 $'000
Liabilities			
Current liabilities			
Derivative instruments	20	234,301	77,043
Trade and other payables	22	1,069,783	975,419
Lease liability	28	1,210	1,320
Debt securities	29	130,001	183,253
Corporation tax		150	-
Provisions	23	294	285
Total current liabilities		**1,435,739**	**1,237,320**
Deferred tax	21	235	-
Debt securities	29	246,756	12,946
Lease liability	28	856	1,596
Total non-current liabilities		**247,847**	**14,542**
Total liabilities		**1,683,586**	**1,251,862**
Total net assets		**247,600**	**213,881**
Equity			
Share capital	25	160,050	160,050
Share premium		5,940	5,940
Retained earnings		79,526	47,516
Revaluation reserve		247	202
Cash flow hedge reserve	27	1,837	173
Total equity		**247,600**	**213,881**

The financial statements on pages 39 to 112 were approved and authorised for issue by the Board of Directors on 27 April 2021 and signed on its behalf by:

N Grace
Director
27 April 2021
Registration Number: 05613061

The notes on pages 45 to 112 form part of these financial statements.

STATEMENT OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital $'000	Share premium $'000	Retained earnings $'000	Revaluation reserve $'000	Cash flow hedge reserve $'000	Total $'000
At 1 January 2019		160,050	5,940	27,008	17	(620)	192,395
Effect of change in accounting standard	28	-	-	(565)	-	-	(565)
Profit for the period		-	-	21,073	-	-	21,073
Gain on revaluation of investments	16	-	-	-	223	-	223
Deferred tax on revaluation of investments	21	-	-	-	(38)	-	(38)
Gain on revaluation of hedge	27	-	-	-	-	793	793
At 31 December 2019 and 1 January 2020		**160,050**	**5,940**	**47,516**	**202**	**173**	**213,881**
Profit for the period		-	-	32,010	-	-	32,010
Gain on revaluation of investments	16	-	-	-	55	-	55
Deferred tax on revaluation of investments	21	-	-	-	(10)	-	(10)
Movement in the cash flow hedge reserve	27	-	-	-	-	1,664	1,664
At 31 December 2020		**160,050**	**5,940**	**79,526**	**247**	**1,837**	**247,600**

The notes on pages 45 to 112 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $'000	2019 $'000
Profit before tax		39,105	26,241
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property plant and equipment	6, 15	547	69
Depreciation of right of use asset	6, 28	1,295	1,887
Amortisation of intangible assets	6, 14	176	333
Increases / (decreases) in provisions	23	9	(31,894)
Interest income	10	(3,838)	(7,117)
Interest expense	10	2,253	4,334
Provision for doubtful debts	6, 18	2,408	859
Impairment of right of use asset		1,740	-
Currency revaluation	18, 28	137	136
Revaluation of equity accounted investment		(364)	-
Operating cash flows before changes in working capital		**43,468**	**(5,152)**
Working capital adjustments:			
Increase in trade and other receivables		(204,740)	(100,357)
Increase in trade and other payables		94,155	85,463
Increase in amounts due from group undertakings		(128,808)	(78,440)
(Increase) in financial instruments – unpledged		(38,496)	(16,670)
Decrease in financial instruments – pledged as collateral		36,382	16,439
Increase in derivative instruments – assets		(105,427)	(62,950)
Increase in derivative instruments – liabilities		157,258	29,072
Increase in equity instruments	29	(22,728)	(29,250)
Decrease in amounts due to group undertakings		-	(24,010)
Cash outflow from operating activities		**(168,936)**	**(185,855)**
Corporation tax paid		(9,021)	(1,244)
Net cash outflow from operating activities		**(177,957)**	**(187,099)**

The notes on pages 45 to 112 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Notes	2020 $'000	2019 $'000
Investing activities			
Interest received		2,961	7,431
Purchase of intangible assets	14	(964)	(1,059)
Purchase of investments	16(a)	(5,200)	(102)
Purchase of property, software and equipment		(1,165)	-
Increase in investments in subsidiaries	16(b)	-	(1,714)
Net cash (outflow) / inflow from investing activities		**(4,368)**	**4,556**
Financing activities			
Interest received		739	-
Issue of debt securities	29	180,558	196,199
Capital payment of lease liability		(1,176)	(2,924)
Interest paid		(1,937)	(4,549)
Net cash inflow from financing activities		**178,184**	**188,726**
Net (decrease)/increase in cash and cash equivalents		**(4,141)**	**6,183**
Cash and cash equivalents			
Cash available on demand and short-term deposits at 1 January		136,432	130,249
(Decrease)/increase in cash		(4,141)	6,183
Cash and cash equivalents at 31 December		**132,291**	**136,432**

The notes on pages 45 to 112 form part of these financial statements.

1. GENERAL INFORMATION

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

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

In the current year, the 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<u>Amendments to IFRS 3: *Definition of a Business*</u>

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create an output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. This amendment was considered for the acquisitions completed by the Group during the year and the revised definition of a business did not materially impact the financial statements of the Group.

<u>Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*</u>

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements as it does not have any interest rate hedging relationships.

<u>Amendments to IAS 1 and IAS 8 *Definition of Material*</u>

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Group.

<u>Conceptual Framework for Financial Reporting</u>

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements.

(o) 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:

Amendment to IAS 1	Clarification in the definition of current and non-current liabilities, effective on or after 1 January 2023.
Amendments to IFRS 3	Clarification of guidance on contingent assets, effective on or after 1 January 2022.
Amendments to IAS 16	Clarification of proceeds before intended use guidance, effective on or after 1 January 2022.
Amendments to IAS 37	Specification of costs to be included when assessing whether a contract is onerous, effective on or after 1 January 2022.
Amendment IFRS 9	Specification of the treatment of fees for the derecognition of financial liabilities, effective on or after 1 January 2022.

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 and therefore does not intend to adopt the standards early.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

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

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

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

The principal accounting policies adopted are set out below.

(b) Going concern

In considering going concern, the directors have reviewed the capital, liquidity and financial position of the Company and concluded that the going concern basis is still appropriate. As a part of this conclusion the directors took into consideration the financial impact of Covid-19 and the potential impact on the capital, liquidity and financial performance as noted within the Group’s pandemic stress and reverse stress test. 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 Company has adequate resources to continue to satisfy its regulatory obligations as well as its liabilities for the foreseeable future. Thus, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill

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

(d) Revenue recognition

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

The Company generates revenue from the following segments:

- Commercial hedging consists of execution and clearing commissions, which are recognised on a trade date basis;
- Market making revenues are where the Company acts as the principal, typically recognised on a fair value basis whereby movements in fair values of the positions are recognised in the income statement. Included within market making revenues is net interest which is directly attributable to the trading activities of the Group and is recorded on an accruals basis;
- other income primarily comprises exchange rebates and is recognised on an accruals basis.

Financial instruments held for trading purposes are fair valued and subsequent gains and losses are recognised in the income statement.

(e) Dividend income

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

(f) 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)

(g) 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.

(h) Foreign currency translation

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

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

(i) Employee benefits

Short-term employee benefits

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

Retirement benefits: defined contribution schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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)

(k) 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
Software	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 scrappage 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.

Software

The classification relates to internally generated software (such as Neon) which is only capitalised if it can be demonstrated that it is technically feasible for it to be used; can and will be developed, expected to generate future economic benefits, and the expenditure can be reliably measured. The requirement for recognising this type of software as Property, software and equipment is that it is essential for the operation of the hardware already capitalised as computer equipment on the balance sheet. Amortisation is calculated on a straight-line basis over an estimated economic useful life of 2 to 5 years, representing the period that the Group expects to benefit from using or selling the products developed.

Change in accounting policies and disclosures

The continuing growth in the Company's activities has resulted in a change in the way that the Company classifies its assets on the statement of financial position on a prospective basis. In particular, the intangible assets which relate to the software which are critical to the operation of the computers and are being utilised to run the main operations of the Company have been regrouped and classified within Property, software and equipment above, whereas the software contained within the Intangible asset classification has been clarified as that software which are not essential to the operation of the hardware on the balance sheet. As at 31 December 2020, this has resulted in the transfer of $1.8m of software assets from Intangibles to Property, software and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets

Software

The software which is classified as an intangible asset, relates specifically to the software which are not essential to the operation of the hardware that is already capitalised on the balance sheet. Typically this relates to hosted software solutions. This software has finite useful economic life of between 2 to 5 years and is amortised in the consolidated income statement on a straight-line basis over the period of the license.

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

(m) 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.

(n) Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Company's share of the results of operations of the associate. The aggregate of the Company's share of profit or loss of an associate is recorded within revenue. The financial statements of the associate are prepared for the same reporting period as the Company and when necessary, adjustments are made to bring the accounting policies in line with those of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments

Initial recognition and measurement

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

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

Effective interest method

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

Financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Financial assets (continued)

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

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

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

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

Amortised cost and effective interest method

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

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

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

Amortised cost and effective interest method (continued)

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

Debt instruments classified as at FVTOCI

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Financial assets (continued)

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Impairment of financial assets (continued)

Definition of default

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

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses (continued)

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments (continued)

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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

Derivative instruments

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

(p) Hedge accounting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

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

(r) Cash and non-cash distributions

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

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

(s) Client money

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

(t) Debt securities

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

(u) Leases

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Leases (continued)

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimates

- Impairment of non-financial assets

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

- Fair value of financial instruments

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

- Provisions and contingent liabilities

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

- Provisions against trade and other receivables

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Judgements

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

- Provisions and contingent liabilities

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

5. REVENUE

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

	2020 $'000	2019 $'000
Commercial hedging	227,021	187,513
Market making	54,382	57,698
	281,403	**245,211**

31 December 2020	**North America $'000**	**Europe $'000**	**Asia $'000**	**Total $'000**
Commercial hedging	-	209,680	17,341	227,021
Market making	2,000	52,382	-	54,382
Revenue	**2,000**	**262,062**	**17,341**	**281,403**

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

6. OPERATING PROFIT

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

	Notes	2020 $'000	2019 $'000
Staff costs	8	89,779	73,517
Costs of trade		102,448	94,025
Depreciation of property, plant and equipment	15	547	316
Depreciation of right of use asset	28	1,295	1,887
Amortisation of intangible assets	14	176	86
Provision for doubtful debts	18(b)	2,408	859
Management recharges - in		33,493	59,338
Management recharges - out		(4,381)	(32,119)
Foreign exchange losses		119	201

7. AUDITOR'S REMUNERATION

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

	2020 $'000	2019 $'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Audit of the Company's annual accounts	412	330
Total audit fees	**412**	**330**

	2020 $'000	2019 $'000
Fees payable to the Company's auditor for other services comprise:		
Audit-related services	64	-
Other services	-	28
Total non-audit fee	**64**	**28**

8. STAFF COSTS

	2020 Number	2019 Number
Front office	142	124
Control & support	253	223
Average monthly number of staff	**395**	**347**

	2020 $'000	2019 $'000
Aggregate wages and salaries	78,083	63,247
Employer's National Insurance contributions and similar taxes	9,780	8,284
Short-term monetary benefits	32	-
Defined pension contribution cost	1,395	1,225
Apprenticeship levy	200	167
Redundancy payments	289	594
Total staff costs (note 6)	**89,779**	**73,517**

As at 31 December 2020, there were contributions totalling $915 (2019: $239,935) receivable from (2019: Payable to) the defined contribution pension scheme by the Company.

9. OTHER INCOME AND EXPENSE

	Notes	2020 $'000	2019 $'000
Other income			
Dividends received		15	29
Other		22	-
		37	**29**

	Notes	2020 $'000	2019 $'000
Other expense			
Legal provisions	23	-	(5,800)
Impairment of right of use asset		(1,740)	-
		(1,740)	**(5,800)**

10. FINANCE INCOME AND EXPENSE

	2020 $'000	2019 $'000
Finance income		
Bank interest income	110	438
Interest income on financial instruments	3,728	6,679
	3,838	**7,117**

	2020 $'000	2019 $'000
Finance expense		
Bank interest expense	(1,441)	(928)
Credit facility interest expense	(705)	(3,232)
Lease liability interest	(107)	(174)
	(2,253)	**(4,334)**

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

11. TAXATION

(a) Tax charge

	Notes	2020 $'000	2019 $'000
Current tax			
UK corporation tax on profit for the year		7,325	4,993
Foreign corporation tax on profit for the year		9	-
Adjustment in respect of prior years		(652)	49
		6,682	**5,042**
Deferred tax			
Origination and reversal of temporary differences		92	126
Adjustment in respect of prior years – other		321	-
	21	**413**	**126**
Tax charge for the year	11(b)	**7,095**	**5,168**

(b) Reconciliation between tax charge and profit before tax

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation tax in the UK 19.00% (2018: 19.00%). Finance Act 2016 enacted a reduction in the UK corporation tax rate to 17% from 1 April 2020. This reduction was reversed legislation that was substantively enacted on the 17 March 2020 and the UK corporation tax rate therefore remained at 19% for the year. In March 2021 the Chancellor announced the UK Government's intention to increase the UK corporation tax rate to 25% from 1 April 2023. This has not been substantively enacted at this time and the effect of this has not been reflected in the financial statements.

Taxation for other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

	Notes	2020 $'000	2019 $'000
Profit before tax		**39,105**	**26,241**
Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)		7,430	4,986
Difference explained by:			
Expenses not deductible for tax purposes		58	307
Effect of overseas tax rates		4	-
Income not subject to tax		(7)	(5)
Foreign exchange and other differences		(58)	(169)
Prior year adjustments		(332)	49
Tax charge for the year	11(a)	**7,095**	**5,168**

11. TAXATION (CONTINUED)

(c) Amounts recognised in other comprehensive income

Amounts directly recognised in the statement of other comprehensive income relate to FVTOCI financial assets. The amount recognised in 2020 is a deferred tax charge of $10,000 (2019: deferred tax charge of $38,000).

12. DIVIDENDS PAID AND PROPOSED

No dividends were paid during the year ended 31 December 2020 (2019: $ nil).

13. GOODWILL

	$’000
Cost	
At 1 January 2020	12,902
Cost at 31 December 2020	**12,902**
Accumulated impairment losses	(9,659)
Net book value	
At 31 December 2019 and 31 December 2020	**3,243**

(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:

	Total $’000
At 31 December 2019 and 31 December 2020	**3,243**

The Company performed the annual impairment test as at 31 December 2020 and 2019. 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.

13. GOODWILL (CONTINUED)

(b) Key assumptions

- For valuation purposes, we have used the market approach.
- The fair value less cost of disposal is determined by applying a price earnings multiple to the post tax earnings of each CGU.
- The price earnings multiples applied are derived from listed 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'), the Company uses a discounted cash flow model with a stable growth method and a multiples approach to derive a terminal value.
- For the all CGU's the discount rate is 10%
- For an impairment to occur:
  - assuming all other inputs constant, the discount rate would have to increase by 920 basis points to 19.2%
  - assuming all other inputs constant, the growth rate factored in the terminal value would have to decrease by 2,338 basis points to negative 21.38%
  - assuming all other inputs constant, based on an exit multiple approach, the exit multiple would have to decrease by 50% to 9.9 times.

14. INTANGIBLE ASSETS

	Software $'000	Internally generated software $'000	Total $'000
Cost			
At 1 January 2019	7,163	300	7,463
Additions	1,059	-	1,059
At December 2019 and 1 January 2020	**8,222**	**300**	**8,522**
Additions	964	-	964
Transfers	(2,076)	-	(2,076)
At 31 December 2020	**7,110**	**300**	**7,410**
Impairment provisions and amortisation			
At 1 January 2019	6,029	75	6,104
Charge for the year (note 6)	273	60	333
At December 2019 and 1 January 2020	**6,302**	**135**	**6,437**
Charge for the year (note 6)	116	60	176
Transfers	(247)	-	(247)
At 31 December 2020	**6,171**	**195**	**6,366**
Net book value			
At 31 December 2020	**939**	**105**	**1,044**
At 31 December 2019	1,920	165	2,085

15. PROPERTY, SOFTWARE AND EQUIPMENT

	Leasehold improve-ments $'000	Computer equipment $'000	Furniture, fixtures and fittings $'000	Software $'000	Total $'000
Cost					
At 1 January 2019	3,747	12,925	3,207	-	19,879
Disposals	-	(222)	-	-	(222)
At 1 January 2020	**3,747**	**12,703**	**3,207**	**-**	**19,657**
Additions	-	50	-	1,115	1,165
Transfers	-	-	-	2,076	2,076
At 31 December 2020	**3,747**	**12,753**	**3,207**	**3,191**	**22,898**
Depreciation					
At 1 January 2019	3,685	12,837	3,060	-	19,582
Charge for the year (note 6)	44	20	5	-	69
Disposals	-	(222)	-	-	(222)
At 1 January 2020	**3,729**	**12,635**	**3,065**	**-**	**19,429**
Charge for the year (note 6)	9	34	-	504	547
Transfers	-	-	-	247	247
At 31 December 2020	**3,738**	**12,669**	**3,065**	**751**	**20,223**
Net book value					
At 31 December 2020	**9**	**48**	**142**	**2,440**	**2,675**
At 31 December 2019	18	68	142	-	228

16. INVESTMENTS

(a) Investments

	2020 $'000	2019 $'000
Cost		
At 1 January	4,800	4,475
Additions	-	102
Revaluation	55	223
At 31 December	**4,855**	**4,800**
Listed investments	1,593	1,756
Unlisted investments	3,262	3,044
	4,855	**4,800**

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

(b) Investments in subsidiaries

	2020 $'000	2019 $'000
Cost		
At 1 January	7,323	5,609
Additions	-	1,714
Impairment	-	-
At 31 December	**7,323**	**7,323**

The investment in subsidiaries of $7.3m (2019: $7.3m) relates to the investments in Carlton Commodities 2004 LLP and Nanolytics Capital Advisors Limited. The increase during the prior year was driven by the purchase of the remaining equity interest in Carlton Commodities LLP that was not held by the Company. At the end of each reporting period an impairment review is undertaken in respect of investment in subsidiaries. Impairment is required where the investment exceeds the recoverable amount. Refer to note 4 and note 13 for the methodology of the impairment test.

16. INVESTMENTS (CONTINUED)

(c) Investment in an associate

	2020 $'000	2019 $'000
Cost		
At 1 January	-	-
Additions	5,200	-
Revaluation	364	-
At 31 December	**5,564**	**-**

The investment in associates relates to the investment in the Cambridge Machines Gemini Fund Limited. During the period. The revaluation of the investment relates to the increase in Net Asset Value (NAV) of the fund during the period.

(d) Subsidiaries and undertakings

The subsidiaries of the Company as at 31 December 2020 are as follows:

Subsidiaries held directly

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

Carlton Commodities (2004) LLP has a year end of 31 March.

17. FINANCIAL INSTRUMENTS – PLEDGED AND UNPLEDGED

(a) Pledged as collateral

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

During the year, the Company has pledged $102,432,250 (2019: $138,812,738) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Company cannot:

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

(b) Unpledged

Unpledged financial instruments comprise of $75,581,048 (2019: $37,086,540) US Treasuries which will fully mature by 31 December 2021.

18. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Amounts due from exchanges, clearing houses and other counterparties	1,043,066	842,031
Trade debtors	1,226	1,711
Default funds and deposits	55,000	57,254
Amounts due from group undertakings	234,219	105,411
Loans receivable	607	654
Social security and other taxation	1,592	881
Other debtors	3,284	1,491
Prepayments	2,334	539
	1,341,328	**1,009,972**

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of $643,018,045 (2019: $494,723,325) and non-segregated balances of $409,754,242 (2019: $347,307,245).

Trade and other receivables disclosed above are measured at amortised cost with the exception of amounts due from exchanges, clearing houses and other counterparties of $133,636,002 (2019: $311,461,455) which are classified as fair value through profit or loss.

Included in other debtors is $204,098 (2019: $0) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade debtors are assessed on an individual basis for impairment, with a provision of $4,251,000 (2019: $1,925,000) recognised for the Company's entire exposure to impaired debtors. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020 $'000	2019 $'000
Less than 30 days	365	341
31 to 60 days	154	231
61 to 90 days	149	121
91 to 120 days	85	99
More than 120 days	312	206
	1,065	**998**

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

	2020				
	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
At 1 January	-	-	-	1,925	1,925
Bad debts written off	-	-	-	-	-
Charged to the income statement	-	-	-	2,408	2,408
Foreign exchange revaluation	-	-	-	(82)	(82)
At 31 December	-	-	-	**4,251**	**4,251**

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	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
At 1 January	-	-	-	2,628	2,628
Bad debts written off	-	-	-	(1,566)	(1,566)
Charged to the income statement	-	-	-	859	859
Foreign exchange revaluation	-	-	-	4	4
At 31 December	-	-	-	**1,925**	**1,925**

19. GUARANTEES

The Company is a guarantor on Marex Spectron Group Limited's revolving credit facility. As at 31 December 2020 and 31 December 2019, the facility was unutilised. The facility was renewed on 31 March 2021. As of signing date the company is no longer a Guarantor.

20. DERIVATIVE INSTRUMENTS

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

Financial assets	**2020 $'000**	**2019 $'000**
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	94,916	49,338
Agricultural option contracts	37,498	12,985
Energy forward contracts	6,067	4,259
Energy options contracts	4,326	715
Foreign currency forward contracts	28,264	16,592
Foreign currency option contracts	3,626	624
Metal forward contracts	4,336	4,953
Metal option contracts	582	961
Credit default swaps	-	74
Interest rate forwards	796	-
Equity forwards	3,816	-
Equity options	12,277	991
Emissions forward	-	228
Equity CFD	684	-
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	1,837	213
	199,025	**91,933**

20. DERIVATIVE INSTRUMENTS (CONTINUED)

Financial liabilities	2020 $'000	2019 $'000
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	95,925	40,624
Agricultural option contracts	12,526	9,258
Energy forward contracts	3,917	1,744
Energy options contracts	511	16
Foreign currency forward contracts	26,783	10,160
Foreign currency option contracts	2,567	696
Precious metal forward contracts	16,173	12,012
Precious metal option contracts	285	121
Credit default swaps	1,992	28
Interest rate forward contracts	97	22
Equity forward contracts	15,576	-
Equity CFD	835	-
Equity option contracts	57,114	2,319
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	-	43
	234,301	**77,043**

21. DEFERRED TAX

	2020 $'000	2019 $'000
Revaluation of investments	(633)	(624)
Depreciation in excess of capital allowances	398	746
Other	-	64
31 December	**(235)**	**186**

	2020 $'000	2019 $'000
At 1 January	186	351
Charged to the income statement (note (a))	(413)	(126)
Charged to other comprehensive income	(10)	(38)
Foreign exchange and other differences	2	(1)
31 December	**(235)**	**186**

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

Deferred tax balances have been calculated at the effective tax rate ruling at the balance sheet date. Finance Act 2016 reduced the UK corporation tax rate from 19% to 17% from 1 April 2020 and was substantively enacted on 15 September 2016. This reduction was reversed in the budget on 11 March 2020 and the legislation was substantively enacted on the 17 March 2020. The increase of the UK corporation tax rate from 17% to 19% has been recognised in the deferred tax charge within the closing deferred tax position.

Unrecognised deferred tax assets

The Company has unrecognised deferred tax assets in respect of employee compensation deductions of $4,923,437 (2019: $4,775,000). The potential deferred tax asset at 19% (2019: 17%) is $935,453 (2019: $881,830). These assets have not been recognised as it is not foreseeable when a tax deduction will arise. There is no expected expiry date on these assets.

22. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Amounts due to exchanges, clearing houses and other counterparties	1,018,255	935,884
Other tax and social security taxes	1,978	1,559
Other creditors	66	2,479
Accruals	49,433	35,452
Deferred income	51	45
	1,069,783	**975,419**

Included in the amounts due to exchanges, clearing houses and other counterparties are segregated balances of $629,043,709 (2019: $493,339,326) and non-segregated balances of $389,211,208 (2019: $442,544,674). No amounts were included in the non-segregated balance of $398,917,208 which are classified as fair value through profit or loss (2019: credit of $311,461,455).

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

23. PROVISIONS

	Legal $'000	Leasehold dilapida-tions $'000	Total $'000
Non-current			
At 1 January 2020	-	285	285
Movement in the year:			
Foreign exchange revaluation	-	9	9
At 31 December 2020	**-**	**294**	**294**

23. PROVISIONS (CONTINUED)

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

(a) Leasehold dilapidations

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

(b) Legal

During 2019 the 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 $32.1m. Access World was held to have been negligent in carrying out its duties owed to MF and ordered to pay MF €1.3m plus $45k 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 2019 related to the final settlement of the warehouse receipts litigation including interest, insurance and legal fees, which have been utilised within the same reporting year.

24. CONTINGENT LIABILITIES

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

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

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

25. SHARE CAPITAL

	Issued and fully paid		Issued and fully paid	
	2020 Number	2020 $'000	2019 Number	2019 $'000
Authorised ordinary shares of $1.65 each	97,000,001	160,050	97,000,001	160,050
	97,000,001	**160,050**	**97,000,001**	**160,050**

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.

26. 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.

27. CASH FLOW HEDGE RESERVE

	2020 $'000	2019 $'000
At 1 January	173	(620)
Profit on revaluation	1,664	793
At 31 December	**1,837**	**173**

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.

28. LEASES

(a) Lease liabilities and right of use assets

	2020	2019
	Right of use asset $'000	**Right of use asset $'000**
Right of use assets:		
As at 1 January:	3,035	5,143
Release of IAS 17 lease liability	-	(221)
Depreciation charged to income statement	(1,295)	(1,887)
Impairment charge	(1,740)	-
31 December	**-**	**3,035**

	2020	2019
Lease liabilities:	**Lease liability $'000**	**Lease liability $'000**
As at 1 January:	2,916	5,708
Interest expense charged to income statement	107	174
Payment of lease liabilities	(1,176)	(3,102)
FX revaluation	219	136
At 31 December:	**2,066**	**2,916**

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

Other Operating lease expenses including service charges, utilities, property insurance and maintenance amounted to $580,967 during 2019 (2019: $1,165,424).

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

29. FINANCIAL INSTRUMENTS

Capital risk management

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

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

As at 31 December 2020 and 31 December 2019 the Company had capital resources in excess of the external requisite minimum requirements. These requirements are driven by European legislation (Capital Requirements Regulation 'CRR') to ensure the Company has an adequate capital base to support the nature and scale of its operations. Management of regulatory capital forms an important part of the Company's risk governance structure. A robust programme of regular monitoring and review takes place to ensure the Company is in adherence with local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Company's risk appetite, as determined by the Board.

Debt securities

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

Equity instruments

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments

Set out below is an analysis of the Company categories of financial assets as at 31 December 2020.

	FVTPL $'000	FVTOCI $'000	Amortised cost $'000	Total $'000
Financial assets:				
Cash and cash equivalents	-	-	132,291	132,291
Equity instruments	51,978	-	-	51,978
Financial instruments	2,313	-	175,700	178,013
Amounts due from exchanges, clearing houses and other counterparties	133,636	-	909,430	1,043,066
Amounts due from group undertakings	-	-	234,219	234,219
Trade debtors	-	-	1,226	1,226
Default funds and deposits	-	-	55,000	55,000
Loans receivable	-	-	607	607
Other debtors	-	-	2,763	2,763
Investments	-	4,855	-	4,855
Derivative instruments	199,025	-	-	199,025
31 December 2020	**386,952**	**4,855**	**1,511,236**	**1,903,043**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Set out below is an analysis of the Company's categories of financial liabilities as at 31 December 2020.

	FVTPL $'000	Amortised cost $'000	Total $'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	-	1,018,255	1,018,255
Amounts due to group undertakings	-	-	-
Derivative instruments	234,301	-	234,301
Other creditors	-	66	66
Accruals	-	49,433	49,433
Deferred income	-	51	51
Lease liability	-	2,066	2,066
Issued debt securities	376,757	-	376,757
31 December 2020	**611,058**	**1,069,871**	**1,680,929**

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The effect of offsetting is disclosed, below:

31 December 2020	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
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,895,801	(852,735)	1,043,066	-	-	1,043,066
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	1,870,990	(852,735)	1,018,255	(102,432)	-	915,823

31 December 2019	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
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,373,271	(531,240)	842,031	-	-	842,031
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	1,467,124	(531,240)	935,884	(138,813)	-	797,071

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives

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

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

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

Credit risk

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

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Credit quality

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

	2020 $'000	2019 $'000
AA and above	530,975	796,153
AA-	-	55,602
A+	90,798	119,943
A	28,843	36,466
A-	131,420	44,800
BBB+	298,885	2,460
Lower and unrated	822,122	391,173
	1,903,043	**1,446,597**

Financial assets	2020 $'000	2019 $'000
Investments	4,855	4,800
Financial instruments	178,013	175,898
Derivative assets	199,025	91,933
Equity shares	51,978	29,250
Amounts due from exchanges, clearing houses and other counterparties	1,043,066	842,031
Trade debtors	1,226	1,711
Default funds and deposits	55,000	57,254
Amounts due from group undertakings	234,219	105,411
Loans receivable	607	654
Other debtors	2,763	1,223
Cash and cash equivalents	132,291	136,432
	1,903,043	**1,446,597**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Credit quality (continued)

The Company has received collateral in respect of its derivative assets during the year ended 31 December 2020 amounting to $29,901,814 (2019: $36,163,348). Collateral was recognised in amounts due to exchanges, clearing houses and other counterparties as at 31 December 2020. All collateral received from clients is cash.

Market risk

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

Market risk sensitivity

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

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

Value at risk ('VaR')

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

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

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

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

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

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Value at risk ('VaR') (continued)

The Company recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Company also applies a wide range of stress testing, both on individual portfolios and on the Company's consolidated positions. The VaR as at 31 December 2020 was $1,041,819 (2019: 872,589) and the average monthly VaR for the year ended 31 December 2020 was $1,537,817 (2019: $1,557,346).

Foreign currency risk

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

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

'The following table details the foreign currency forward contracts, held within derivatives on the statement of financial position, that are designated in hedging relationships, 31 December 2020.

	2020			
Outstanding contracts	**Average forward rates**	**Foreign currency $'000**	**Notional value £'000**	**Fair value Assets $'000**
Derivative designated as Cash flow hedges				
Less than 3 months	1.3078	14,885	11,400	710
3 to 6 months	1.3084	7,807	6,000	404
6 to 12 months	1.3110	15,712	12,000	723
		38,404	**29,400**	**1,837**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Foreign currency risk (continued)

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

The Company has future foreign currency exposure related to material future dated GBP commitments. The Company has entered into foreign exchange forward contracts (for terms not exceeding 12 months) to hedge the exchange rate risk arising from these anticipated future commitments, which are designated as cash flow hedges.

As at 31 December 2020, 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 $1,836,744. It is anticipated that these commitments will come due monthly over the course of the next 12 months, at which time the amount deferred in equity will be reclassified to profit or loss.

As at 31 December 2020, no ineffectiveness has been recognised in profit or loss arising from the hedging of these future dated GBP commitments.

Foreign exchange sensitivity

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Interest rate risk

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

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

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

Operational risk

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

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

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Concentration risk

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

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

The largest concentration of cash balances as at 31 December 2020 was 56% (2019: 84%) to a UK-based, A rated global banking group (2019: UK-based, A rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2020 was 30% (2019: 37%) to ICE (2019: LME).

Liquidity risk

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

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

Liquidity risk exposures

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

	Notes	2020 $'000	2019 $'000
Financing facilities			
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used		-	-
Amount unused		-	-
		-	**-**
Secured revolving credit facility, reviewed annually:			
Amount used		-	-
Amount unused		165,000	165,000
		165,000	**165,000**

During 2019 the Company discontinued its committed overdraft facility.

The Company extended its committed revolving credit facility 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: unutilised). The credit agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants throughout the year. Interest on the amount utilised is calculated at a floating rate consisting of currency LIBOR plus a 1.9%. Interest on the unutilised portion is charged at a fixed percentage rate.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

Liquidity risk exposures

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Amounts due to exchanges, clearing houses and other counterparties	1,018,255	-	-	-	-	1,018,255
Lease liability	-	416	1,248	416	-	2,080
Issued debt securities	-	40,434	89,567	228,529	18,227	376,757
Other creditors	-	66	-	-	-	66
Accruals	-	49,433	-	-	-	49,433
Deferred income	-	51	-	-	-	51
At 31 December 2020	**1,018,255**	**90,400**	**90,815**	**228,945**	**18,227**	**1,446,642**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

Liquidity risk exposures

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

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	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	1,043,066	-	-	-	1,043,066
Trade debtors	-	1,226	-	-	1,226
Default funds and deposits	-	55,000	-	-	55,000
Loans receivable	483	-	124	-	607
Other debtors	-	2,763	-	-	2,763
Cash and cash equivalents	132,291	-	-	-	132,291
Amounts due from group undertaking	234,219	-	-	-	234,219
Equity instruments	51,978	-	-	-	51,978
Financial instruments	-	126,865	27,683	23,465	178,013
At 31 December 2020	**1,462,037**	**185,854**	**27,807**	**23,465**	**1,699,163**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

	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	842,031	-	-	-	842,031
Trade debtors	-	1,711	-	-	1,711
Default funds and deposits	-	57,254	-	-	57,254
Loans receivable	-	654	-	-	654
Other debtors	-	1,223	-	-	1,223
Cash and cash equivalents	136,432	-	-	-	136,432
Amounts due from group undertaking	105,411	-	-	-	105,411
Equity instruments	29,250	-	-	-	29,250
Financial instruments	-	36,043	29,986	109,870	175,899
At 31 December 2019	**1,113,124**	**96,885**	**29,986**	**109,870**	**1,349,865**

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Derivative instruments - assets	-	87,627	92,271	19,127	199,025
Derivative instruments - liabilities	-	(105,737)	(76,530)	(52,034)	(234,301)
At 31 December 2020	**-**	**(18,110)**	**15,741**	**(32,907)**	**(35,276)**

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Derivative instruments - assets	-	42,030	43,858	6,045	91,933
Derivative instruments - liabilities	-	(33,464)	(30,126)	(13,453)	(77,043)
At 31 December 2019	**-**	**8,566**	**13,732**	**(7,408)**	**14,890**

The derivative asset and liability do not meet the offsetting criteria in IAS 32, but the entity has the right of offset in the case of default, insolvency or bankruptcy. Consequently, the gross amount of the derivative asset $199,024,606 (2019: $91,933,260) and gross amount of the derivative liability of $234,300,546 (2019: $77,042,988) are presented separately in the Company's statement of financial position.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Fair value measurement

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

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

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

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets – FVTPL:				
Equity instruments	51,978	-	-	51,978
Amounts due from exchanges, clearing houses and other counterparties	133,636	-	-	133,636
Derivative instruments	-	198,816	209	199,025
Financial instruments	-	2,313	-	2,313
Financial assets – FVTOCI:				
Investments	1,593	3,262	-	4,855
Financial liabilities – FVTPL:				
Derivative instruments	-	(234,272)	(29)	(234,301)
Issued debt securities	-	(376,757)	-	(376,757)
At 31 December 2020	**187,207**	**(406,638)**	**180**	**(219,251)**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Fair value measurement (continued)

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	2020 $'000	2019 $'000
Balance at 1 January	272	**61**
Purchases	1,439	156
Settlements	(1,480)	(135)
Total gains or losses in the period recognised in the income statement:		
Market making	(22)	190
Total gains or losses in the period recognised in OCI		
Transfers out of level 3	-	-
Balance at 31 December	**209**	**272**

Reconciliation of Level 3 fair value measurements of financial liabilities

	2020 $'000	2019 $'000
Balance at 1 January	39	107
Purchases	376	49
Settlements	(389)	(126)
Total gains or losses in the period recognised in the income statement:		
Market making	3	9
Balance at 31 December	**29**	**39**

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

30. CLIENT MONEY

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

	Company	
	2020 $'000	**2019 $'000**
Segregated assets at banks (not recognised)	605,079	261,730
Segregated assets at exchanges, clearing houses and other counterparties (recognised)	643,018	494,723
	1,248,097	**756,453**

Segregated assets at exchanges, clearing houses and other counterparties of $643,018,045 (2019: $494,723,233) are included on the statement of financial position within trade and other receivables.

31. EVENTS AFTER THE BALANCE SHEET DATE

Equity market making franchise

The Company launched a new UK-focused equities market making franchise to cover AIM, small and mid-cap stocks, and investment trusts. The expansion into equity market making follows the Group's acquisition in November 2020 of XFA, the exchange traded equities derivatives brokerage, based in North America.

32. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

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

(b) Key Management Personnel

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

	2020 $'000	2019 $'000
Aggregate wages and salaries	14,107	9,106
Short-term monetary benefits	50	63
Defined pension cost	39	37
	14,196	**9,206**

The remuneration of the highest paid director for their services to the Company was $2,150,014 (2019: $2,036,852). As at 31 December 2020, there were 2 directors in the Company's defined contribution scheme (2019: 2).

(c) Key Management Personnel transactions

The Company made loans to certain directors associated with equity awards of $47,904 (2019: $46,464). In addition, the Company made loans to certain senior current and former employees relating to tax payments associated with equity awards of $434,548 (2019: $421,489). The loans are non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

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

During the year, the Company received consortium relief amounting to $847,548 from entities that have significant influence over the Company (2019: $1,365,325). The payable balance at 31 December 2020 was $163,910 (2019: $2,717,543).

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances and transactions with other group undertakings

	Amounts owed from related parties 2020 $'000	Amounts owed from related parties 2019 $'000	Amounts owed to related parties 2020 $'000	Amounts owed to related parties 2019 $'000	Amounts included in operating profits 2020 $'000	Amounts included in operating profits 2019 $'000
Carlton Commodities 2004 LLP	-	-	(4,261)	(1,712)	-	-
Marex Hong Kong Limited	-	-	(4,566)	(3,820)	4,704	4,964
Marex Spectron Asia Pte. Ltd	-	-	(1,553)	(1,376)	5,976	617
Marex Spectron Group Limited	225,808	107,725	-	-	1,833	1,146
Marex Spectron International Limited	-	3,479	(10,668)	(7,688)	(20,328)	(19,979)
Nanolytics Capital Advisors Limited (In Members Voluntary Liquidation)	-	-	(68)	(66)	-	-
Spectron Energy (Asia) Pte. Ltd	2,263	360	-	-	(997)	(554)
Spectron Services Limited	12,007	12,105	-	-	31,797	29,499
Marex North America LLC	-	16,509	(2,293)	(14,577)	15,699	9,564
Spectron Energy Inc	542	4,274	-	-	(84)	(335)
Tangent Trading Holdings Limited	3					
Marex Spectron Europe Limited	-	4,806	(2,841)	(2,143)	(1,030)	23
CSC Commodities UK Limited	-	112	(15,375)	(12,568)	18,117	10,191
Marex Spectron USA LLC	8,800	12	-	(21)	84	8
Tangent Trading Ltd	13,196	-	-	-	-	-
X-Change Financial Access LLC	5	-	-	-	-	-
Marex North America Holdings Inc.	11,760	-	-	-	-	-
BIP AM SAS	744	-	-	-	-	-
Volatility Performance Fund S.A	816	-	-	-	(25)	-
	275,944	**149,382**	**(41,625)**	**(43,971)**	**55,746**	**35,144**

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

33. COUNTRY-BY-COUNTRY REPORTING

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

- Carlton Commodities 2004 LLP (unregulated)

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

(a) Disclosure – For the year ended 31 December 2020

Legal entity on a consolidated basis	No. employees	Revenue $'000	Profit before tax $'000	Taxation paid / (received) $'000	Public subsidies received $'000
Marex Financial	395	289,321	39,120	9,021	-

(b) Disclosure – For the year ended 31 December 2019

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