



Marex Spectron Group Limited

Annual Report and Financial Statements

Year ended 31 December 2020

Registration Number 05613060

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COMPANY INFORMATION

Country of Incorporation	England and Wales
Legal Form	Private limited company
Directors	C R Stent (Chair) I T Lowitt (Chief Executive Officer) J C Cohen Lord S Fink D A Hallgarten J M Isaacs CBE D E Moore (appointed 11 February 2021) R B Nagioff V Pignatti-Morano Campori H D P Richards P R Tonucci
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

Group Strategic Report

Marex Spectron Group Limited and its subsidiaries (collectively 'Marex', the 'Group', or the 'Firm') is a technology-enabled provider of essential liquidity and associated market infrastructure to participants in global energy, metals, agricultural and financial markets.

We are a specialist provider of critical high value add services: Market Making, Commercial Hedging (both on exchange execution and clearing, and OTC derivatives), Price Discovery and Data & Advisory.

Marex provides access to every major commodity market in the world with a leading franchise in many major metals, energy and agricultural markets. We support a broad range of clients that include the largest commodity producers, consumers and traders, banks, hedge funds, brokers and asset managers.

Marex is an efficient, diverse and scalable business. With a comprehensive product and service offering, we are thoroughly embedded in the global commodity infrastructure. We are currently connected to 37 major global exchanges, including the London Metal Exchange, where we are a leading Category 1 Member and Ring Dealer, the CME Group (CME) and the Intercontinental Exchange (ICE). In 2020, we executed over 35 million trades for our clients (up 12% on the 31 million trades in 2019).

The Group was formed in 2011 but through its subsidiaries traces its roots in the commodity markets back almost 100 years. Headquartered in London with 18 offices worldwide, the Group has 1,000 employees across Europe, Asia and America.

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

An essential tech-enabled liquidity hub

Market Making: delivering essential liquidity to our counterparties across all key commodity markets including Metals (Base, Ferrous and Precious), Agriculture (Cocoa, Coffee, Grains) and Energy (Crude Oil, Residual Fuel-Oil, Middle Distillates, Naphtha, Gasoline and several Dry Freight routes and sizes).

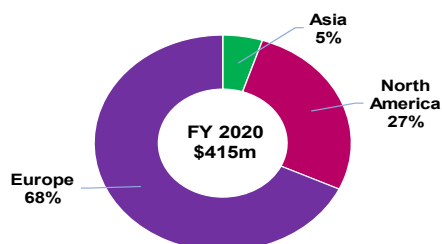
Commercial Hedging: providing clients with extensive execution and clearing services in Metals (Base, Ferrous and Precious), Agricultural products (including Cocoa, Coffee, Grains, Livestock and Sugar) and Financial Futures and Options. For clients who cannot find the hedge they require on exchange,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

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

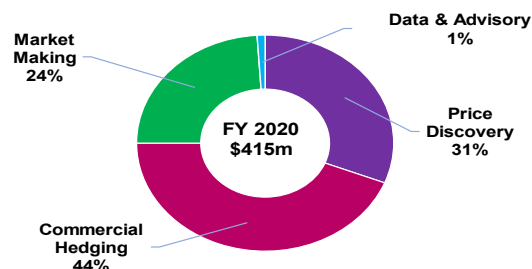
Data and Advisory: providing market data, analytics, proprietary indices and research across commodity, energy and financial markets. Data and analytics are embedded across our core product offering and are delivered via proprietary NEON, Agile and Nanolytics technology platforms.

Marex at a glance

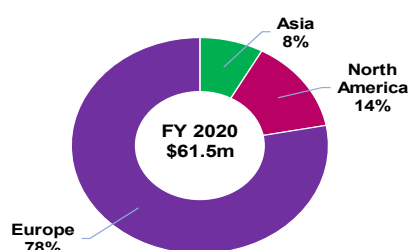
NET REVENUE BY GEOGRAPHY



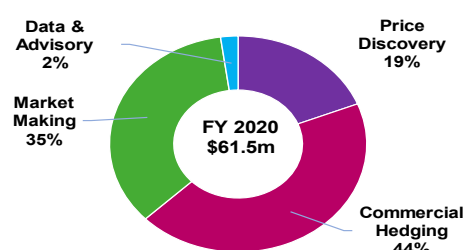
NET REVENUE BY SERVICE



ADJUSTED PBT BY GEOGRAPHY



ADJUSTED PBT BY SERVICE OFFERING



STRONG PERFORMANCE

Net Revenue ↑18% YoY at \$414.7m

Adjusted operating profit before Tax ↑15% YoY at \$61.5m

CONTINUED GROWTH

Successfully completed

3 Acquisitions:

Tangent Trading Ltd

Volatility Performance Fund

X-Change Financial Access

GLOBAL EXPANSION

Headcount: 973 ↑33% YoY

3 new office locations

Office Total 18 ↑20% YOY

REAFFIRMED RATINGS AND CREDIT FACILITY

Standard & Poors BBB- Long-Term Marex Spectron Group and BBB Long Term Marex Financial

Renewed \$120m credit facility

INVESTMENT IN ESG

Carbon neutral commitment by 2022

Collaboration with Oxford University, OxCarbon project

Seed funded mangrove carbon sequestration project

STRONG CASH CONVERSION

Highly cash generative

Operating free cash flow \$66m ↑14% YoY

INVESTMENT IN TECHNOLOGY AND INNOVATION

Deployed new NEON client portal in Q4

Migrated 6,000 clients to cutting edge XTP technology

EMPLOYEE ENGAGEMENT AND DIVERSITY

Commitment to gender equality - 32% of senior hires in 2020 were female

Improved gender pay gap by 8% to 24% YoY (compared to 35% average in Financial Services)

INCREASED CLIENTS' ASSETS

Total client assets ↑50% YoY at \$3.1bn

THE CHAIR'S REVIEW

2020 was a tumultuous year in politics, economics and markets. Slowing economic growth and tensions in the international trade arena continued to create both opportunities and challenges for the Group. On top of this, the global Coronavirus pandemic brought its own trials, with lockdowns and social distancing transforming the way we live, work and interact with each other.

I am delighted that, despite this, Marex Spectron was able to deliver solid performance in this reporting period, with adjusted operating profit before tax increasing by 15.2% to \$61.5 million (2019: \$53.4 million), led by strong performance in recent acquisitions as well as in the Solutions and agriculture businesses.

This would not have been possible without the extreme dedication and hard work shown by all of our staff throughout the year, and I would like to take this opportunity to thank all of them for the tenacity and resilience that you have shown under incredibly challenging conditions.

Although the new and more contagious variants of the Covid-19 virus have led to continued challenges in the beginning of 2021, with the roll out of the vaccine programme we are optimistic about regaining some form of normality and, with that, economic recovery.

Our strategic focus in 2021 will be to continue to grow the business by diversifying our existing product set; continuing to acquire businesses that are additive to the Group's product set and revenue; and looking to expand our offering in areas where we have a unique advantage, including invigorating our data and analytics services.

We will also continue to enhance our governance frameworks, operating in line with best practices as the firm grows in size and scale.

The Board

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

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

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

The Board proactively measures its own effectiveness and strives to continually improve its performance. In May 2020, we commissioned ICSA Board Evaluation to conduct an independent review, using quantitative and qualitative methods to assess the Board's performance across seven key areas.

Overall, the results of this review were positive, with directors rating the Board highly across the assessed areas, particularly praising the level of understanding of the Board's roles and responsibilities (including regulatory) and its ability to work together effectively to deliver the right outcomes for the Group. This latter point was well evidenced as the Board supported management by continually monitoring the developing Covid-19 situation across the year, ensuring that staff and clients have been supported and maintaining transparent and proactive channels of communication across the firm.

The survey also revealed several areas where we can enhance the Board's effectiveness. One particular area of focus is the composition of the Board, specifically the level of independence and diversity of the Board. We are addressing this by seeking to supplement the experience of the current Board with new independent members, who will Chair several of the key Committees. Subsequent to year end, we have appointed Diane Moore as the Chair of the Audit & Compliance Committee.

Strategic Priorities

The key strategic priorities and agenda items discussed and reviewed by the Board in 2020 were:

- Continued growth through a combination of recruiting talent, strategic bolt on acquisitions and building new business (where we had in-house expertise and a unique advantage). This included a review of our geographic footprint and areas of future focus.
- Reviewing our opportunities for cross selling across services, extending the ranges and what we offer within a service, and adding new services.
- Driving wider awareness of our diverse product offering by describing the business across four main divisions: market making; commercial hedging (in exchange execution and clearing and OTC derivatives); price discovery; and data & analytics.
- Embedding a strong culture and good governance framework across the Group, including rolling out the culture framework developed in 2019 and establishing the governance frameworks required to support our continued growth.
- We approved new Environmental, Social and Governance ("ESG") Policies that set out our position and plans for the area and began work to identify specific actions to create measurable ESG impacts.

Alongside this, we have constantly reviewed liquidity and capital requirements, and have closely monitored the risk strategy to ensure that we balance commercial opportunities with a prudent risk management attitude.

Board Strategy Day

In January 2020, the Board held a strategy day offsite to discuss key areas of focus related to future strategy. The Board was joined by members of the Management Executive Committee and advisors, and considered presentations on the following strategic themes:

- Business Performance & Margin Analysis
- Capital and Liquidity Plan 2020
- 2020 Budget and 2021-2022 Plan
- Customer Profiles
- Monetisation of Data
- Risk Strategy
- HR Strategy
- Marex Solutions Operating Model

During the Board meeting in November 2020, the Board examined the progress of each of the businesses and considered the future focus in 2021 (see 2021 Outlook below).

Our People

At Marex, we believe that organisations with a diverse workforce are better equipped to innovate, excel and evolve over time. We recognise the importance of making Marex a place where the most talented individuals, regardless of gender, culture or sexual orientation, want to build their career.

We are fully committed to building a culture that values meritocracy, openness, fairness and transparency and will actively value differences.

In 2019, we introduced our Employee Engagement Survey, which uses employee sentiment feedback to measure our culture. The 2020 survey yielded very positive results, which demonstrates the work that we have done throughout the year to embed our values.

85% of staff participated in the survey, an increase of 10% on the prior year, and the overall engagement scores improved, year on year, across the business. Particularly pleasing was a recorded improvement across the business for scores relating to our values, with especially high scores for personal integrity and respect.

We also saw improved scores in collaboration and developing our people, which is impressive given that adapting to a large percentage of staff working from home during lockdowns brought new challenges in these areas. New acquisitions also continued to rate engagement highly year on year.

As ever, our People are at the core of our strategic agenda and we have continued to seek out opportunities to grow through recruiting talent. To that end, we have made a number of new senior hires this year, including Ram Vittal as CEO of Marex North America; Thomas Texier as Head of Clearing; Dean Shoosmith as Chief Risk Officer, Jennifer Lothian as Chief of Staff and Jay Iyer as Head of Compliance.

Gender Pay Gap

In our recently published 2020 Gender Pay Gap Report we reported a total mean and median gender pay gap of 24% and 24% respectively, both an improvement on 2019 (32% mean; 31% median) versus the industry's 35% and 40%. Whilst our pay gap is in line with the industry, it is higher than we would like, and we continue our efforts to drive the gap lower.

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

We have made progress against the objectives we set out last year, but we know that there is still more to do and this will continue to be a core focus in 2021.

Whistleblowing

I act as the Whistleblowing Champion for the Group. No concerns were raised during the reporting period.

2021 Outlook

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

- Continued strong financial performance. The Group Board and Management will continue to drive this through diversification of our product set; successful identification, completion and integration of acquisitions; invigorating our data and analytics offering; and the launch of a modern data platform for clients. We will continue to balance the commercial opportunities with prudent risk management.
- Environmental, Social and Governance. We recognise that we, along with most of the world, are on a journey to transition to a cleaner and greener world. As a leader in the global commodities industry, Marex has an important role to play in driving a positive global transition towards greener alternatives. Alongside this annual report, we will be publishing our first ESG report, which highlights our approach to these important issues and sets out our commitment to improve the environments in which our clients, employees, their communities, and those with whom we interact live and work. During 2021 we will formalise metrics to measure the impact of our actions over time.
- Culture, Conduct & Diversity. In 2021, we will continue to build on the progress we have made in disseminating the Mission, Vision, Values and Behaviours throughout the organisation. In particular, we will focus on embedding the Learning and Development function; and will also be overhauling our hiring and interview processes based on information we have gathered from our work on culture and diversity over the past two years.
- Governance. As we continue to scale and grow the business, we will further enhance our governance frameworks to ensure we continue to operate in line with best practice.

Subsequent to the year end, and following a review of the naming conventions used by staff and clients, we have taken the decision to simplify the trading name of the Group, moving from "Marex Spectron" to a more simple "Marex". We will be rolling out this change in the coming weeks.

It is our intention to continue to pay a dividend to shareholders in line with our dividend policy. As this is subject to various regulatory approvals, the Board will consider the ability to declare and pay such a dividend subsequent to year end. As a result, no dividend has, as yet, been accrued in these financial statements.

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

After over a year of uncertainty created by the global pandemic, I am optimistic that, with the rollout of the vaccination programme, easing of trade tensions and the start of the Biden Presidency, we will start to regain some stability during 2021. This backdrop presents a wealth of opportunities on which Marex is well placed to capitalise.



Carla Stent

Independent Non-Executive Chair

1 April 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

“Challenging” is a word frequently deployed by CEOs 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, Marex has maintained its positive earnings trajectory, achieving yet another record year by growing adjusted operating profit by 15.2% to \$61.5m. 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, Marex has continued to deliver increased revenue through both strong organic growth and “bolt on” acquisitions.

In 2020 we completed three consolidating acquisitions, demonstrating how product and geographic diversification within our four core services is now a part of our business as usual activities, which even the global pandemic did not disrupt.

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, 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 20% per year.

Our gross revenue was a record \$762.4 million, up 37% from 2019, and Net Revenue which excludes Exchange Fees and Cost of Sales and which we regard as the relevant revenue metric was up 18% to \$414.7 million. Adjusted operating profit before tax was \$61.5 million, 15% above 2019. Reported profit of \$55.0 million was up 18% on 2019.

Growing profit in our historic range of 15 to 20% was particularly impressive given the headwinds represented by lower interest rates, which impact our earnings by reducing the value of the cash clients deposit with us to support their activity with us, directly lowering profitability by the \$18 million versus 2019 level of net interest income.

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 characterized by low volatility; in 2018 when commodity process declined; and 2020 when interest rates declined and we had to deal with impact of pandemic.

Operational Management

Disciplined risk management is central to the firm's DNA. In our Market Making business, we enjoyed 79 percent of positive days, 98 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 \$468 million of available liquidity, and surplus versus regulatory requirement of \$204m (FCA Gap 1) and \$52m (FCA Liquid asset buffer). We maintained our investment grade rating with S&P at BBB for the Group.

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 Support and Control, shifted seamlessly to remote working during the height of the pandemic. We continued to invest in our two client facing front end platforms: Neon,

Operational Management (continued)

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.

We integrated Tangent Trading Holdings Limited Group (Tangent), Volatility Performance Fund SA (including BIP Asset Management SAS) and X-Change Financial Access LLC (XFA) into the firm's technology platforms (as we do with all of our acquisitions), thereby capturing cost synergies, and reducing operating complexity.

Not being encumbered with 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.

Most importantly, we continued to evolve and strengthen our organization. We have made several exciting appointments with a new Head of North America, a new Head of Energy in North America, a Head of On Exchange Execution and Clearing, a new Chief Risk Officer and a new Head of Compliance. We recognize the need to evolve our organizational capabilities at the same pace that we are expanding the scope and complexity of the firm, and these hires demonstrate that we are accomplishing this.

I am particularly pleased that in 2020 we made genuine progress in increasing gender diversity, hiring 17 senior women, and reducing our gender pay gap to 24% down from 32% on 2019. While like roles are paid equally across the firm, this reduction in the gender pay gap demonstrates the impact of hiring women into the more senior, higher paying jobs in the firm.

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;
3. Price Discovery in energy products where we bring buyers and sellers together; and
4. Data and Advisory.

Market Making

We successfully expanded our Market Making segment in 2020, growing net revenue from \$66.2 million to \$101.6 million, and profit from \$22.3 million to \$35.1 million, extending our product range and geographic reach.

During the year we acquired Tangent, a recycled metals market maker based in London, and VPF an equity options market maker in Luxembourg. Tangent also creates exciting opportunities to expand our ESG product range, and sizeable cross sell opportunities.

We also added a number of teams during the year. In September, a team from Ronin Capital joined to provide oil options arbitrage capabilities to our existing energy franchise. We also built out a new equity market making desk which focuses on small to mid-cap Equities and Investment Trusts listed on the LSE, which will be operational in 2021.

Our 2019 acquisition, CSC Commodities, a market maker in select Energy products, had an outstanding 2020, almost doubling revenues from 2019, demonstrating the additional value Marex has brought to this acquired business. We expanded CSC to Singapore during 2020, extending the geographic reach of the business.

The impact of these initiatives diversifies our earnings, as evidenced by the increased number of positive trading days in our market making from 73% in 2019 to a remarkable 79% in 2020. This performance demonstrates definitively our focus on facilitating client flow not proprietary trading in this service segment.

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 \$158.9 million to \$181.6 million, and profit, after absorbing \$18 million of net interest headwind impact, was flat at \$45 million.

To support our growth trajectory, and consistent with our focus on North America, we acquired X-Change Financial Access (XFA), the Chicago floor-based Agency Broker Dealer XFA, in November. As a leading specialist equity derivatives and futures options broker, this acquisition adds execution of equity options to our client offering. XFA has further expanded our physical presence in the US and added over 130 XFA trading and support professionals to our headcount, increasing firm to almost 1,000 employees.

We also added the Matthews Group a specialist Ags execution and clearing team in Chicago with a blue-chip set of global clients.

Rosenthal Collins, our Chicago based execution and clearing business in agricultural products which we acquired in 2019, was negatively impacted by the low interest rates, but continued to capture cost synergies. Through automation and integration RCG reduced support costs by more than 20 percent.

Our OTC derivatives business, Marex Solutions, continued its impressive growth, almost tripling revenues and increasing profit to \$12.6 million. This business, which was just a concept in 2017 has grown steadily and now has 80 employees, and net revenue of \$44.8 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 successfully build new businesses.

Price Discovery

Price Discovery, where we connect buyers and sellers in opaque energy markets, continued its steady growth in 2020, increasing net revenue from \$123.4 million to \$127.9 million and profit from \$17.5 million to \$19.5 million.

We are a top three global provider in most of the markets we operate in, including EU fuel, German Power, UK Gas, US Petchems, US Biofuel, US Renewables and Asian LPG. We achieve this through the breadth and depth of the service we offer to customers, providing deep liquidity pools in each product combined with the intelligence facilitated through linking those liquidity pools together in inherently related products.

In 2020, to further strengthen our leading position in Price Discovery, we added new desks in Singapore Gasoline, Singapore Middle Distillates, European OTC Crude, Physical LNG and Physical Coal as well as augmenting our existing capabilities, especially in the US and Asia. For example, we are now the only broker providing Price Discovery across in LNG shipping, LNG derivatives, LNG shipping derivatives and physical LNG.

Acquisitions made in 2019 also performed very well, again demonstrating the accretive value of joining Marex for smaller businesses. The purchase of Marquee Oil Broking Limited resulted in the integration of a new physical fuel broker desk. This new desk more than doubled its revenue as it integrated into the firm and took advantage of adjacencies to our business in Freight and our market leading franchise in financial Fuel Oil contracts.

Data and advisory

As a liquidity hub, we sit at the centre of an enormous amount of data. We have historically provided data sets and Insights to clients as part of our coverage and not as a separate charged service. We do have a small subscription business selling energy price discovery data and are paid by some clients for research; these are foundations upon which we are confident we can grow a successful data business.

A key component of this effort is Neon, our customer hub to deliver data, insights, research and electronic execution. Expanding our subscription service, leveraging our connection to clients via Neon to deliver and charge for data, research and select additional services is, we are confident, a solid basis for a new and successful business.

Environmental, Social & Governance (ESG)

We are committed to serving our clients, communities, and investors by being a responsible business.

In 2020 we made important strides in ESG, formulating our ESG policy, establishing a global ESG Committee and publishing our first ESG report. We have committed to using less power and producing less waste, but most consequentially to being carbon neutral by 2022.

Utilising our influence in the space to be a thought leader and sponsoring academic research, at the core of our ESG innovation is a unique mangrove conservation project that we are seed funding, which will create carbon credits as mangroves are revitalised and reforested. This mangrove conservation project will not only have an impact on carbon sequestration and storage but will benefit marine ecosystems and local communities.

Marex has also been working with members of the Smith School and the University of Oxford to assist in the launch of a new spin out, OxCarbon. This not-for-profit entity, which Marex will support administratively and financially, is intended to offer commercial services in the carbon offset market, through the use of satellite data and AI.

Within our business itself there are further, exciting opportunities to drive environmental transformation. These include developing our recycled metals business and building market leading 'green' desks broking in biofuels and renewables.

Within our firm, employees are dedicated and enthusiastic supporters of multiple charities, and we support staff by matching money they raised. A particular focus this year has been supporting the fundraising efforts of the young son of a colleague we sadly lost to cancer.

In December 2020, we undertook a firm-wide blood drive in recognition of the need for blood stocks to be replenished due to the Coronavirus pandemic. Our employees in the US, Singapore, Hong Kong, Ireland, and the UK all donated blood to support local healthcare services.

Our success as a business requires collaborative approach in the workplace and we believe that this is best achieved through building a truly inclusive environment. Whilst we have further to go with Diversity and Inclusion, we have made significant strides with a high proportion of senior female hires during the year. A focus of 2021 is to refresh our interviewing process to ensure we are creating a genuinely level playing field in our hiring.

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 strong 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 as 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.

Culture (continued)

One takeaway from this year's survey was the importance employees place on personal development. As a direct result, we have a new Learning Team within the HR department and have engaged the services of a group-wide professional e-learning platform to empower employees with in-house learning options. With the majority of employees working from home, the addition of new technology solutions such as online training and e-learning has proved invaluable to employees and the firm as a whole.

Looking ahead

Revenue growth for the first quarter of 2021 was strong compared to the fourth quarter of 2020, with positive signs in key growth businesses such as Marex Solutions, the Group's new UK-focused equities franchise in its Market Making business and the Group's energy execution and clearing capability in North America. The Group also continued to complete consolidating acquisitions and closed the acquisition of Starsupply, a leading Rotterdam-based broker of physical oil products, in March 2021.

Operating profit before taxation for the first quarter of 2021 was materially 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, substantially less than the record first quarter of 2020.

Given market conditions in the period since 31 December 2020 we expect the Group's operating profit before taxation in 2021 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

Chief Executive Officer

1 April 2021

REVIEW OF FINANCIAL PERFORMANCE

In response to the challenges presented in 2020, the Group 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 firm, higher market volatility converted to increased traded volumes and created opportunities in commodities, particularly in the first half of the year.

The Group achieved a 37% increase in gross revenue to \$762.4 million in 2020, from \$554.9 million in 2019. Profit before tax (PBT) of \$55 million in 2020 represented an increase of 18.0% compared to the 2019 result of \$46.6 million.

						2020
	2020	2019	2018	2017	2016	v 2019
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Revenue	762.4	554.9	388.5	322.2	330.4	207.5
Expenses	(721.4)	(537.0)	(346.7)	(297.1)	(304.2)	(184.4)
Interest income	20.5	38.6	7.4	4.2	1.8	(18.1)
Interest expense	(4.9)	(5.6)	(4.0)	(4.2)	(2.0)	0.7
Profit before tax (before one-time expenses)	56.6	50.9	45.2	25.1	26.0	5.7
One-time expenses	(3.4)	(5.8)	(31.9)	-	0.9	2.4
Profit Before Tax (before one-time revenues)	53.2	45.1	13.3	25.1	26.9	9.8
One-time revenues	1.8	1.5	0.1	0.3	-	0.3
Profit before tax (reported)	55.0	46.6	13.4	25.4	26.9	10.1
Tax	(11.2)	(10.2)	(3.3)	(7.9)	(6.5)	(1.0)
Profit after tax	43.8	36.4	10.1	17.5	20.4	9.1

GROUP STRATEGIC REPORT (CONTINUED)

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, adjusted operating return on equity and ratio of front office to back-office employees.

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 \$61.5 million for 2020 was 15% higher than the 2019 result of \$53.4 million. Since 2016, the Group has achieved a 90% increase in its adjusted operating profit before tax, equivalent to a compounded annual growth rate of 17.4%. Adjusted operating return on equity increased from 18.7% in 2019 to 21.5% in 2020, and since 2016 this return has grown from 10.5% to 21.5%.

						2020
	2020	2019	2018	2017	2016	v 2019
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Profit before tax (reported)	55.0	46.6	13.4	25.4	26.9	8.4
Exclude:						
One Time Revenues						
Contingent consideration adjustment	(1.8)	(1.5)	-	-	-	(0.3)
Dividends received	-	-	(0.1)	-	-	-
LCH Clearnet share sale	-	-	-	(0.3)	-	-
One Time Expenses						
Right of use asset impairment	1.7	-	-	-	-	1.7
Warehouse receipts legal matter	-	5.8	31.9	-	-	(5.8)
Dilapidations	-	-	-	-	(0.9)	-
Net impairment	1.7	-	-	-	-	1.7
Profit Before Tax (before one-time Items)	56.6	50.9	45.2	25.1	26.0	5.7
Other Non-Operating items						
Renegotiated dilapidations	-	-	-	-	0.9	-
Exiting businesses	-	-	-	1.7	1.8	-
Investments in new initiatives	-	-	-	6.3	2.8	-
Owner fees	1.7	1.4	0.4	0.7	0.8	0.3
Onerous lease	-	0.7	-	-	-	(0.7)
Customer list amortisation	0.4	0.4	-	-	-	-
Project Platinum costs	2.8	-	-	-	-	2.8
Adjusted operating profit before tax	61.5	53.4	45.6	33.8	32.3	8.1
Adjusted operating profit after tax	50.3	43.2	42.3	25.9	24.5	-
Tangible equity	234.3	230.8	231.4	232.8	232.6	-
Adjusted operating return on tangible equity	21.5%	18.7%	18.3%	11.1%	10.5%	3%

GROUP STRATEGIC REPORT (CONTINUED)

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 \$80.7 million, up \$10.2 million on 2019 and up \$28.7 million on 2018.

	2020	2019	2018	2017	2016	2020 v 2019
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Adjusted profit before tax	61.5	53.4	45.6	33.8	32.3	8.1
Exclude:						
Depreciation & amortisation	9.6	7.8	1.4	1.6	2.9	1.8
Financing costs	3.2	4.7	3.2	3.4	1.8	(1.5)
Lease expense relating to right of use asset	1.1	1.0	-	-	-	0.1
Implied interest cost of debt securities	7.0	3.1	-	-	-	3.9
Other non-operating costs	(1.7)	0.5	1.8	0.8	-	(2.2)
Management EBITDA	80.7	70.5	52.0	39.6	37.0	10.2

	2020	2019	2018	2017	2016
	\$ million	\$ million	\$ million	\$ million	\$ million
Gross revenue	762.4	554.9	388.5	322.2	330.4
Net revenue	414.7	352.2	293.1	245.8	243.0

Gross revenue increased year over year from 2017 to 2020, which was achieved through a combination of growth in existing businesses and through new acquisitions. During 2020, the acquisition of Tangent Trading Limited, a scrap metals trader which has sales of physical commodity significantly increased the Group's gross revenues. The growth in client activity has also increased gross revenues for both the commercial hedging and price discovery businesses.

Net revenue is a measure that includes gross revenue and interest income from operations after deducting cost of trade and bad debt. Net revenue for 2020 was \$414.7 million, an increase of 17.7% from 2019 where net revenues were \$352.2 million. As this is a management measure, the reconciliation of net revenue to the accounting measure is provided in Note 6.

Percentage of front office employees

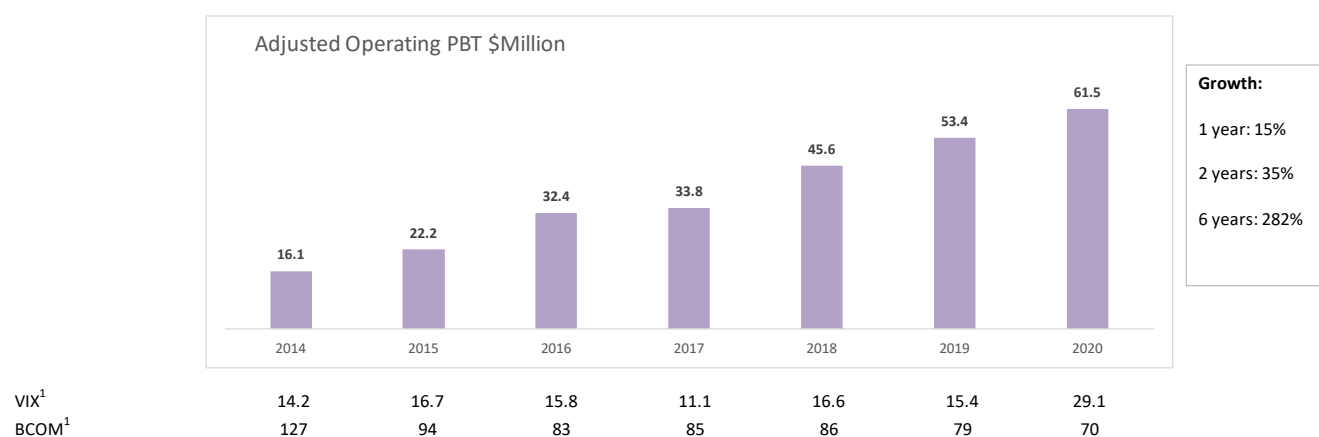
Annual Average FTE	2020	2019	2018	2017	2016	2020 vs 2019
Front office	428	353	279	278	275	75
Back office	386	337	244	231	225	49
Total	814	690	523	509	500	124
Percentage of front office employees	52.6%	51.2%	53.3%	54.6%	55.0%	

The average number of full-time staff split between front office and back office; from which a percentage has been calculated.

REVIEW OF FINANCIAL PERFORMANCE (CONTINUED)

During the year, front office staff represented more than half of its total workforce, at 52.6% compared to 51.2% in 2019. Management monitors this ratio as a measure of the Group's efficiency with the objective that the majority of its staff are revenue generating, allowing the Group generate strong revenues, but with sufficient numbers of back office staff to ensure those revenues are delivered in a controlled and efficient manner.

The Bloomberg Commodity Index (BCOM) is a reasonable representation of the markets in which we operate, given the spread of the commodity businesses that we serve from energy, metals and agricultural sectors. The 2020 weighting 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%.



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

GROUP STRATEGIC REPORT (CONTINUED)

Business Review

Marex is organised into four distinct business segments: Commercial Hedging, Market Making, Price Discovery, and Data & Advisory. Management evaluates segmental performance on the same basis as that of the Group, through net revenues. The following tables show the split of net revenue by segment and component business for 2020 compared to 2019.

	2020 Full Year \$ million	Commercial hedging	Market making	Price discovery	Data & Advisory	Total
Net Revenues	Base businesses					
	Energy	12.0	-	127.9	3.6	143.5
	Metals	39.8	35.5	-	-	75.3
	Agriculturals	18.3	23.7	-	-	42.0
	Other E&C	14.4	-	-	-	14.4
	New businesses					
	Marex Solutions ¹	44.8	-	-	-	44.8
	RCG	39.7	-	-	-	39.7
	CSC	-	26.7	-	-	26.7
	Volatility	-	5.9	-	-	5.9
	Energy Options	-	4.9	-	-	4.9
	Tangent	-	4.5	-	-	4.5
	Cambridge	-	0.4	-	-	0.4
	XFA	4.5	-	-	-	4.5
	Corporate	8.1	-	-	-	8.1
	Total	181.6	101.6	127.9	3.6	414.7
	vs. 2019	14%	53%	4%	(3%)	18%

	2019 Full Year \$ million	Commercial hedging	Market making	Price discovery	Data & Advisory	Total
Net Revenues	Base businesses					
	Energy	7.2	-	123.4	3.7	134.3
	Metals	41.7	46.0	-	-	87.7
	Agriculturals	14.4	7.5	-	-	21.9
	Other E&C	19.4	-	-	-	19.4
	New businesses					
	Marex Solutions ¹	18.0	-	-	-	18.0
	RCG	41.6	-	-	-	41.6
	CSC	-	12.7	-	-	12.7
	Corporate	16.6	-	-	-	16.6
	Total	158.9	66.2	123.4	3.7	352.2

¹ Net revenue excludes the implied interest expense associated with the issuance of structured notes. This expense is recorded within Group revenue in the financial statements but is considered by management as a finance expense for the purpose of calculation of net revenue above (refer to note 6).

Commercial Hedging

Commercial Hedging net revenue in 2020 increased by \$22.7 million from \$158.9 million in 2019 to \$181.6 million in 2020. The growth in commercial hedging net revenues is driven mainly by two factors; the first being the additional contribution from the Marex Solutions business, the Group's corporate hedging and structured notes business, and secondly the growth driven by the Group's acquisition of X-Change Financial Access LLC.

Marex Solutions generated net revenue of \$44.8 million in 2020, from \$18.0 million in 2019; representing an increase of 149%. 2020 was the first full year of operations for the Financial Products team within Marex Solutions which was launched in September 2019. The Financial Products team increased the structured notes flows, which not only offer a source of income from clients but also a source of funding for the Group. The success of this business demonstrates the ability of the Group to grow organically through innovation.

Acquisitive growth of the Group is represented by the net revenue of \$4.5 million from XFA, an execution broker of exchange traded derivatives. XFA broadens the Group's product offering and strengthens the position of the Group in North America, whilst providing XFA clients with ready access to complementary products and services. Acquired in November 2020, XFA has already made a healthy contribution to group revenues.

A major part of the Commercial Hedging net revenues is the Metals execution and clearing business, which generated net revenue of \$39.8 million in 2020, compared with \$41.7 million in 2019. This reduction reflected the lower metal market volatility that saw trading volumes generally fall across exchanges and relatively range-bound markets.

Agricultural net revenue was \$18.3 million in 2020, compared with \$14.4 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.

Rosenthal Collins Group's (RCG) net revenue for the year remained relatively flat with \$41.6 million in 2019 compared to \$39.7 million in 2020. Although volatility across markets helped to drive performance and increased net revenues, lower interest rates in the US resulted in lower interest income in 2020.

Market Making

Market Making net revenue growth during 2020 was mainly driven by CSC which was up from \$12.7 million in 2019 to \$26.7 million in 2020. The CSC desk capitalised on opportunities created by the change in the International Maritime Organisation regulations requiring the shipping industry to use lighter and greener fuels, and it also expanded into new product lines. In addition to the increase in net revenues in CSC, the net revenue contribution of the acquisitions made during 2020 of Volatility, Energy Options, Tangent and Cambridge. These acquisitions contributed an additional \$15.7 million of net revenue to the Group during the year.

The growth in the net revenues of the base business was 10.7% from \$53.5 million in 2019 to \$59.2 million in 2020. This was primarily the result of a turnaround in the Agriculture division, taking advantage of improved market conditions and higher price volatility. The improvement in Agriculture revenues from \$7.5 million in 2019 to \$23.7 million in 2020 represented a 216% increase. This was offset by a decrease in net revenue within the Metals Market Making business of \$10.5 million from \$46.0 million in 2019 to \$35.5 million in 2020 mainly due to fewer trading opportunities as a result of dampened market conditions.

Price Discovery

Net revenue for Price Discovery increased by 4%, with \$127.9 million in 2020 compared to \$123.4 million in 2019. The first half of 2020 saw high trade volumes as a result of increased volatility at the outset of the Covid-19 pandemic, followed by slower activity in the second half of the year. The Liquid Natural Gas, Gasoline, Energy options, Environmental Products, Naphtha, and Physical Fuel Oil desks all saw revenue gains in 2020.

Data & Advisory

Net revenue remained largely flat year over year from \$3.7 million in 2019 to \$3.6 million in 2020. This revenue stream is mainly generated via subscriptions with the business earning a steady stream of revenues.

As the global impact of the pandemic recedes during 2021 and beyond, this area is seen as a growth opportunity for the Group. The Group continues to see proprietary data analytics and technology as areas that can be monetised to allow the Group to move beyond more traditional channels.

Balance sheet

Tangible equity increased by \$3.5 million in 2020 (2019: decrease of \$8.2 million). The increase in goodwill was the result of the acquisitions of Tangent of \$4.2 million, \$10.6 million from the acquisition of Volatility and \$6.1 million from the acquisition XFA.

Shareholders' equity increased by \$27.7 million in 2020 (2019: increased by \$35.9 million). This resulted from the profit after tax of \$43.8 million (2019: \$36.4 million), offset by dividends paid of \$18.2 million during the year and other reserve increases of \$2.1 million.

Intangible assets increased by \$3.3 million mainly as a result of the recognition of \$4.9 million in Customer Relationships inherent in the XFA acquisition offset by the amortisation of the intangibles during the year.

	2020	2019
	\$'million	\$'million
Shareholders' equity	443.8	417.8
Intangible assets ¹	(11.1)	(7.8)
Goodwill	(198.4)	(179.2)
Tangible equity	234.3	230.8

¹ The accounting policy for software and its classification as an Intangible assets was amended prospectively from 1 January 2020 owing to the change in the Group's accounting policy reclassifying certain types of software from Intangibles to Property Software and Equipment (refer to note 3(1)).

Balance sheet (continued)

Larger client clearing balances were the main reason for the increase in Trade payables from \$1,770.4 million in 2019 to \$2,409.6 million in 2020, with the related offset being exchange balances within Trade receivables (which increased by \$402.7 million to \$1,249.2 million in 2020) and financial instruments (which increased by \$403.1 million in 2020 to \$1,496.9 million), the majority of which are US Treasuries pledged to the exchanges. The increases in the derivative instrument balances are a reflection of the increase in the Solutions businesses throughout 2020. The Group's overall balance sheet remains highly liquid with \$291.5 million of non-segregated cash. The Group increased its structured notes issuance from \$196.2 million in 2019 to \$376.8 million in 2020. This includes the issuance of Tier 2 capital structured notes of \$6.0 million.

\$'million	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	291.5	-	217.5	-
Financial instruments (Treasuries)	1,496.8	-	1,093.9	-
Liquid assets	1,788.3	-	1,311.4	-
Trade receivables	1,249.5	-	891.5	-
Other receivables	71.0	-	29.0	-
Trade payables	-	(2,409.6)	-	(1,770.4)
Other payables	-	(133.0)	-	(88.0)
Trade and other receivables / (payables)	1,320.5	(2,542.6)	920.5	(1,858.4)
Derivative instruments	199.6	(236.4)	91.9	(77.0)
Net derivative assets / (liabilities)	199.6	(236.4)	91.9	(77.0)
Tax assets/ (liabilities)	7.8	(1.9)	3.6	(1.8)
Right-of-use asset	16.3	-	23.6	-
Lease liability	-	(24.4)	-	(27.6)
Investments in associate	5.6	-	-	-
Repurchase agreements	142.1	(140.0)	-	-
Debt securities	-	(376.8)	-	(196.2)
Equity instruments	52.1	-	29.6	-
Provisions	-	(0.3)	-	(1.1)
Other assets	24.4	-	12.3	-
Other	248.3	(543.4)	69.1	(226.7)
	3,556.7	(3,322.4)	2,392.9	(2,162.1)
Tangible equity		234.3		230.8

Balance sheet (continued)

Deployment of equity

Liquid assets increased by \$477.1 million, with a \$74.0 million increase in cash and \$402.8 million in Treasuries. This was reflected in a \$639.2 million increase in net trade payables and a \$180.6 million increase in structured notes. There was a net outflow of cash of \$18.7 million from the investment in new acquisitions and \$22.5 million from the net increase in equity instruments.

	2020 \$'million	2019 \$'million	2020 v 2019 \$'million
Cash and cash equivalents	291.5	217.5	74.0
Financial instruments – (Treasuries)	1,496.8	1,093.9	402.9
Liquid assets	1,788.3	1,311.4	476.9
Trade receivables	1,249.5	891.5	358.0
Trade payables	(2,409.6)	(1,770.4)	(639.2)
Net trade (payables) / receivables	(1,160.1)	(878.9)	(281.2)
Derivative instruments – assets	199.6	91.9	107.7
Derivative instruments – liabilities	(236.4)	(77.0)	(159.4)
Net derivative (liabilities) / assets	(36.8)	14.9	(51.7)
Other receivables	71.0	29.0	42.0
Other payables	(133.0)	(88.0)	(45.0)
Investments in associate	5.6	-	5.6
Net tax assets / (liabilities)	5.9	1.8	4.1
Provisions	(0.3)	(1.1)	0.8
Repurchase agreements	2.1	-	2.1
Lease liability	(24.4)	(27.6)	3.2
Debt securities	(376.8)	(196.2)	(180.6)
Right-of-use asset	16.3	23.6	(7.3)
Equity instruments	52.1	29.6	22.5
Other assets	24.4	12.3	12.1
Other net payables	(357.1)	(216.6)	(140.5)
Tangible equity	234.3	230.8	3.5

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 firm 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 compared to the 2020 average of \$447 million and the 2019 year-end of \$387 million. The terms of the facility were updated subsequent to the year-end, as disclosed in Note 38.

The firm 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 \$376.8 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.

Net debt, which is the sum of the issued debt, drawn facilities offset by cash and cash equivalents has increased to a net debt position \$85.3 million from a net cash position of \$21.3 million. This growth has been the result of growth in client business, particularly the Solutions business.

Regulatory capital

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

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

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

As at 31 December 2020 the Group had Own Funds of \$226.2 million, of which \$220.2 million is CET 1 capital and \$6.0 million is Tier 2 capital.

As at 31 December 2020 the Group had a total minimum capital requirement ('Pillar 1') of \$112.5 million. Average Pillar 1 requirement for 2020 was \$103.1 million.

As at 31 December 2020 the Group reported a Pillar 1 excess of \$113.7 million.

As at 31 December 2020, the Group reported a capital ratio of 16.08%. The ratio expresses the Group's capital as a percentage of Total Risk Exposure (Pillar 1 divided by 8%). The average capital ratio in 2020 was 16.42%, well above the regulatory requirement of 8%. The Group manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Group's growth and strategic options. The Group performs capital projections and stress testing at least annually as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP').

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

OVERVIEW OF RISK MANAGEMENT

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

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

EWRM Framework

The purpose of the framework is to articulate the control mechanisms to identify, measure, assess, 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.

COMPONENTS OF THE EWRM FRAMEWORK

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.

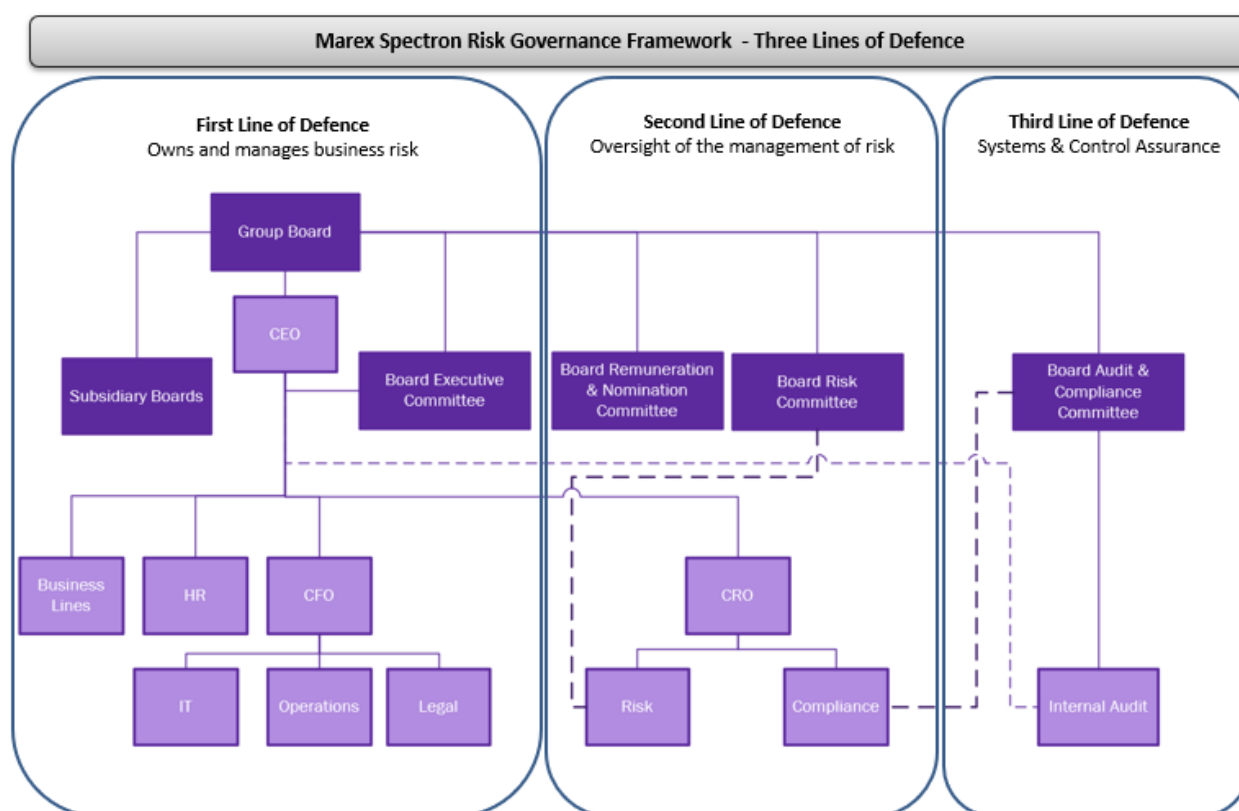
Responsibility for risk management resides at all levels within the Group, from the Group Board and the Board Executive Committee down through the organisation to each business manager, employee and risk specialist. Responsibility for effective review and challenge of risk policies reside with senior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



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.

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.

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.

GROUP STRATEGIC REPORT (CONTINUED)

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 and 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	<p>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.</p> <p>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.</p>
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 (RAS) 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.

Risk Type	Description
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.
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.
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 ensures that Group settlement risk is kept to a minimum.
Compliance / Legal Risk	Represents the risk to the Group arising from violations of, or non-compliance with, laws, rules and regulations. A key responsibility of the Compliance and legal departments is to monitor and deal with such risks.
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. Marex 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 Entity-Level 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 instructions to ensure routine and complex operations are undertaken in alignment with policies and standards.

	<p>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 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 Committee for review and challenge as part of their oversight responsibilities.</p>
Technology Risk	<p>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.</p> <p>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.</p>
Group Risk	<p>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 Marex, this risk is small because over 90% of the market risk and credit risk faced by the group sits within Marex Financial, the main trading entity.</p>
Reputational Risk	<p>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.</p>

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

Risk Measurement & Control

The Group's key risks 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 during the RCSA.

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

Cyber

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

Geopolitical

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

Brexit

Although a trade deal has been agreed between the UK and EU, it still means that from 1st January 2021 there are changes to the way that UK regulated entities (including Marex Financial and Marex Spectron International Limited) can market or solicit the business of clients in certain EU states.

While the rules vary across the EU member states, as a general guidance the position is the following:

Existing EU Clients

UK regulated entities are still able to service these clients with existing products but will not be able to market new products (unless specifically requested by the client).

New EU Clients

UK regulated entities are unable to market or solicit business of new EU clients (in certain EU states), which includes the use of third parties.

The Group is exploring the possibility to service clients through its Irish regulated entity, Marex Spectron Europe Limited and through BIP AM SAS, the Group's French regulated entity, should regulatory approvals be granted.

Pandemic

We continue to share the global community concern over 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 lone wolves and small groups against soft targets have become more common. Our London Office is situated in a targeted location and in the event of such an act, and if deemed necessary, the group would engage its business continuity plan while ensuring staff welfare at all times.

Regulation

Regulation continues to add cost to the firm both for compliance as well as capital. There is still an element of uncertainty as to the impact of the new investment review that is due to come into force from 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, (e.g., the LME proposal to close the ring). To mitigate this, we continually evolve our business entering new markets, shifting focus to less liquid segments and investing further in technology.

Section 172(1) Companies Act 2006

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

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

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

Application of the Wates Corporate Governance Principles

Principle 1 – Purpose and Leadership

The Group has a clearly defined purpose which is outlined in the principles that determine our competitive advantage. As an essential tech-enabled liquidity hub, we connect our clients around the world to energy, metals, agricultural and financial markets. Across our businesses we provide critical high value-add services in Market Making, Commercial Hedging, Price Discovery and Data & Advisory.

The role of the Group Board is stewardship of the Group with long-term sustainable success and creation of shareholder value as the fundamental objectives. The Group Board is responsible for determining the strategic objectives and policies required to deliver such long-term value within a framework of rewards, incentives and prudent and effective controls which enables risk to be assessed and managed. The Group Board is accountable for effective and prudent management, including the segregation of duties and the identification and management of conflicts of interest, to ensure that the influence of third parties does not compromise or override independent judgement.

The Group Board is also responsible for investigating all major deficiencies in performance and major deviations from strategic and financial objectives and risk strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives, and overseeing the conduct of management.

The Group Board is key in promoting the Group's cultural values, ensuring they are understood by all and embedded into the fabric of the Firm, its actions, how it conducts business, and how it supports appropriate behaviours. These are:

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 Firm has transformed over the past two years, essentially doubling in scale and complexity, and in parallel with that growth in earnings and financial resources, the Group's culture has also evolved. The Group defines culture as the spine which connects the individuals in the Firm into a unified community, with a common set of values, practices and behaviours which define us and separate us from other firms. During 2020, senior management sought to define and describe our culture and cultural framework, including our mission, vision, values, and behaviours, for discussion at the Group Board.

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

The Group Board sets 'the tone at the top' and cascades this through the business via ongoing dialogue with the workforce and other stakeholders. In 2020, the Group continued its programme of Employee Engagement Surveys, and responses were very positive, despite the backdrop of Covid-19 and remote working. The large number of

specific comments received reflected the time employees committed to the exercise and their comfort in providing transparent feedback. Values showed unilateral improvement, with especially high scores in integrity; and large increases in scores for collaboration and developing our people, which reflect our focus and drive to improve internal development. Senior management reviewed the results and identified both a functional led approach to follow-up activities and additional recommendations for firmwide initiatives focussing on culture, strategy, diversity, environment, and people development.

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 Environmental, Social and Governance and the Gender Pay Gap are published on the Group's website (www.marexspectron.com).

Principle 2 – Board Composition

The Group Board is structured to bring a broad balance of skills, knowledge and experience to the Group. The Group has a separate Chair and Chief Executive Officer, which maintains a balance of responsibilities, accountability and decision-making. Formal statements setting out the roles of the Chair and Chief Executive Officer were approved by the Board in 2020. The Group Board is currently comprised of:

- Independent Non-Executive Chair
- Two Executive Directors (Chief Executive Officer and Chief Financial Officer)
- Two Independent Non-Executive Directors
- Six Non-Executive Directors (representing the majority shareholders)

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

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

The Non-Executive Directors combine broad experience with objective judgement and provide challenge to executive management. Each Director receives a comprehensive induction upon joining the Group Board, is expected to commit sufficient time to meet the expectations of their role, and receives continued support and training (facilitated by the Chair and Company Secretary) to enable them to carry out their duties effectively. In February 2021 the Group Board appointed Diane Moore as an Independent Non-Executive Director, to also Chair the Audit & Compliance Committee and become a member of the Remuneration & Nomination Committee.

The Group Board acknowledges a lack of diversity in its composition, which is symptomatic of the specific challenges in the financial services industry, however we are working hard to overcome these and the recent changes in board composition have improved the gender diversity of the Board. The Group remains fully committed to promoting inclusion and diversity, further progress has been made during 2020 and this will remain a key focus in 2021.

The Board regularly assesses the independence of each of the Non-Executive Directors and has determined that Carla Stent, Lord Fink and Diane Moore are independent.

None of the Non-Executive Directors, nor their immediate families, have received additional remuneration from the Group, apart from management fees paid to JRJ in accordance with the Shareholders' Agreement, and fees paid to MCS Advisory Ltd, a company associated with the Non-Executive Chair. The accuracy of the JRJ fees is reviewed annually by Internal Audit on behalf of the Audit & Compliance Committee. A full Register of Directors Interests is presented to the Group Board annually for approval and any interim changes are reviewed and approved at the next available Board Meeting. At the commencement of each Group Board Meeting, the Directors are also invited to advise of any conflicts or potential conflicts in respect of any item on that meeting's agenda. Where the Group Board believes that a potential conflict of interest could affect, or could appear to affect, any Director's judgement, appropriate procedures will be considered including recusal of the Director from the relevant part of the meeting.

Evaluation of the performance of the Board, its committees, and the Chair is undertaken annually and in 2020 this was externally facilitated by ICSA Board Evaluation (ICSA), who have no connection with the Group or its individual directors. The ICSA evaluator conducted interviews with each member of the Board, to ascertain their views of the quality of the Board's performance, in the areas of

- Board role and responsibilities
- Oversight
- Board meetings
- Support for the Board
- Board composition
- Working together
- Outcome and achievements

Overall, the company achieved a "Very Good" result with an average score of 73% across all the areas, which demonstrates that the board is performing well, particularly in relation to the topics of Board Role and Responsibilities, Working Together, and Outcome and Achievements. Recommendations from the report continue to be progressed, including those relating to Board composition.

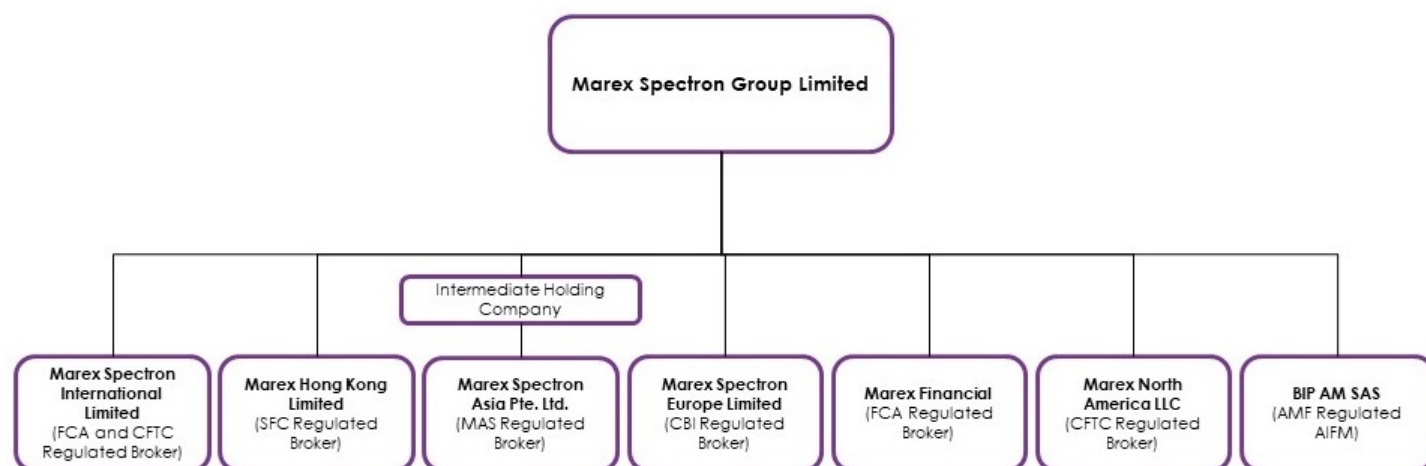
Principle 3 – Director Responsibilities

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

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

The Company Secretary advises the Group Board on matters of corporate governance and ensures that the correct procedures are followed. He attends all meetings of the Group Board, Subsidiary Boards, and Board Committees (including, with some exceptions, the Remuneration & Nomination Committee). All members of the Group Board, Subsidiary Boards and Board Committees have access to the services of the Company Secretary. In 2020 the quality and timeliness of papers submitted to the Group Board continued to improve and the outcomes of the 2020 Board Evaluation indicated that the Group Board receives good support from the Company.

The current high-level structure of the Group and its regulated subsidiaries is set out below:



Where possible, at least one director on each Regulated Company Board is a director or standing attendee of the Group Board and all other Regulated Company Board directors are members of the Management Executive Committee. This is, however, subject to some exceptions based on local requirements. Directors of the Group Board and regulated subsidiaries are recommended by the Remuneration & Nomination Committee to the relevant Board for approval.

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

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

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

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

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

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

Audit & Compliance Committee

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

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

The Audit & Compliance Committee is comprised of:

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

* During the year under review, Daniel Hallgarten acted as Interim Chair of the Audit & Compliance Committee. Diane Moore was appointed as Chair of the Audit & Compliance Committee on 11 February 2021.

Risk Committee

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

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

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

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

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

An experienced advisor also continues to attend the Risk Committee on an ongoing basis.

Remuneration & Nomination Committee

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

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

The Committee is comprised of:

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

*Diane Moore was appointed as a member of the Remuneration & Nomination Committee on 11 February 2021. Peter Kadas resigned from the Board on 3 February 2021 and accordingly ceased to be a member of the committee.

Board Executive Committee

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

- Members: Ian Lowitt (Chair) and Paolo Tonucci.
- Standing Attendees: Group President, North America CEO, Chief Risk Officer, Group HR Director and Group Head of Energy.

Acquisitions & Disposals Committee

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

The Committee is comprised of:

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

Principle 4 – Opportunity and Risk

The Group Board held its annual an offsite 'Strategy Day' in January 2020, at which the overarching strategy of the Group, as formulated by the Board Executive Committee, was approved. The focus of the meeting included margin analysis, liquidity and capital planning, Firm strategy, three-year plan, customer profiles, Risk strategy, HR strategy and the Marex Solutions operating model. The Group Board has continually identified opportunities to evolve and diversify the Group in line with agreed risk appetite and long-term strategy, as our acquisitions of recycled metal specialists Tangent Trading, and of exchange-traded derivatives (ETD) execution broker X-Change Financial Access, LLC demonstrate. The Group also continues to add new teams and services to the Group, including UK Equity Market-Making, Ferrous Metals, US Energy Futures, and an experienced agricultural brokerage team in Chicago.

The Group also continues to identify future opportunities for innovation, creativity and ambition, and has expanded its ESG market focus in the renewable energy, fairer agriculture and circular economy sectors; entered a joint venture with the Smith School at Oxford University as an innovative way to lower the cost of verifying carbon credit using Satellite data, and seeding a number of projects to create carbon credits by maintaining or adding new Mangrove Swamp in South East Asia; and supports technological innovations such as Earth-i (which can support farmers in developing stronger livelihoods and rural resilience). The Group also continues to invest in 'Intelligence' (including proprietary quantitative models) and 'Content' (quotes, reports, research) services, and offers clients access to 'NEON', a proprietary trading, risk and data platform.

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

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

Principle 5 – Remuneration

The Remuneration & Nomination Committee reviews and approves the annual remuneration and discretionary bonus awards for all staff and ensures that remuneration has been designed to promote the long-term success of the company, is transparent, and aligned with behaviour, conduct and the Group's cultural values. In 2020 the Committee also reviewed and approved a further Growth Share Plan for senior executives and agreed a share buy-back plan from ex-employees to facilitate further incentives for current senior management.

In 2020 the Remuneration & Nomination Committee reviewed and approved an enhanced Remuneration Policy, which sets out the Firm's approach to the alignment of remuneration with both financial and non-financial measures including culture and conduct, strategy and objectives. The Remuneration & Nomination Committee is comprised of Non-Executive Directors in order to ensure independence and appropriate consideration of shareholder interests.

In our 2020 Gender Pay Gap Report we reported a total mean and median gender pay gap of 24% and 24% respectively, versus the industry's 35% and 40%. Whilst our pay gap is in line with the industry, analysis has shown that it is gender distribution (fewer women in senior positions), and not unequal pay, that is the driver of our pay gap (for matched roles, there is no pay gap between genders). Our mid to long term aim is to increase female numbers across the Group (and specifically within senior roles). In 2020 we hired several senior female employees including the Chief of Staff, Money Laundering Reporting Officer and Head of Financial Crime, Head of Marketing and Communications, Head of Risk Governance, Global Change Manager and Learning and Development Manager. In February 2021 we appointed a female Independent Non-Executive Director to the Group Board, who now Chairs the Audit & Compliance Committee, is a member of the Remuneration & Nomination Committee and is a standing attendee of the Risk Committee.

Principle 6 – Stakeholder Relationships and Engagement

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

Clients

Our clients are everything, which is why superior execution and superb client service is central to our business. We are always looking for new ways to strengthen our client offerings, and the acquisition of entities such as Tangent Trading Limited (recycled metals), launch of new desks (such as our expansion into Equity Market-Making), and the increasingly broad service offering from Marex Solutions, has further diversified our product set. 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. Given the nature of our business we have been able to operate normally with our clients.

Our people

We invest in our people and help them develop their careers. Our people are the basis of our competitive advantage, so we look to grow our own and make our business the place that ambitious, hardworking, and talented people choose to build their careers. We are committed to offering equality of opportunity to all, regardless of gender. We frequently engage with our employees through formal and informal channels. These include face-to-face dialogues between employees and line managers, 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. The Group's Culture Framework, as presented to the Board, was introduced to new staff through CEO welcome sessions involving over 130 attendees to date. Additional communication of the framework was delivered by Board Executive Committee members directly to their organisations. Due to Covid-19, external events during the year were limited, however the Group did conduct a blood donation drive in December 2020 to support hospitals need during Covid-19. In 2020, we continued our employee survey programme and made subsequent enhancements based on the feedback received. In 2019 the Group approved its first annual Whistleblowing Report, which sets out how reports of whistleblowing would be taken forward, reviewed the operation and effectiveness of policies and procedures, and suggested areas for enhancement. The Group Board Chair continues to act as 'Whistleblowers' Champion' and no concerns were raised throughout 2020.

The Environment

The Group recognises its role in promoting and supporting environmental sustainability 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 our first Environment Policy, constituted an ESG Committee and set up an Environment and Climate Working Party to further develop our ESG positive initiatives.

Regulators

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

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 Supplier Code of Conduct. As a leader in our space, we take great pride in being a good corporate citizen and are always striving to set the highest standards of ethical conduct, and corporate and social responsibility. We recognise and are committed to both relevant national and international standards, which we expect our suppliers to abide by, including those set out by the International Labour Organisation, the Bribery Act 2010 and the Equality Act 2010.

Shareholders

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

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

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



I T Lowitt
Director

1 April 2021

Carla Stent, Chair

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

Lord Stanley Fink, Non-Executive Director

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

Jeremy Isaacs, Non-Executive Director

Jeremy Isaacs is a Founding Partner of JRJ Group, and brings close to three decades of financial services industry and investment experience to JRJ Group. At JRJ Group, Jeremy is closely involved with the implementation and guidance of fund strategy, as well as the development and execution of portfolio company strategy. He is also central to the development and maintenance of JRJ Group's extensive financial industry relationships with senior personnel across the institutional landscape, as well as with regulators and governments. Prior to establishing JRJ Group, in late 2008, Jeremy was the Chief Executive Officer of Lehman Brothers in Europe, Middle East, and Asia. Before joining Lehman Brothers, he led the European equity derivatives trading business of Goldman Sachs. Jeremy serves as a non-executive director of Marex and Nomad Foods Limited. He participates in numerous philanthropic activities, holding a range of positions, including Trustee of The J Isaacs Charitable Trust and Chair of Trustees for the Noah's Ark Children's Hospice. Jeremy is an Honorary Fellow of the London Business School. He has previously served as non-executive director of Imperial College Healthcare NHS Trust 2003-16; Member of British Olympic Advisory Board 2007-12. Jeremy was appointed Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for his services to the NHS. In May 2019, Jeremy received a Doctor of Philosophy Honoris Causa from the Haifa University, Israel.

MAREX SPECTRON GROUP LIMITED GROUP DIRECTORS' REPORT

Group Board Director Biographies (continued)

Roger Nagioff, Non-Executive Director

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

Henry Richards, Non-Executive Director

Henry Richards is a Principal at JRJ Group, where he is responsible for origination, analysis, execution and monitoring of private equity investments. Prior to joining JRJ Group, Henry was an investment banker at JP Morgan in London in the Financial Institutions Group. Henry holds a BA (Hons) in Classics from the University of Durham.

Daniel Hallgarten, Non-Executive Director

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

Joseph Cohen, Non-Executive Director

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

Diane Moore, Independent Non-Executive Director

Diane Moore was appointed as an Independent Non-Executive Director of the Marex Board and Chair of the Audit & Compliance Committee in February 2021. Diane has extensive regulatory and financial services experience, including previous executive roles at the Bank of England (1985 to 1997), Oesterreichische Nationalbank (1997 to 2001) and the Financial Services Authority (2001 to 2013). Diane's current non-executive appointments include the main Board of Habib Bank Ltd in Pakistan, Cantor Fitzgerald Europe and Ireland and Axis Bank UK Limited. Prior to June 2019, Diane was Senior Independent Non-Executive Director of MUFG EMEA Securities plc, Non-Executive Chair of the Audit Committee at MUFG Bank (London branch), and Independent Chair of an FCA-authorised fintech start-up, SteadyPay Limited. She was previously a Board member and Trustee of The Mental Health Foundation and Lay Member of the Regulatory Risk Committee of the Solicitors Regulation Authority.

Diane has an MA Joint Honours in French and German from the University of St. Andrews, an MSc in Politics and Public Administration from the University of London, and an MBA (with distinction) from the Open University Business School (Vienna and London).

MAREX SPECTRON GROUP LIMITED

GROUP DIRECTORS' REPORT

Group Board Director Biographies (continued)

Vittorio Pignatti-Morano, Non-Executive Director

Vittorio Pignatti Morano is Chairman and co-founder of Trilantic Capital Partners Europe, a private equity firm focused on investments in mid-size European companies. Trilantic Europe's assets under management are in excess of €1.7 billion. Prior to the creation of Trilantic, Vittorio spent 21 years at Lehman Brothers where he held various positions. He was Vice Chairman of Lehman Brothers Holdings Inc. and member of its European Operating Committee and of Lehman Brothers' Global Investment Committee and head of the Private Equity division in Europe and the Middle East which included Merchant Banking, Real Estate, Infrastructure, Mezzanine Lending and Fund of Funds with AUM in excess of \$5.0 billion. Before joining Lehman Brothers, Vittorio was a Managing Director with Banque Paribas, having previously been a Vice President at Manufacturers Hanover Trust in New York. Vittorio also sits on the boards of Mediobanca and Edizione, the Benetton family's private holding. Vittorio holds an M.A. in Economics from Columbia University and a B.A. Honours in Economics and Mathematics from the University of Sussex.

Ian Lowitt, Executive Director, CEO

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

Paolo Tonucci, Executive Director, CFO

Paolo Tonucci joined Marex in March 2018 as Chief Operating Officer and became Chief Financial Officer in October 2020. He was previously at the Commonwealth Bank of Australia (Commbank) based in Sydney, where he was Group Treasurer, with responsibility for funding, capital and balance sheet management. Before Commbank, he was Head of Funding and Liquidity at Barclays Bank in London. Prior to Barclays, Paolo spent 12 years at Lehman Brothers in London and New York, latterly as Global Treasurer where he managed a team of 220. Paolo is a Chartered Accountant and has an MA in Economics from the University of Cambridge.

MAREX SPECTRON GROUP LIMITED
GROUP DIRECTORS' REPORT

GROUP BOARD ACTIVITY REVIEW

The Group Board holds six scheduled meetings each year and meetings are also held on an ad-hoc basis, as required, for specific subjects of focus or urgent matters. The January board meeting is an offsite full day strategy meeting. Attendance for Group Board and Board Committee meetings in 2020 was as set out below:

	Group Board	Risk Committee	Audit & Compliance Committee	Remuneration & Nomination Committee	Acquisitions & Disposals Committee	Executive Committee
Carla Stent	6/6	-	-	4/4	3/3	-
Lord Fink	5/6	5/5	-	-	-	-
Jeremy Isaacs	6/6	-	-	4/4	-	-
Roger Nagioff	6/6	5/5	-	-	3/3	-
Henry Richards	5/6	-	6/6	-	-	-
Peter Kadas (resigned 03.02.2021)	6/6	-	-	3/4	-	-
Daniel Hallgarten	6/6	4/5	6/6	-	3/3	-
Joseph Cohen	6/6	-	6/6	-	3/3	-
Vittorio Pignatti-Morano	4/6	5/5	-	4/4	-	-
Ian Lowitt	6/6	-	-	-	-	8/8
Paolo Tonucci	6/6	-	-	-	-	7/8
Simon van den Born (resigned 03.02.2021)	6/6	-	-	-	-	8/8

The above chart does not include ad-hoc Group Board meetings (of which four were held during the year), or detail attendance by standing attendees (for example the Chair and CEO will attend the majority of Risk Committee and Audit & Compliance Committee meetings).

Where members of the Risk Committee, Audit & Compliance Committee, Remuneration & Nomination Committee, and Acquisitions & Disposals Committee are shareholder representative directors, they may occasionally be represented by their alternate, who is required to be another board member representing the same shareholder.

Board Committee Reports

Audit & Compliance Committee

The key areas of focus for the Audit & Compliance Committee in 2020 were:

- Internal Audit: Monitoring progress against the internal audit plan, reviewing internal audit reports and monitoring actions taken as a result of recommendations, approving the internal audit charter and the 2020-2022 strategic audit plan including the impact of Covid-19.
- Compliance: Monitoring and reviewing continued implementation of the Senior Managers & Certification Regime (SMCR) and process enhancements, reviewing key regulatory matters, approving the Compliance resource-based plan and control report.
- Client Assets: Reviewing client asset reports, system enhancements, and regulatory reporting.
- General Data Protection Regulation (GDPR): Monitoring and reviewing the GDPR privacy framework implementation, including data protection impact assessments, privacy impact assessments, legitimate interest tests, data deletion strategy, staff training and assessment of controls.
- Financial Crime: Monitoring and reviewing Financial Crime related matters including enhancements made to the overarching governance framework (including controls, policies, and procedures), risk appetite, screening, dormant client reviews, and client file reviews.
- Whistleblowing: Reviewing the Group's whistleblowing policy, procedures and annual whistleblowing report.
- External Auditors: Reviewing and approving the Deloitte year-end audit plan, including risk assessment, approach to goodwill on acquisitions and to structured note valuation, materiality benchmark and fees.
- Finance: Reviewing and approving the Group Tax Policy and reviewing the revised cost allocation methodology, pipeline business developments, acquisition integration, and Finance system developments.
- Annual Financial Statements: The Committee provided the following assurances and recommendations to the Group Board in respect of the 2020 Annual Report:
 - In our view, the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.
 - We have considered the assumptions relating to the going concern statement and recommended to the Group Board that the Annual Report and Financial Statements be prepared on a going concern basis.
 - We have reviewed the objectivity and independence of the external auditor and considered the professional and regulatory guidance on auditor independence and Deloitte's policies and procedures for managing independence.

Focus for 2021

Key priorities for the Audit & Compliance Committee will be to monitor and review:

- The implementation and embeddedness of the enhanced Financial Crime control framework;
- regulatory compliance across the Group (ongoing);
- any required control enhancements in relation to the integration of acquisitions; and,
- CASS and GDPR compliance.

Risk Committee

The key areas of focus for the Risk Committee in 2020 were:

- Marex Solutions: significant time was allocated to review the structured products business, including the approval framework, trading mandate, and constitution of a focussed sub-committee (Structured Securities Committee); reviewing new Marex Solutions business proposals, new jurisdictions and type of counterparty;
- Business Continuity Planning: ensuring appropriate plans were in place Globally to ensure business continuity, particularly in response to Covid-19;
- Risk Appetite: reviewing and approving the annual Risk Appetite update;
- Risk Exposure: Reviewing and monitoring country risk, credit portfolios, and market risk, particularly in response to market volatility; reviewing and monitoring client defaults.
- Capital and Liquidity: reviewing and monitoring liquidity risk and regulatory capital, and recommending the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) to the Board for approval;
- Acquisitions: reviewing and challenging the risk framework of acquired entities and monitoring any required enhancements; and
- Operational Risk: reviewing and approving Risk Control Self Assessments (RCSAs) for all key controls and approving enhanced Operational Risk policy and Operational Risk Management Framework.
- Emerging risks: Reviewing and monitoring the impact of Covid-19, Brexit, and increasing cyber risk).
- Business Change: reviewing and challenging the enhanced business change framework to standardise the management of new business, enhance business change controls, and to optimise the contribution from the Control and Support function.

Focus for 2021

Key priorities for the Risk Committee will be:

- Continued focus on the Marex Solutions business, given the increasing scale of this division;
- Ensuring that the culture and conduct of the Group and its executives remains appropriate;
- Monitoring the impact of Covid-19 on business continuity, market volatility and client default; and
- Monitoring the integration of acquisitions and any required enhancements to risk frameworks.

MAREX SPECTRON GROUP LIMITED GROUP DIRECTORS' REPORT

Board Committee Reports (continued)

Remuneration & Nomination Committee

The key areas of focus for the Remuneration & Nomination Committee in 2020 were:

- Remuneration: Reviewing and approving annual remuneration and discretionary bonus awards, and a reviewing remuneration of Non-Executive Directors and the Chair;
- Share Incentives: reviewing and approving a further Growth Share Plan for senior executives and a share buy-back plan from ex-employees to facilitate further incentives for current senior management.
- Policy Approval: reviewing and approving the Group's remuneration policy, diversity policy, and the annual FCA Remuneration Policy Statement; and
- Nominations: reviewing and recommending Board and Senior Executive appointments including Diane Moore as an independent Non-Executive Director, and Ram Vittal as CEO of North America.

Focus for 2021

Key priorities for the Remuneration & Nomination Committee will be:

- Ensuring ongoing compliance with FCA requirements;
- Establish two separate committees with own Terms of reference
- Ensuring continuation of actions to improve diversity and inclusion across the Group, particularly at more senior levels;
- Reviewing compensation and incentive structures across the Group; and
- Continued standardisation of terms and conditions, benefits and HR operating standards across the Group.

Board Acquisitions & Disposals Committee

The key areas of focus for the Acquisitions & Disposals Committee 2020 was reviewing and recommending to the Board the acquisitions of X-Change Financial Access LLC, and Tangent Trading Holdings Limited group. In 2021 this committee will continue to review potential acquisitions or disposals and if appropriate, recommend such acquisitions or disposals to the Board for final approval.

Board Executive Committee

The focus of the Board Executive Committee in 2020 was, and remains for 2021, the day-to-day conduct of the Group's business.

MAREX SPECTRON GROUP LIMITED

GROUP DIRECTORS' REPORT

The directors present their report and audited consolidated financial statements of Marex Spectron Group Limited ('Marex', 'the Group' or 'the Firm') and the standalone financial statements for Marex Spectron Group Limited ('the Company') for the year ended 31 December 2020.

The disclosure complying with Section 172(1) of the Companies Act (2006) with regard to companies operations on the community and environment is set out in the strategic report.

Directors

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

	Appointed	Resigned
C R Stent (Chair)		
I T Lowitt		
J C Cohen		
Lord S Fink		
D A Hallgarten		
J M Isaacs CBE		
P Kadas		3 February 2021
R B Nagioff		
D E Moore	11 February 2021	
V Pignatti-Morano Campori		
H D P Richards		
P R Tonucci		
S J van den Born		3 February 2021

Indemnity of directors

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

Directors' statement as to disclosure of information to the Auditor

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

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

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

Charitable and political contributions

Marex budgets to spend \$100,000 per annum to support employees in their charitable fundraising activities. It does this by donating 50% of the sum raised by the employee to the chosen charities. In order to ensure that the fund can be accessed by as many employees as possible, donations from the Company are capped at \$4,000 per fundraising event. The total charitable donations from this programme were \$22,161 during the year ended 31 December 2020 (2019: \$1,607,331).

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

MAREX SPECTRON GROUP LIMITED

GROUP DIRECTORS' REPORT

Foreign exchange

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

	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 Group and 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 (c) of the accounting policies, the directors are satisfied that the Group and Company have adequate resources to continue to operate for the foreseeable future and for at least 12 months from the date of signing of the balance sheet and confirm that the Group and Company are a going concern. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

Events after the reporting period

Events since the statement of financial position date are disclosed in note 38.

Overseas branches

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

Dividends

The Company paid an interim dividend of \$18,195,000 during the year (2019: \$nil)

Financial risk management

Financial risk management objectives are included in the strategic report.

Future developments

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

Research and Development

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

Employees

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

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

MAREX SPECTRON GROUP LIMITED

GROUP DIRECTORS' REPORT

Suppliers, customers and others

In accordance with the Reporting on Payment Practices and Performance Regulations 2017, the Group submits biannual reports on payment practices and performance to the Department for Business, Energy and Industrial Strategy. Strong business relationships are essential for the Group and for the key subsidiaries for which reporting is required, the average time taken to make payments under qualifying contracts was 18 days in the first six months of the year, reducing to 16 days in the second half of the year. Further statements regarding how the directors have regard to the need to foster the Group's relationships with suppliers, customers and others are contained in the Strategic Report.

Streamlined Energy Carbon Reporting (SECR)

The Firm has calculated the greenhouse gas emissions estimates below for the year under review, to cover all material sources of emissions for which the Group is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). This estimate covers all of the Group's operations that are consolidated in these financial statements, which includes the sites operated from in the UK and UK business travel. It has not proven practical to obtain prior year information.

Emissions from the combustion of gas (Scope 1) (tCO ₂ e)	572
Emissions from purchase of electricity (tCO ₂ e) (Scope 2)	753
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO ₂ e) (Scope 3)	3
Total gross emissions based on the above (tCO₂e)	1,328
Energy consumption used to calculate Scope 1 emissions (kWh)	3,109,165
Energy consumption used to calculate Scope 2 emissions (kWh)	3,058,289
Energy consumption used to calculate Scope 3 emissions (kWh)	11,702
Total energy consumption based on above (kWh)	6,179,156
Intensity ratio: tCO ₂ e (gross Scope 1, 2 + 3) per full-time equivalent	2.4

Corporate Governance Arrangements

In 2020, the Group followed the Wates Corporate Governance Principles for Large Private Companies and our reporting against that framework is contained in the Strategic Report.

MAREX SPECTRON GROUP LIMITED

GROUP DIRECTORS' REPORT

Directors Responsibilities Statement

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as 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 Group and Company and of the profit or loss of the Group and Company for that period.

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

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

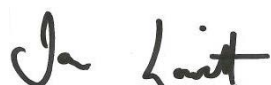
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements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

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

Auditor

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

Approved by the Board and signed on its behalf by:



I T Lowitt
Director
1 April 2021

Registration Number: 05613060

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

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Marex Spectron Group Limited ('the parent company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity and movements in reserves;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 39.

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

Basis for opinion

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

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

Conclusions relating to going concern

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.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing financing facilities including the covenants linked to these;
- assessing the recoverability of the trade debtors and whether there is any pending litigation which could have a significant impact on the Group and its ability to trade;
- relying on specialists to challenge the underlying data and key assumptions used in management forecasts;
- assessing the impact that Covid-19 will have on the Group in the forecasted period;
- assessing the headroom in the forecasts provided by management and whether there are any regulatory implications;
- assessing management's stress test on the forecasted profit;
- assessing management's proposed mitigating plans in a stressed scenario; and

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

- testing the numerical accuracy of forecasts and assessing the historical accuracy of forecasts prepared by management.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 Group's industry and its control environment, and reviewed the Group'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 frameworks that the Group 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.

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

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These include the Group's obligations as a regulated Group by the Financial Conduct Authority ('the FCA').

We discussed among the audit engagement team and internal specialists including IT, valuation and tax 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.

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;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- 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 Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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

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.

A handwritten signature in blue ink, appearing to read 'Mark Rhys', with a long, sweeping horizontal stroke extending to the right.

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

MAREX SPECTRON GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	5	762,416	554,876
Operating expenses		(721,413)	(536,963)
Interest income	11	20,460	38,626
Finance expense	11	(4,888)	(5,683)
Operating profit		56,575	50,856
Other income	10	1,825	1,570
Other expense	10	(3,416)	(5,800)
Profit before taxation		54,984	46,626
Tax	12(b)	(11,161)	(10,234)
Profit after taxation		43,823	36,392
Earnings per share			
Basic and diluted (cents per share)	36	\$0.32	\$0.27

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

	Notes	2020 \$'000	2019 \$'000
Profit after taxation		43,823	36,392
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Gain / (Loss) on revaluation of investments	17(a)	420	(249)
Deferred tax on revaluation of investments	12(c), 26	(72)	44
Gain on revaluation of financial instruments		418	595
Gain on cash flow hedge reserve	34	1,626	884
Other comprehensive gain, net of tax		2,392	1,274
Total comprehensive income		46,215	37,666

All operations are continuing for the current and prior years.
The notes on pages 64 to 150 form part of these financial statements.

MAREX SPECTRON GROUP LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

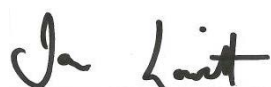
		Group		Company	
	Notes	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Assets					
Non-current assets					
Goodwill	14	198,401	179,175	-	-
Intangible assets	15	11,071	7,830	46	46
Property, software and equipment	16	7,413	4,132	-	-
Right of use assets	32	16,256	23,577	-	-
Investments	17(a)	8,472	8,052	3,446	3,082
Investments in subsidiaries and associates	17(b), 18	5,564	-	414,479	374,467
Deferred tax	26	-	1,369	55	117
Other assets		-	47	-	-
Subordinated loans due from group undertakings	20	-	-	161,000	90,000
Financial instruments – unpledged	21	23,454	19,966	-	-
Financial instruments – pledged as collateral	21	473,494	188,344	-	-
Total non-current assets		744,125	432,492	579,026	467,712
Current assets					
Inventory	22	8,774	-	-	-
Equity instruments	33	52,055	29,629	-	-
Derivative instruments	25	199,658	91,933	-	-
Financial instruments – unpledged	21	65,337	17,948	-	-
Financial instruments – pledged as collateral	21	1,076,582	867,633	-	-
Trade and other receivables	23	1,320,496	920,594	2,422	1,176
Corporation tax		7,683	2,255	3	-
Cash and cash equivalents		291,546	217,501	48	65
Total current assets		3,022,131	2,147,493	2,473	1,241
Total assets		3,766,256	2,579,985	581,499	468,953

The notes on pages 64 to 150 form part of these financial statements.

MAREX SPECTRON GROUP LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

		Group		Company	
	Notes	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Liabilities					
Current liabilities					
Derivative instruments	25	236,431	77,000	-	-
Repurchase agreements	24	139,969	-	-	-
Trade and other payables	27	2,542,636	1,858,484	230,756	109,394
Corporation tax		1,547	1,839	-	270
Debt securities	33	130,001	183,253	-	-
Lease liability	32,33	5,678	6,476	-	-
Provisions	28	298	1,073	-	-
Total current liabilities		3,056,560	2,128,125	230,756	109,664
Non-current liabilities					
Lease liability	32,33	18,712	21,159	-	-
Debt securities	33	246,756	12,946	-	-
Deferred tax liability	26	440	-	-	-
Total non-current liabilities		265,908	34,105	-	-
Total liabilities		3,322,468	2,162,230	230,756	109,664
Total net assets		443,788	417,755	350,743	359,289
Equity					
Share capital	30,31	176,240	176,240	176,240	176,240
Share premium	31	134,327	134,327	134,327	134,327
Retained earnings	31	132,641	107,013	40,443	49,294
Revaluation reserve		974	208	(267)	(572)
Cash flow hedge reserve	31	1,837	211	-	-
Other reserves	31	(2,231)	(244)	-	-
Total equity		443,788	417,755	350,743	359,289

The Company reported a profit for the year ended 31 December 2020 of \$9,344,445 (2019: \$27,527,035). The financial statements on pages 57 to 150 were approved and authorised for issue by the Board of Directors on 1 April 2021 and signed on its behalf by:



I T Lowitt, Director
1 April 2021

The notes on pages 64 to 150 form part of these financial statements.

MAREX SPECTRON GROUP LIMITED
**STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2020**

Group	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Reval- uation reserve \$'000	Cash flow hedge reserve \$'000	Other reserve \$'000	Total \$'000
At 1 January 2019	176,238	134,516	72,279	(182)	(673)	(244)	381,934
Profit for the period	-	-	36,392	-	-	-	36,392
Impact of IFRS 16	-	-	(1,658)	-	-	-	(1,658)
Capital contribution	2	(189)	-	-	-	-	(187)
Loss on revaluation of investments	-	-	-	(249)	-	-	(249)
Deferred tax on revaluation of investments	-	-	-	44	-	-	44
Gain on revaluation of financial instruments	-	-	-	595	-	-	595
Gain on cash flow hedge reserve	-	-	-	-	884	-	884
At 31 December 2019 and 1 January 2020	176,240	134,327	107,013	208	211	(244)	417,755
Profit for the period	-	-	43,823	-	-	-	43,823
Gain on revaluation of investments	-	-	-	420	-	-	420
Deferred tax on revaluation of investments	-	-	-	(72)	-	-	(72)
Gain on revaluation of financial instruments	-	-	-	418	-	-	418
Gain on cash flow hedge reserve	-	-	-	-	1,626	-	1,626
Dividends paid	-	-	(18,195)	-	-	-	(18,195)
Equity investment in Group entity	-	-	-	-	-	(1,684)	(1,684)
Other movement ²	-	-	-	-	-	(303)	(303)
At 31 December 2020	176,240	134,327	132,641	974	1,837	(2,231)	443,788

The notes on pages 64 to 150 form part of these financial statements.

² Other movements relate mainly to foreign exchange movements upon consolidation of foreign subsidiaries.

MAREX SPECTRON GROUP LIMITED**STATEMENTS OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Company	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Reval- uation reserve \$'000	Total \$'000
At 1 January 2019	176,238	134,286	21,767	(178)	332,113
Profit for the period (note 36)	-	-	27,527	-	27,527
Loss on revaluation of investments	-	-	-	(474)	(474)
Deferred tax on revaluation of investments	-	-	-	80	80
Capital contribution	2	41	-	-	43
At 31 December 2019 and 1 January 2020	176,240	134,327	49,294	(572)	359,289
Profit for the period (note 36)	-	-	9,344	-	9,344
Gain on revaluation of investments	-	-	-	364	364
Deferred tax on revaluation of investments	-	-	-	(59)	(59)
Dividends paid			(18,195)	-	(18,195)
At 31 December 2020	176,240	134,327	40,443	(267)	350,743

The notes on pages 64 to 150 form part of these financial statements.

MAREX SPECTRON GROUP LIMITED
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Notes	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Profit before tax		54,984	46,626	9,676	28,157
Adjustment to reconcile profit before tax to net cash flows:					
Amortisation of intangible assets	15	1,155	1,031	-	-
Loss on disposal of property, software and equipment		24	10	-	-
Depreciation of property, software and equipment	16	2,335	1,540	-	-
Depreciation of right-of-use-asset	32	6,473	5,702	-	-
Impairment charge	10	3,416	-	-	-
Decrease in provisions	28	(775)	(31,105)	-	-
Interest income	11	(20,460)	(38,626)	(4,978)	(4,990)
Interest expense	11	4,888	5,683	2,274	1,297
Provision for doubtful debts	23	4,564	811	-	-
Revaluation of investment in associate		(364)	-	-	-
Release of contingent creditor	10	(1,766)	(1,525)	-	-
Other revaluations		246	653	-	-
Operating cash flows before changes in working capital		54,720	(9,200)	6,972	24,464
Working capital adjustments:					
(Increase) / decrease in trade and other receivables		(365,081)	11,625	(1,197)	(617)
Increase / (decrease) in trade and other payables		635,665	(246,599)	120,749	88,386
Increase in derivative instruments – assets		(106,100)	(62,116)	-	-
Increase in derivative instruments – liabilities		159,431	28,236	-	-
(Increase) / decrease in financial instruments – pledged as collateral		(351,789)	245,054	-	-
Purchase of physical inventory		(8,774)	-	-	-
(Decrease) / increase in financial instruments – unpledged		(50,459)	15,610	-	-
Cash (outflow) / inflow from operating activities		(32,387)	(17,390)	126,524	112,233
Corporation tax paid		(13,392)	(5,749)	(604)	(418)
Net cash (outflow) / inflow from operating activities		(45,779)	(23,139)	125,920	111,815

MAREX SPECTRON GROUP LIMITED**CASH FLOW STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

		Group		Company	
	Notes	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Investing activities					
Purchase of intangible assets	15	(1,621)	(2,373)	-	-
Purchase of property, software and equipment	16	(3,363)	(2,759)	-	-
Proceeds from sale of property, software and equipment		-	248	-	-
Increase in subordinated loan receivable		-	-	(71,000)	(72,500)
Purchase of equity instruments		(22,426)	(29,629)	-	-
Interest received		20,276	38,781	4,930	4,678
Purchase of equity investments	17(b)	-	-	(39,398)	(42,745)
Net cash from acquisitions		(18,718)	(110,150)	-	-
Purchase of investments	17(a),18	(5,200)	(272)	-	-
Net cash outflow from investing activities		(31,052)	(106,154)	(105,468)	(110,567)
Financing activities					
Decrease in short-term borrowings		-	(4)	-	-
Increase in debt securities		180,558	196,199	-	-
Payment of lease liabilities		(5,289)	(5,566)	-	-
Dividends paid	13	(18,195)	-	(18,195)	-
Repurchase transactions		139,969	-	-	-
Movement in repurchase collateral		(142,310)	-	-	-
Interest paid		(3,857)	(4,563)	(2,274)	(1,211)
Net cash inflow / (outflow) from financing activities		150,876	186,066	(20,469)	(1,211)
Net increase / (decrease) in cash and cash equivalents		74,045	56,773	(17)	(4,953)
Cash and cash equivalents					
Cash at banks and on hand and short-term deposits at 1 January		217,501	160,728	65	28
Increase / (decrease) in cash		74,045	56,773	(17)	37
Cash and cash equivalents at 31 December		291,546	217,501	48	65

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Marex Spectron Group Limited ('the Company') is a company incorporated in England and Wales under the Companies Act. The address of the registered office is 155 Bishopsgate, London EC2M 3TQ. The principal activities of the Group and the nature of the Group's operations are set out in note 6 and in the Strategic Report.

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

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') and adopted by the EU 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.

Amendments to IFRS 3: *Definition of a Business*

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.

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

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.

Amendments to IAS 1 and IAS 8 *Definition of Material*

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.

Conceptual Framework for Financial Reporting

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**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 consequences 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.

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

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

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.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

The principal accounting policies adopted are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**b) Basis of consolidation**

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

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

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

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

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

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

c) Going concern

In considering going concern, the Directors have reviewed the capital, liquidity and financial position of the Group and Company 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 Group and Company have adequate resources to continue to satisfy its regulatory obligations as well as its liabilities for the foreseeable future. Thus the Group and Company continue to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**d) Business combinations**

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**e) Revenue recognition**

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

The Group generates revenue from the following segments:

- Commercial hedging consists of revenues generated from execution and clearing commissions which are recognised on a trade date basis;
- Market making revenues are where the Group 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;
- Price discovery revenues are where the Group acts as an agent and therefore earns a commission, which are recognised on a trade date basis;
- Advisory and data revenues, are recognised on an accruals basis, where the Group earns revenues from the provision of research, algorithms and IT Services via the Neon platform.

Control and Support is reported as a separate segment within Note 6, and this represents the cost centre of the Group.

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

f) Dividend income

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

g) 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)

h) 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 as part of the EIR.

i) Foreign currency translation

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

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

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

On consolidation, the results of overseas operations are translated into USD at rates approximating to those prevailing when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rates ruling at the prevailing date.

j) Employee benefits

Short-term employee benefits

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

Retirement benefits: defined contribution schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**k) Taxation**

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current tax and deferred tax for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**l) Property, software and equipment**

Property, software and equipment includes own used properties, leasehold improvements, information technology hardware, externally purchased and internally generated software, as well as communication and other similar equipment. Property, software and equipment is measured at cost less accumulated depreciation and accumulated impairment losses and is reviewed at each reporting date for indication of impairment. Software development costs are capitalised only when the costs can be measured reliably and it is probable that future economic benefits will arise.

Depreciation of property, software and equipment begins when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management). Depreciation is calculated on a straight-line basis over an asset's estimated useful life. The estimated useful economic lives of the Group's property, software and equipment are:

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

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

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 Group's activities has resulted in a change in the way that the Group 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 Group 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 \$2.4m of software assets from Intangibles to Property, software and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**m) 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.

Trademarks

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

Customer relationships and brands

Customer relationships relate to the stable and established customer base which provides a recurring stream of income. Brands represents to the name under which business activity is conducted. Both customer relationships and brands are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives of 10 years and 20 years respectively. At each reporting date the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss.

n) 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.

o) Investment in associates

An associate is an entity over which the Group 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 Group's investment in its associate is accounted for using the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(o) Investment in associates (continued)**

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 Group's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate. The aggregate of the Group'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 Group and when necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(p) Financial instrumentsInitial recognition and measurement

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

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

Effective interest method

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

Financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Financial instruments (continued)**

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

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

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.

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 amortised cost

Debt instruments classified as amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes US Treasury Notes (classified as financial instruments on the balance sheet) and trade receivables.

Debt instruments classified as at FVTOCI

Some US Treasury Notes held by the Group are classified as at FVTOCI. The notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these notes as a result of 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.

These financial instruments are provided to the exchange to be held as collateral or in this particular instance as initial margin to allow the Group to provide its clients with access to the markets through these exchanges.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Financial instruments (continued)***Investments in equity designated as at FVTOCI*

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

A financial asset is held for trading if:

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

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 it will be transferred to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Financial instruments (continued)***Significant increases in credit risk*

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

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

- 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.

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

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

Definition of default

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

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

The Group considers that when a financial asset is more than 180 days past due, that the number of days past due is sufficient evidence of a deterioration in the credit quality of the client in most circumstances. At this point the Group performs a qualitative review of the financial assets on a client by client basis to determine whether the Group has reasonable and supportable information to demonstrate whether a default event has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Financial instruments (continued)***Credit-impaired financial assets*

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

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

Write-off policy

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

Impairment of financial assets*Measurement and recognition of expected credit losses*

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Financial instruments (continued)**Derecognition of financial assets

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

Financial liabilities

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

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

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

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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

Derivative instruments

The Group uses derivative financial instruments, such as forward currency contracts, over-the-counter precious and base metal contracts, agricultural, energy contracts and equities, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(q) Inventories

The inventories are attributable to metals trading activity and is valued at fair value less cost to sell.

(r) Physical commodity contracts

The Group now trades in physical commodity contracts for the purposes of trading. As such these contracts meet the definition of a derivative financial instrument and therefore are recorded at fair value on the balance sheet with changes in fair value reflected within cost of trades. These contracts qualify for disclosure as per the financial instruments in note 3 (p).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Hedge accounting

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

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

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

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

Hedge accounting is discontinued when the 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.

(t) Repurchase agreements

Repurchase agreements are a form of secured borrowing whereby the Group receives a loan or cash in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to receive the securities back at a fixed price in the future.

The Group borrows cash collateralised through securities that are subject to a commitment to return. The securities are included on the balance sheet as the Group retains the risks and rewards of ownership. Consideration received is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(u) 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.

(v) Client money

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

(w) LeasesThe Group as lessee

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(w) Leases (continued)**

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

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

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Software 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 occur and are included in the line "Other operating expenses" in profit or loss (see note 32).

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

The Group as lessor

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

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

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

(x) Debt securities

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Judgements

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

- Provisions and contingent liabilities

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

- Accounting for an entity where the Group owns more than 50% of its shares

The Group considers that it does not control the Cambridge Machines Gemini Fund Limited, a fund incorporated in the Isle of Man, although its investment of \$5,200,000 represents a stake of approximately 80% (at the time of investment), and the Group is the single largest shareholder, the shares that it holds do not contain any voting rights. Whilst it can be demonstrated that the Group has significant influence; owing to the Board and governance structure in place for the Fund, it does not have control, resulting in the Group applying the equity method of accounting for the investment (refer to note 3(o) and note 18).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**(b) Estimates**

- Impairment of non-financial assets

The Group's impairment testing for goodwill and non-financial assets with indefinite useful lives is based on the fair value less costs of disposal. The fair value less costs of disposal calculation is based on available data from similar assets or observable market prices less incremental costs for disposing of the assets and is estimated by using the pre-tax price earnings multiples derived from adjusting comparative peer multiples. This multiple is applied to the pre-tax earnings of each cash generating units ('CGU') arising in the period. Note 14 describes the assumptions used together with an analysis of the sensitivities to change in key inputs.

- Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts, quoted market prices of comparable instruments or unobservable inputs which are considered reasonably possible. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Further information on the carrying amounts of these assets and the sensitivity of those amounts to change in unobservable inputs are provided in note 33.

- Provisions and contingent liabilities

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

- Provisions against trade and other receivables

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

- Taxation

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

The Group has recognised deferred tax assets in respect of losses and temporary differences. Deferred tax liabilities are generally recognised for all temporary differences with deferred tax assets being recognised in respect of unused tax losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value as at 31 December 2020 and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets.

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****5. REVENUE**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Group	
	2020	2019
	\$'000	\$'000
Commercial hedging	394,848	347,070
Market making	235,745	79,976
Price discovery	128,275	124,106
Data & Advisory	3,548	3,724
	762,416	554,876

	Group			
	North America	Europe	Asia	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2020				
Commercial hedging	181,551	194,400	18,897	394,848
Market making	21,667	207,716	6,362	235,745
Price discovery	36,992	84,520	6,763	128,275
Data & Advisory	-	3,548	-	3,548
Revenue	240,210	490,184	32,022	762,416

	Group			
	North America	Europe	Asia	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2019				
Commercial hedging	168,461	164,016	14,593	347,070
Market making	8,920	70,632	424	79,976
Price discovery	37,393	82,666	4,047	124,106
Data & Advisory	-	3,724	-	3,724
Revenue	214,774	321,038	19,064	554,876

6. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into separate operating segments, based on the services provided, as follows:

- Commercial hedging provides clients with execution and clearing services in metals, agricultural products and financial futures as well as bespoke OTC traded derivative solutions. Specifically offers clients who cannot find the hedge they require on exchange, whereby customised hedging solutions are provided. Included within this segment are the results from the structured notes business.
- Market making provides liquidity to counterparties across the metals, energy and agricultural markets, where the Group acts as a principal, buying and selling commodities on its own account.
- Price discovery is where the Group acts as an agent to OTC trades, using specialist knowledge and relationships of the brokers to match buyers and sellers in the OTC market, specifically in the Energy business.
- Data & advisory relates to the provision of market data, analytics, proprietary indices and research across commodity, energy and financial markets. Data and analytics are embedded across our core product offering and are delivered via proprietary NEON, Agile and Nanolytics technology platforms.
- Control & support relates to the central costs which have not been allocated to the individual businesses. For the purposes of management reporting, net revenue does not contain the implied interest cost relating to the issued debt securities.

Operating segments and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance, has been identified as the Group’s Executive Committee. The CODM regularly reviews the Group’s operating results in order to assess performance and to allocate resources. The CODM considers the business from an offering perspective further bifurcated by product. There is a judgement in relation to the methodology by which costs are allocated between the control and support functions to the various front office businesses.

Non -operating costs represent impairment charges, transaction costs, management fees, adjustments to contingent consideration, the warehouse receipts legal matter and share disposals.

31 December 2020	Commercial hedging	Market making	Price discovery	Data & advisory	Control & support	Totals
Net revenue	181,555	101,568	127,929	3,605	-	414,657
Other direct costs	(22,125)	(7,212)	(9,199)	(243)	(33,467)	(72,246)
Compensation	(65,956)	(41,520)	(86,273)	(1,168)	(66,920)	(261,837)
Allocations	(46,341)	(17,743)	(12,874)	11	76,947	-
Operating expenses	(134,422)	(66,475)	(108,346)	(1,400)	(23,440)	(334,083)
Depreciation & amortisation	(2,936)	(128)	(50)	(1)	(6,843)	(9,958)
Financing & other costs	382	128	4	-	(9,648)	(9,134)
Adjusted operating profit before tax	44,579	35,093	19,537	2,204	(39,931)	61,482
Non-operating exclusions	-	-	-	-	-	(6,498)
Profit before taxation per IFRS	-	-	-	-	-	54,984

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****6. SEGMENTAL ANALYSIS (CONTINUED)**

31 December 2019	Commercial hedging	Market making	Price discovery	Data & advisory	Control & support	Totals
Net revenue	158,884	66,172	123,397	3,719	-	352,171
Other direct costs	(20,333)	(4,770)	(12,230)	(209)	(32,215)	(69,757)
Compensation	(44,243)	(24,212)	(81,184)	(1,099)	(61,178)	(211,916)
Allocations	(43,454)	(14,808)	(12,365)	(212)	70,839	-
Operating expenses	(108,030)	(43,790)	(105,779)	(1,520)	(22,554)	(281,673)
Depreciation & amortisation	(3,155)	(79)	(51)	(1)	(4,922)	(8,208)
Financing & other costs	(2,605)	(1)	(31)	-	(6,212)	(8,849)
Profit before tax	45,094	22,302	17,536	2,198	(33,688)	53,442
Non-operating exclusions	-	-	-	-	-	(6,816)
Profit before taxation per IFRS	-	-	-	-	-	46,626

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****6. SEGMENTAL ANALYSIS (CONTINUED)**

Within net revenue, interest income relates to interest earned on balances due from customers, clients and exchanges, which for statutory reporting purposes is reported within cost of trade. For statutory purposes contained within revenue is the implied interest cost relating to the structured notes.

A reconciliation to the 2020 income statement is below.

	Revenue	Operating expenses	Interest income	Finance expense	Operating profit	Other income	Other expense	Profit before taxation
Revenue	769,461	-	-	(7,045)	762,416	-	-	762,416
Cost of Trade	-	(364,415)	21,220	-	(343,195)	-	-	(343,195)
Bad Debt	-	(4,564)	-	-	(4,564)	-	-	(4,564)
Net revenue	769,461	(368,979)	21,220	(7,045)	414,657	-	-	414,657
Other direct costs	-	(72,246)	-	-	(72,246)	-	-	(72,246)
Compensation	-	(261,837)	-	-	(261,837)	-	-	(261,837)
Depreciation & amortisation	-	(9,958)	-	-	(9,958)	-	-	(9,958)
Financing & other costs	(7,045)	(3,504)	(742)	2,157	(9,134)	-	-	(9,134)
Adjusted operating profit before tax	762,416	(716,524)	20,478	(4,888)	61,482	-	-	61,482
Non-operating exclusions	-	(4,889)	(18)	-	(4,907)	1,825	(3,416)	(6,498)
Reported Profit before tax	762,416	(721,413)	20,460	(4,888)	56,575	1,825	(3,416)	54,984

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****6. SEGMENTAL ANALYSIS (CONTINUED)**

A reconciliation to the 2019 income statement is below.

	Revenue	Operating expenses	Interest income	Finance expense	Operating profit	Other income	Other expense	Profit before taxation
Revenue	558,018	-	-	(3,142)	554,876	-	-	554,876
Cost of Trade	-	(238,532)	36,707	-	(201,825)	-	-	(201,825)
Bad Debt	-	(880)	-	-	(880)	-	-	(880)
Net revenue	558,018	(239,412)	36,707	(3,142)	352,171	-	-	352,171
Other direct costs	-	(69,757)	-	-	(69,757)	-	-	(69,757)
Compensation	-	(211,916)	-	-	(211,916)	-	-	(211,916)
Depreciation & amortisation	-	(8,208)	-	-	(8,208)	-	-	(8,208)
Financing & other costs	(3,142)	(5,084)	1,919	(2,541)	(8,848)	-	-	(8,848)
Adjusted operating profit before tax	554,876	(534,377)	38,626	(5,683)	53,442	-	-	53,442
Non-operating exclusions	-	(2,586)	-	-	(2,586)	1,570	(5,800)	(6,816)
Reported Profit before tax	554,876	(536,963)	38,626	(5,683)	50,856	1,570	(5,800)	46,626

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7. OPERATING PROFIT

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

		Group	
	Notes	2020 \$'000	2019 \$'000
Staff costs	9	261,827	211,916
Cost of trade		364,415	238,532
Amortisation of intangible assets	15	1,155	1,031
Depreciation of property, software and equipment	16	2,335	1,540
Loss on disposal of intangible assets		24	10
Provision for doubtful debts	23	4,564	811
Charges under operating leases	32	11,429	9,445
Foreign exchange (gains) / losses		(639)	406

¹Amortisation and Depreciation has been reclassified in line with the movement of software from intangibles to Property, Software and Equipment as per 3(1).

8. AUDITOR'S REMUNERATION

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

	Group	
	2020	2019
	\$'000	\$'000
Fees payable to auditors of the Group and its subsidiaries for the audit of the annual accounts		
Audit of the Group's annual accounts	409	263
Audit of the Company's subsidiaries	1,093	1,063
Total audit fees payable to the Group's auditor	1,502	1,326
Fees payable to other auditors for the audit of a subsidiary's financial statements	330	250
Total audit fees	1,832	1,576
	2020	2019
	\$'000	\$'000
Fees payable to the Group's auditor and their subsidiaries for other services comprise:		
Audit-related assurance services	360	32
Tax compliance services	-	6
Other taxation advisory services	-	1
Other services	1,924	30
Total non-audit fee	2,284	69

Audit fees for the Group for the year ended 31 December 2020 and the prior year were paid by a group undertaking.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. STAFF COSTS

	Group	
	2020	2019
	Number	Number
Front office	428	353
Control & support	386	337
Average monthly number of staff	814	690

	Group	
	2020	2019
	\$'000	\$'000
Aggregate wages and salaries	239,169	195,156
Employer's National Insurance contributions and similar taxes	14,625	10,071
Short-term monetary benefits	4,922	4,070
Defined pension contribution cost	1,928	1,674
Apprenticeship levy	263	214
Redundancy payments	920	731
Total staff costs (note 7)	261,827	211,916

As at 31 December 2020 the total number of staff was 973 (2019: 732). As at 31 December 2020, there were contributions totalling \$1,160 (2019: \$272,243) payable to the defined contribution pension scheme by the Group. Included in Aggregate wages and salaries are \$95,000 relating to Management incentive plan.

10. OTHER INCOME AND EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Other income		
Other	59	47
Release of contingent consideration	1,766	1,523
	1,825	1,570

The release of contingent consideration relates to the purchase price for the assets of Rosenthal Collins Group. As of the acquisition date, a liability for \$3,289,000 was recorded for the value of contingent consideration payable. This was remeasured at 31 December 2019 to \$1,766,000, resulting in a release of \$1,523,000. The remaining balance of \$1,766,000 was released during the year ended 31 December 2020.

10. OTHER INCOME AND EXPENSE (CONTINUED)

		Group	
		2020	2019
		\$'000	\$'000
Other expense			
Legal provisions	28	-	(5,800)
Net impairment of goodwill	19	(1,676)	-
Impairment of right-of-use asset	32	(1,740)	-
		(3,416)	(5,800)

11. FINANCE INCOME AND EXPENSE

		Group	
		2020	2019
		\$'000	\$'000
Finance income			
Bank interest income		157	438
Interest income on financial instruments		20,303	38,188
		20,460	38,626
Finance expense			
Bank interest expense		(645)	(188)
Credit facility interest expense		(3,151)	(4,537)
Lease interest expense		(1,092)	(958)
		(4,888)	(5,683)

The finance expense does not include the implied financing cost of the structured notes which is reported through revenues. For the year ended 31 December 2020, this was a cost of \$7,045,000 (2019: \$3,142,000).

For further details on the credit facility, refer to note 24.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. TAXATION

(a) Tax charge

		Group	
	Notes	2020 \$'000	2019 \$'000
Current tax			
UK corporation tax on profit for the year		10,021	7,833
Foreign corporation tax on profit for the year		1,174	1,606
Total UK and foreign corporation tax		11,195	9,439
 Adjustment in respect of prior years:			
UK corporation tax		(870)	86
Foreign corporation tax		(949)	(331)
Total adjustments in respect of prior years		(1,819)	(245)
		9,376	9,194
 Deferred tax			
Origination and reversal of temporary differences		(223)	744
Adjustment in respect of prior years – other		2,008	296
	26	1,785	1,040
Tax charge for the year	12(b)	11,161	10,234
 Tax charge relating to items recognised directly in equity			
Charge / (Credit) for the year		72	(44)

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

The tax assessed for the year is higher (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 17th March 2020 and the UK corporation tax rate therefore remained at 19% for the year. Taxation for other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

	Notes	Group	
		2020 \$'000	2019 \$'000
Profit before tax		54,984	46,626
Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)		10,447	8,859
Explained by:			
Effect of overseas tax rates		(1,037)	411
Expenses not deductible for tax purposes		1,624	550
Income not subject to tax		36	(10)
Movements in tax losses not recognised for deferred tax purposes		(182)	292
Foreign exchange and other differences		84	80
Prior year adjustments		189	52
Tax charge for the year		11,161	10,234

(c) Amounts recognised in other comprehensive income

Amounts directly recognised in the consolidated statement of other comprehensive income relate to fair value through other comprehensive income ('FVTOCI') financial assets. The amount recognised in 2020 is a deferred tax charge of \$72,000 (2019: deferred tax credit of \$44,000).

13. DIVIDENDS PAID

Dividends of \$18,195,000 were paid during the year ended 31 December 2020 (2019: \$nil). Dividends per weighted number of shares amount to \$0.13.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. GOODWILL

	Group
	\$'000
Cost	
At 1 January 2020	188,308
Additions during the year	22,832
Equity investment in Group entity	(1,684)
Cost at 31 December 2020	209,456
Accumulated impairment losses	(9,133)
Impairment of Volatility Performance Fund	19(b) (1,922)
Accumulated impairment at 31 December 2020	(11,055)
Net book value at 31 December 2020	198,401
Net book value at 31 December 2019	179,175

An impairment of goodwill was recorded during the year. The impairment charge was recognised against the Volatility CGU, which represents Volatility Performance Fund SA and its trading activities. The projected net revenues for the fund in future periods were lower due to a reduction in the risk profile of the Fund. As a result of lower projected net revenues for the Fund in future years the recoverable amount for the Fund was estimated to be lower than its carrying value. Thus, it was impaired by \$1,922,000 to its value in use of \$10,652,000.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. GOODWILL (CONTINUED)

(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:

	2020	2019
	Group	Group
	\$'000	\$'000
Group goodwill:		
Energy	129,686	129,686
Agriculturals	11,416	13,100
Rosenthal Collins	10,501	10,501
ProTrader	3,242	3,242
CSC Commodities	20,647	20,647
Marex Spectron Europe Limited	1,999	1,999
Tangent Trading Holdings Limited Group	4,206	-
Volatility Performance Fund SA	10,652	-
X-Change Financial Access LLC	6,052	-
As at 31 December	198,401	179,175

14. GOODWILL (CONTINUED)**(a) Goodwill impairment testing (continued)**

The Group 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 ('FVLCD'). In the event that the FVLCD does not exceed the carrying value, the value in use (VIU) is measured and compared with the carrying value of the CGU, and if the VIU is greater than the carrying value no impairment is necessary.

An impairment of goodwill was recorded during the year. The impairment charge was recognised against the Volatility CGU, which represents Volatility Performance Fund SA and its trading activities. As a result of lower projected net revenues for the Fund in future years the recoverable amount for the Fund was estimated to be lower than its carrying value by \$1,676,000 to \$10,652,000.

(b) Key assumptions

- For valuation purposes, we have used the market approach and the income approach for all of our acquisitions.
- The fair value less cost of disposal is determined by applying a price earnings multiple to the pre-tax earnings of each CGU arising in the period, after adjusting for exceptional items and for the effect of any organisational changes to the CGU. The price earnings multiples applied are derived from comparable peer multiples.
- Comparable peers are those against whom our stakeholders evaluate our performance against, whilst the price earnings multiples are obtained from third party market data providers. The provision of data from third party data sources, such as Bloomberg, would suggest that this data and therefore any valuation conducted using this data would contain only observable market data, however as management applies a level of judgement in the application of this data and in determining the price earnings multiple, this is considered to be level 2 input.
- In assessing the VIU, a discounted cash flow model is used, which drives the valuation of the CGUs.

The following represents specific assumptions made:

- Commission growth: depending on the business that this was being assessed for this was between 0% and 7.5%, based on historic growth or the expectation of growth as part of a larger group.
- Total direct costs are expected to grow by 5%; driven by the increase in organic growth of the businesses in prior years.
- The stable growth rate for almost all CGUs was expected to be 2%, as the cash flows and growth rates beyond 5 years is difficult to determine and therefore a 2% growth rate has been used to approximate an inflationary increase.
- Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is the cost of equity, which in turn is derived from the expected return on investment by the Group on its investments. For an impairment to occur:

For an impairment to occur:

- Assuming that all other inputs remain constant, the discount rate would have to increase by 245 basis points to 12.45%.
- Assuming that all other inputs constant, the growth rate factored in the terminal value would have to turn into a contraction rate of 1.95%

15. INTANGIBLE ASSETS

	Group				
	Trade- marks \$'000	Customer relationships \$'000	Brands \$'000	Software ³ \$'000	Total \$'000
Cost					
At 1 January 2019	46	-	-	8,317	8,363
Additions	-	3,915	720	2,588	7,223
Disposals	-	-	-	(289)	(289)
At 31 December 2019	46	3,915	720	10,616	15,297
Additions	-	4,948	-	1,621	6,569
Transfers	-	-	-	(2,457)	(2,457)
At 31 December 2020	46	8,863	720	9,780	19,409
Impairment provisions and amortisation					
At 1 January 2019	-	-	-	6,499	6,499
Charge for the year (note 7)	-	359	33	639	1,031
Disposals	-	-	-	(63)	(63)
At 31 December 2019	-	359	33	7,075	7,467
Charge for the year (note 7)	-	359	33	763	1,155
Transfers	-	-	-	(284)	(284)
At 31 December 2020	-	718	66	7,554	8,338
Net book value					
At 31 December 2020	46	8,145	654	2,226	11,071
At 31 December 2019	46	3,556	687	3,541	7,830

³ As per note 3(l), there has been a change in accounting policy in 2020. The classification of software remaining within Intangible assets relates to software which is not critical to the operation of hardware, already present on the balance sheet.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15. INTANGIBLE ASSETS (CONTINUED)

	Company	
	Trademarks	Total
	\$'000	\$'000
Cost		
At 1 January 2019, 1 January 2020, 31 December 2019 and 31 December 2020	<u>46</u>	<u>46</u>
Impairment provisions and amortisation		
At 1 January 2019, 1 January 2020, 31 December 2019 and 31 December 2020	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2019 and 31 December 2020	<u>46</u>	<u>46</u>

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
16. PROPERTY, SOFTWARE AND EQUIPMENT

	Group				
	Leasehold improve- ments \$'000	Computer equipment \$'000	Software \$'000	Furniture, fixtures and fittings \$'000	Total \$'000
Cost					
At 1 January 2019	6,024	18,049	-	3,832	27,905
Additions	569	2,437	-	215	3,221
Disposals	(22)	(261)	-	(8)	(291)
At 1 January 2020	6,571	20,225	-	4,039	30,835
Additions	669	765	1,781	229	3,444
Disposals	-	(7)	-	-	(7)
Transfers	-	-	2,457	-	2,457
At 31 December 2020	7,240	20,983	4,238	4,268	36,729
Depreciation					
At 1 January 2019	5,427	16,399	-	3,598	25,424
Charge for the year (note 7)	295	1,177	-	68	1,540
Disposals	(22)	(232)	-	(4)	(258)
Transfers	(2)	(1)	-	-	(3)
At 1 January 2020	5,698	17,343	-	3,662	26,703
Charge for the year (note 7)	273	1,274	679	109	2,335
Disposals	-	(6)	-	-	(6)
Transfers	-	-	284	-	284
At 31 December 2020	5,971	18,611	963	3,771	29,316
Net book value					
At 31 December 2020	1,269	2,372	3,275⁴	497	7,413
At 31 December 2019	873	2,882	-	377	4,132

⁴ As per note 3(l), there has been a change in accounting policy in 2020. The classification of software within Property, Software and Equipment relates to software which is critical to the operation of hardware, already present on the balance sheet within Property, Software and Equipment.

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****17. INVESTMENTS****(a) Investments**

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 January	8,052	8,029	3,082	3,554
Revaluation gain/ (loss)	420	(249)	364	(472)
Additions	-	272	-	-
At 31 December	8,472	8,052	3,446	3,082
Listed investments	3,416	3,219	1,823	1,463
Unlisted investments	5,056	4,833	1,623	1,619
	8,472	8,052	3,446	3,082

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

(b) Investments in subsidiaries

	Company	
	2020	2019
	\$'000	\$'000
Cost		
At 1 January	374,467	331,722
Additions	40,012	42,745
At 31 December	414,479	374,467

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****17. INVESTMENTS (CONTINUED)****(c) Group 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
Marex Financial 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Commodities and financial instruments broker and clearer
Marex Hong Kong Limited 17 th Floor, One Island East Taikoo Place 18 Westlands Road Quarry Bay, Hong Kong	Hong Kong	Ordinary shares	100%	Futures and options broking
Marex North America LLC 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Membership interest	100%	Commodities and financial instruments broker and clearer
Marex Spectron International Limited ¹ 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Energy OTC broking
Spectron Services Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Facilities services
CSC Commodities UK Limited ² 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Services company
Marex Spectron Europe Limited ³ 10 Earlsfort Terrace, Dublin 2, D02 T380	Ireland	Ordinary shares	100%	Energy broking
Marex Spectron USA, LLC 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Membership Interest	100%	OTC derivatives
Tangent Trading Holdings Limited, 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Holding company
Volatility Performance Fund SA, 30 Boulevard Royal, L-2449 Luxembourg	Luxembourg	Ordinary shares	100%	Volatility trading fund
BIP AM SAS, 100 Avenue de Suffren, 75015 Paris, France	France	Ordinary shares	100%	Asset management company

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****17. INVESTMENTS (CONTINUED)****(c) Group subsidiaries and undertakings**Subsidiaries held directly (continued)

Name / Registered office	Country of incorporation/ Principal place of business	Class	Proportion of ownership interest	Nature of business
Marex North America Holdings Inc 251 Little Falls Drive Wilmington, New Castle Delaware, DE19808	United States of America	Ordinary shares	100%	Holding company

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

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

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

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

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

Germany - Romerstrasse 31, 63486 Bruchköbel, Frankfurt

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****17. INVESTMENTS (CONTINUED)****(c) Group subsidiaries and undertakings**Subsidiaries held indirectly

Name / Registered office	Country of incorporation / Principal place of business	Class	Proportion of ownership interest	Nature of business
Marex Spectron Limited 17 th Floor, One Island East Taikoo Place, 18 Westlands Road Quarry Bay, Hong Kong	Hong Kong	Ordinary shares	100%	Dormant
Marex Spectron Pte. Ltd. 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Dormant
Spectron Energy (Asia) Pte Ltd 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Energy OTC broking
Spectron Energy Inc. 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Ordinary shares	100%	Energy OTC broking
Tangent Trading Limited, 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	Scrap metals trader
Carlton Commodities 2004 LLP 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Partnership interest	N/A	Commodity and option trading
Marex Spectron Asia Pte. Ltd. 8 Marina View, 33-06 Asia Tower 1, Singapore, 018960	Singapore	Ordinary shares	100%	Freight broking
Marex Spectron Inc. 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE19808	United States of America	Ordinary shares	100%	Dormant
Energy Broking Ireland Limited 10 Earlsfort Terrace, Dublin 2, D02 T380	Ireland	Ordinary shares	100%	Services Company
X-Change Financial Access LLC 440 South LaSalle Street, Suite 2900, Chicago, IL 60605	United States of America	Ordinary shares	100%	Execution broker
Marquee Oil Broking Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Ordinary shares	100%	In liquidation

All subsidiaries have a financial year end of 31 December with the exception of Carlton Commodities 2004 LLP, Volatility Performance Fund S.A and BIP Asset Management SAS which have a year-end of 31 March.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17. INVESTMENTS (CONTINUED)

(c) Group subsidiaries and undertakings (continued)

Other Related Entities

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

18. INVESTMENT IN AN ASSOCIATE

On July 2020 the Group invested \$5,200,000 which equated to an 80% interest in Cambridge Machines Gemini Fund Limited, which assesses investment opportunities in the global futures markets using Bayesian statistical methods. Cambridge Machines Gemini Fund Limited is incorporated in the Isle of Man and is a private entity that is not listed on any public exchanges. The Group's interest in Cambridge Machines Gemini Fund Limited is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in the Cambridge Machines Gemini Fund Limited:

	2020 \$'000
At 1 January	-
Additions	5,200
Profit recognised in the consolidated income statement	364
At 31 December	5,564
	Share of net assets \$'000
Current assets	8,401
Current liabilities	(77)
Equity	8,324
Group's share in equity	66.84%
Group's carrying amount of the investment	5,564

The Group's percentage share in equity is subject to dilution depending on share subscriptions by other investors.

19. BUSINESS COMBINATIONS**(a) Acquisition of Tangent Trading Holdings Limited**

On 2nd March 2020, the Group acquired all of the issued share capital of Tangent Trading Holdings Limited, a holding company and its direct subsidiary Tangent Trading Limited (Tangent Trading Holdings Limited Group known as 'Tangent') for the consideration noted below. Tangent is a London-based trader of physical non-ferrous scrap metals, with a specialism in copper. Tangent is a member of the London Metals Exchange and as a trader of physical commodities it offers its customers delivery of physical non-ferrous metals.

	Company
	\$'000
Cash consideration (£16,901,847)	21,649
Total consideration	21,649
Recognised amounts of identifiable net assets:	
Property, plant and equipment	20
Cash and cash equivalents	15,895
Trade and other receivables	16,697
Trade and other creditors	(15,169)
Total identifiable assets and liabilities	17,443
Goodwill	4,206

19. BUSINESS COMBINATIONS (CONTINUED)**(b) Acquisition of Volatility Performance Fund**

On 20th March 2020, the Group purchased all of the issued share capital of the Volatility Performance Fund S.A. (the Fund), which is a limited liability company incorporated in Luxembourg which covers alternative investment activities. Its strategy is to take advantage of discrepancies in the volatility curve by trading listed derivatives products following a technical volatility arbitrage. The Fund's activities covers all of the main European markets and its assets consist of equity and commodity linked products.

The deferred consideration represents €2,000,000 payable by the Group to the previous owners contingent upon the performance of the Fund.

	Company
	\$'000
Cash consideration	-
Deferred contingent consideration	2,443
Total consideration	2,443
Recognised amounts of identifiable net assets:	
Trade and other payables	(16,425)
Trade and other receivables	6,294
Total identifiable assets and liabilities	(10,131)
Goodwill	12,574
Impairment	(1,922)
Reported goodwill	10,652

Goodwill

At the date of acquisition the Fund's net liquidation value was negative owing to the prevailing stressed market conditions for equities. As at 31 December 2020, the recoverable amount for the Fund was based on the higher of VIU and FVLCD, and in particular VIU. As a result of lower projected net revenues for the Fund in future years the recoverable amount for the Fund was estimated to be lower than its carrying value by \$1,922,000.

19. BUSINESS COMBINATIONS (CONTINUED)**(c) Acquisition of BIP Asset Management SAS**

The BIP Asset Management SAS (“the asset manager”) directly manages all of the operations of the Volatility Performance Fund. The senior management of the fund are employed by the asset manager. The Group acquired all of the shares of the asset manager on August 18, 2020.

	<u>Company</u>
	<u>\$'000</u>
Cash consideration	-
Total consideration	-
 Recognised amounts of identifiable net assets:	
Property, plant and equipment	83
Cash and cash equivalents	263
Trade and other receivables	7,340
Borrowings	(6,294)
Trade and other creditors	(1,146)
Total identifiable assets and liabilities	246
Gain on bargain purchase	(246)

Goodwill

Owing to the acquisition of the Fund and asset manager being for a consideration of €1, the fact that the asset manager had net assets, mainly resulting from the intercompany management fees from the Fund. The gain on bargain purchase was recorded in the income statement and was offset against the impairment of goodwill of the Fund.

19. BUSINESS COMBINATIONS (CONTINUED)**(d) Acquisition of X-Change Financial Access LLC**

The Group acquired 100% of the share capital of X-Change Financial Access LLP ("XFA") a company based on Chicago on November 13, 2020. XFA is an agency trade execution services firm, for exchange traded derivatives in particular US equity and volatility options. XFA was acquired by the Group's US Holding subsidiary, Marex North America Holdings LLC.

	<u>Company</u>
	<u>\$'000</u>
Cash consideration	21,760
Total consideration	21,760
 Recognised amounts of identifiable net assets:	
Cash and cash equivalents	8,533
Trade and other receivables	10,502
Trade and other creditors	(8,275)
Less intangible assets acquired	4,948
Total identifiable assets and liabilities	15,708
Goodwill	6,052

Identifiable net assets

At 31 December 2020, the valuation of the customer relationships of XFA was \$4,948,000. These were valued by an independent valuation specialist. These are calculated based on the best estimate of the future cash flows receivable by the Group attributable to each of the assets identified.

Goodwill

The goodwill recognised on the acquisition relates to the expected growth, and the value of XFA's workforce which cannot be separately recognised as an intangible asset.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19. BUSINESS COMBINATIONS (CONTINUED)

(e) Acquisition of Rosenthal Collins Group

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

	Company
	\$’000
Cash consideration	80,833
Contingent consideration	3,289
Total consideration	84,122
 Recognised amounts of identifiable net assets:	
Property, software and equipment	653
Cash	13,690
Deposits	752,871
Securities	374,687
Amounts due from clearing organisations	95,863
Other assets	1,454
Intangible assets acquired	4,635
Net current liabilities	(11,461)
Funding creditors	(1,158,771)
Total identifiable assets and liabilities	73,621
Goodwill	10,501

Consideration paid

The acquisition was settled for \$84,122,000, which was calculated using the value of the acquisition balance sheet in addition to a premium. The purchase agreement included additional consideration calculated as a specific percentage of the net revenue after tax of the acquired business, for the three years following the acquisition date. The \$3,289,000 fair value of the deferred consideration recognised at the acquisition date represents the present value of the Group’s estimate of the cash outflow. It contains management’s best estimate of the profit levels of the acquired business after combination, including a discount of 15.2%.

As the Federal Reserve dropped the base interest rate in the USA, the earn-out creditor was revalued downwards by \$1,523,000 to \$1,766,000 as at 31 December 2019. Further base interest rate decreases owing to Covid-19 during 2020 resulted in the remaining \$1,766,000 being revalued to nil. Both reductions were recognised in the income statement (refer to note 10).

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

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

Goodwill

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

(f) Acquisition of CSC Commodities UK Limited

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

	<u>Company</u>
	<u>\$'000</u>
Cash consideration	35,934
Total consideration	35,934
 Recognised amounts of identifiable net assets:	
Trade and other receivables	14,397
Deferred tax asset	1,431
Receivable from HMRC	703
Trade and other liabilities	(1,244)
Net identifiable assets and liabilities	15,287
Goodwill	20,647

Consideration paid

The consideration transferred was \$20,500,000 in addition to the net asset value of the acquired business at the date of acquisition. This amount was subsequently adjusted in 2020 resulting in an amount due from BGC European Holdings LP, the previous shareholder of CSC. The goodwill is not expected to be deductible for tax purposes.

19. BUSINESS COMBINATIONS (CONTINUED)**(g) Acquisition of Energy Broking Ireland Limited**

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

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

	Company
	\$'000
Cash consideration (€1,750,000)	2,000
Total consideration paid	2,000
Recognised amounts of identifiable net assets:	
Property, software and equipment	6
Trade and other receivables	82
Trade and other payables	(87)
Net identifiable assets and liabilities	1
Goodwill	1,999

The goodwill is not expected to be deductible for tax purposes

Consideration paid

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

19. BUSINESS COMBINATIONS (CONTINUED)**(h) Acquisition of Marquee Oil Broking Limited**

On 19 December 2019, Marex Spectron acquired 100% of the share capital of Marquee Oil Broking Limited, a specialist provider of physical fuel oil broking services.

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

	Company
	\$'000
Cash consideration (£2,616,000)	3,425
Additional earn out consideration	295
Total consideration	3,720
Recognised amounts of identifiable net assets:	
Property, software and equipment	21
Trade and other receivables	685
Trade and other payables	(361)
Net identifiable assets and liabilities	345
Goodwill	3,375

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

20. SUBORDINATED LOANS DUE FROM GROUP UNDERTAKINGS

The revolving subordinated loan agreement with Marex North America LLC was renewed during the year ended 31 December 2020 with the approval of the CME. The facility has a drawing termination date of 31 January 2022, maturity date of 31 January 2025 and total credit line of \$200,000,000 (2019: \$120,000,000). The subordinated borrowings of \$161,000,000 (2019: \$90,000,000) are unsecured and carry interest at the daily three-month LIBOR plus 3.25% (2019: LIBOR plus 3.25%).

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

21. FINANCIAL INSTRUMENTS – PLEDGED AND UNPLEDGED**(a) Pledged as collateral**

Financial instruments pledged as collateral comprise US Treasuries which will fully mature by 30 September 2022.

At year end, the Group has pledged \$1,550,076,306 (2019: \$1,055,976,996) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Group cannot:

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

(b) Unpledged

Unpledged financial instruments comprise of \$88,790,652 (2019: \$37,914,731) US Treasuries which will fully mature by 31 December 2026.

22. INVENTORY

	2020
	\$'000
Scrap metals	8,774
Total inventories at fair value less cost to sell	8,774

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****23. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Amounts due from exchanges, clearing houses and other counterparties	1,100,134	764,035	-	-
Trade debtors	46,988	26,652	-	-
Default funds and deposits	102,313	99,012	-	-
Amounts due from group undertakings	-	-	-	422
Loans receivable	17,644	713	-	-
Other tax and social security taxes	4,611	1,681	70	17
Other debtors	37,360	19,456	2,168	-
Prepayments	11,446	9,045	184	737
	1,320,496	920,594	2,422	1,176

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of \$666,173,141 (2019: \$378,665,920) and non-segregated balances of \$433,960,689 (2019: \$385,369,440).

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

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

Included in other debtors is \$9,018,058 (2019: \$14,161,965) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade receivables are assessed on an individual basis for impairment, with a provision of \$6,589,000 (2019: \$2,040,000) recognised for the Group's entire exposure. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

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

	Group	
	2020	2019
	\$'000	\$'000
Less than 30 days	36,159	16,386
31 to 60 days	4,681	2,283
61 to 90 days	1,639	2,028
91 to 120 days	1,239	1,206
More than 120 days	3,270	4,749
	46,988	26,652

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****23. TRADE AND OTHER RECEIVABLES (CONTINUED)****(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
Group					
At 1 January	-	-	-	2,040	2,040
Bad debts written off	-	-	-	-	-
Charged to the consolidated income statement (note 7)	-	-	-	4,564	4,564
Foreign exchange revaluation	-	-	-	(15)	(15)
At 31 December	-	-	-	6,589	6,589

	2019				
	Provision for 12 months ECL \$'000	Provision for lifetime ECL \$'000	Provision for lifetime ECL credit impaired \$'000	Specific provision for lifetime ECL \$'000	Total \$'000
Group					
At 1 January	-	-	-	2,791	2,791
Bad debts written off	-	-	-	(1,567)	(1,567)
Charged to the consolidated income statement (note 7)	-	-	-	811	811
Foreign exchange revaluation	-	-	-	5	5
At 31 December	-	-	-	2,040	2,040

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

24. SHORT-TERM BORROWINGS

	Group	
	2020	2019
	\$'000	\$'000
Borrowings at amortised cost		
Secured revolving credit facility	-	-
Repurchase Agreements	139,969	-
	<u>139,969</u>	<u>-</u>

The Group has a committed revolving credit facility of up to \$165,000,000 with a renewal date of 29 June 2021. This facility was renewed on 31 March 2021 refer to Note 38. As at 31 December 2020, the facility was unutilised (2019: \$nil). The credit agreement contains certain financial and other covenants. Interest on the amount utilised is calculated at a floating rate consisting of currency LIBOR plus a spread of 190 basis points. Interest on the unutilised portion is charged at a fixed percentage rate of 76 basis points.

For the repurchase agreements, the collateral provided to the lenders is recorded as financial instruments and totals \$142,305,000.

25. DERIVATIVE INSTRUMENTS

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

	Group	
	2020	2019
	\$'000	\$'000
Financial assets		
Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:		
Agricultural forward contracts	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	28,898	16,592
Foreign currency option contracts	3,626	624
Precious metal forward contracts	4,336	4,953
Precious metal option contracts	582	961
Credit forward	796	74
Equity option	12,277	991
Emissions forward	-	228
Equity forward	3,816	-
Equity contracts for difference	683	-
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	1,837	213
	199,658	91,933

25. DERIVATIVE INSTRUMENTS

	Group	
	2020	2019
	\$'000	\$'000
Financial liabilities		
Held for trading derivatives carried at fair value through profit or loss that are not designated in hedge accounting relationships:		
Agricultural forward contracts	95,926	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	18,303	12,012
Precious metal options contracts	285	121
Credit forward	1,992	28
Interest rate forward contracts	97	22
Equity option contracts	57,114	2,319
Equity forward	15,576	-
Equity contracts for difference	834	-
	236,431	77,000

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****26. DEFERRED TAX**

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revaluation of investments	(578)	(507)	55	117
Depreciation in excess of capital allowances	(45)	963	-	-
Tax losses	1,714	1,966	-	-
Leases	269	193	-	-
Goodwill	(1,103)	-	-	-
Prepayments and other	(697)	(1,246)	-	-
31 December	(440)	1,369	55	117

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
At 1 January	1,369	922	116	36
Charged to the income statement (note 12(a))	(1,785)	(1,040)	-	-
Recognised on acquisition	48	1,443	-	-
Credited to other comprehensive income	(72)	44	(61)	80
31 December	(440)	1,369	55	116

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax balances have been calculated at the effective tax rate ruling at the balance sheet date, which for the purposes of the 2020 financial statements was 19% (2019: 17%). 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. Overseas deferred tax assets and liabilities are recognised at the relevant jurisdictions ruling tax rate to the extent the group will receive future benefit from them.

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets in respect of:

- employee compensation deductions of \$4,923,437 (2019: \$4,775,469). The potential deferred tax asset at 19% is \$935,453 (2019 at 17% is \$ 881,830). These assets have not been recognised as it is not foreseeable when a tax deduction will arise; and
- tax losses of \$11,920,000 (2019: \$13,670,000) relate to losses with no expiry date. Losses of \$30,000 (2019: \$1,080,000) are subject to approval by the relevant tax authorities. These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****27. TRADE AND OTHER PAYABLES**

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Amounts due to exchanges, clearing houses and other counterparties	2,409,601	1,770,416	-	-
Amounts due to group undertakings	-	-	224,644	107,642
Other tax and social security taxes	3,348	2,402	-	-
Other creditors	10,156	3,040	95	76
Accruals	119,025	81,758	6,017	1,676
Deferred income	506	868	-	-
	2,542,636	1,858,484	230,756	109,394

Included in the amounts due to exchanges, clearing houses and other counterparties are segregated balances of \$1,970,721,929 (2019: \$1,294,169,691) and non-segregated balances of \$438,879,071 (2019: \$476,246,309).

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

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

28. PROVISIONS

	Group		
	Legal	Leasehold dilapidations	Onerous lease provisions
	\$'000	\$'000	\$'000
At 1 January 2020	-	285	788
Movement in the year:			
Utilised during the year	-	-	(788)
Foreign exchange valuation	-	13	-
	-	13	(788)
At 31 December 2020	-	298	-

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. PROVISIONS (CONTINUED)

	Group			
	Legal \$'000	Leasehold dilapida- tions \$'000	Onerous lease provisions \$'000	Total \$'000
At 1 January 2019	31,904	274	-	32,178
Movement in the year:				
Arising during the year (note 10)	5,800	-	788	6,588
Utilised during the year	(37,704)	-	-	(37,704)
Foreign exchange valuation	-	11	-	11
	(31,904)	11	788	(31,105)
At 31 December 2019	-	285	788	1,073

(a) Legal

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

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

The \$5.8 million legal provision recorded during 2019 relates to the final settlement of the warehouse receipts litigation including interest, insurance and legal fees.

(b) Leasehold dilapidations

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

(c) Onerous lease

The onerous lease provision relates to the estimated lease costs on a property in Chicago that is no longer occupied and as at 31 December 2020 relates to a lease which is no longer a part of the Group due to the relocation of staff to a new office.

29. CONTINGENT LIABILITIES

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

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

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

30. SHARE CAPITAL

	Group and Company			
	Issued and fully paid		Issued and fully paid	
	2020 Number	2020 \$'000	2019 Number	2019 \$'000
Ordinary shares of \$0.000165 each	106,491,588	18	106,491,588	18
Non-voting ordinary shares of \$0.000165 each	3,986,376	1	3,986,376	1
Deferred shares of \$1.65each	106,798,538	176,217	106,798,427	176,217
Growth shares of \$0.000165 each	27,297,003	4	26,181,025	4
	244,573,505	176,240	243,457,416	176,240

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

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. SHARE CAPITAL (CONTINUED)

	Group and Company				
	Ordinary shares Number	Non-voting ordinary shares Number	Deferred shares Number	Growth shares Number	Total Number
At 1 January 2020	106,491,588	3,986,376	106,798,427	26,181,025	243,457,416
At 31 December 2020	106,491,588	3,986,376	106,798,538	27,297,003	244,573,505

The rights of the shares are as follows:

Class of share	Rights
Ordinary shares	Full voting rights and right to participate in ordinary dividends ranking pari passu with non-voting ordinary shares. In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares and no right of redemption.
Non-voting ordinary shares	As per ordinary shares, other than having no voting rights.
Deferred shares	No voting rights, no right to participate in dividends or distributions and no right to redemption. On a return of capital on a winding up or otherwise, the assets of the Company available for distribution to its members shall be applied in paying a sum equal to £1 to the holders of the Deferred Shares pro-rata according to the number of Deferred Shares held by them (rounded to the nearest £0.01, but such that the total paid in aggregate to all the holders shall in no event exceed £1).
Growth shares	<p>The Group issued growth shares to 21 individuals historically, and in 2019 and 2020 additional growth shares were issued to a nominee who holds the shares on bare trust for 22 individuals who are employees or Directors of the Group.</p> <p>The growth shares entitle the holders thereof to a share of the proceeds from a liquidity event, such as an Initial Public offering or a sale, if the proceeds exceed some specific level thereby diluting existing ordinary shareholders.</p> <p>The holders of growth shares have no voting rights, no rights to participate in dividends, no entitlements to participate in winding up and cannot impact the timing of a liquidity event.</p> <p>The growth shares issued in 2010, 2012 and 2015 vested over 3 to 5 years, although remain subject to 'bad leaver' provisions. The 2016, 2019 and 2020 growth shares will only vest on a liquidity event. The growth shares do not expire and may be redeemed prior to a liquidity event, or converted into non-voting ordinary shares, whereby the Company issues the growth share holder a number of non-voting ordinary shares equal in value to the redemption price.</p> <p>The directors' view is that it is currently probable the growth shares will be converted into non-voting shares and, therefore, they are treated as equity-settled share-based payments.</p>

31. RESERVES

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

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

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32. LEASES

	Group	
	Right of use asset	
	2020	2019
	\$'000	\$'000
As at 1 January:	23,577	12,534
Additions during the year	808	17,424
Release of IAS 17 lease liability	-	(679)
Adjustment to initial recognition of right of use asset	84	-
Depreciation charged to income statement	(6,473)	(5,702)
Impairment of right of use asset	(1,740)	-
As at 31 December	16,256	23,577
	Lease liability	
	2020	2019
	\$'000	\$'000
As at 1 January:	27,635	14,166
Additions during the year	808	17,424
Interest expense charged to income statement	1,092	958
Payment of lease liabilities	(5,446)	(6,437)
Foreign exchange revaluation	388	653
Lease incentive	(87)	871
As at 31 December	24,390	27,635

Other operating lease expenses including service charges, utilities, property insurance and maintenance amounted to \$4,956,074 (2019: \$5,650,635).

Operating lease expenses for short term leases amounted to \$98,735 (2019: \$33,635).

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 31 December 2020 is 4.4% (2019: 4.8%).

33. FINANCIAL INSTRUMENTS

(a) Capital risk management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 30 and 31. The primary objective of the Group's capital management is to maximise shareholder value.

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

Many of the Group's material operating subsidiaries are subject to regulatory restrictions and minimum capital requirements. As at 31 December 2020, each of these subsidiaries had net capital in excess of the requisite minimum requirements. These requirements are designed to ensure institutions have an adequate capital base to support the nature and scale of their operations. Management of regulatory capital forms an important part of the Group's risk governance structure. A robust programme of regular monitoring and review takes place to ensure each regulated entity is in adherence to local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Group's risk appetite, as determined by the Board.

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

(b) Debt securities

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

(c) Equity instruments

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

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****33. FINANCIAL INSTRUMENTS (CONTINUED)****(d) Categories of financial instruments**

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

	Group			
	FVTPL \$'000	FVTOCI \$'000	Amortised cost \$'000	Total \$'000
Financial assets:				
Equity instruments	52,055	-	-	52,055
Cash and cash equivalents	-	-	291,546	291,546
Financial instruments	2,313	1,305,334	331,220	1,638,867
Amounts due from exchanges, clearing houses and other counterparties	133,636	-	966,498	1,100,134
Trade debtors	-	-	46,988	46,988
Default funds and deposits	-	-	102,313	102,313
Loans receivable	-	-	17,644	17,644
Other debtors	-	-	18,726	18,726
Investments	-	8,472	-	8,472
Derivative instruments	197,821	1,837	-	199,658
31 December 2020	385,825	1,315,643	1,774,935	3,476,403
	FVTPL \$'000	FVTOCI \$'000	Amortised cost \$'000	Total \$'000
Financial assets:				
Equity instruments	29,629	-	-	29,629
Cash and cash equivalents	-	-	217,501	217,501
Financial instruments	-	917,164	176,727	1,093,891
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	452,574	764,035
Trade debtors	-	-	26,652	26,652
Default funds and deposits	-	-	99,012	99,012
Loans receivable	-	-	713	713
Other debtors	-	-	3,192	3,192
Investments	-	8,052	-	8,052
Derivative instruments	91,933	-	-	91,933
31 December 2019	433,023	925,216	976,371	2,334,610

33. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (continued)

	Company		
	FVTOCI	Amortised	Total
	\$'000	cost	\$'000
		\$'000	\$'000
Financial assets:			
Cash and cash equivalents	-	48	48
Investments	3,446	-	3,446
Other debtors	-	2,168	2,168
Subordinated loans due from group undertakings	-	161,000	161,000
31 December 2020	3,446	163,216	166,662

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

	Group		
	FVTPL	Amortised	Total
	\$'000	cost	\$'000
		\$'000	\$'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	-	2,409,601	2,409,601
Derivative instruments	236,431	-	236,431
Other creditors	-	10,157	10,157
Repurchase agreements	-	139,969	139,969
Accruals	-	119,025	119,025
Deferred income	-	506	506
Lease liability	-	24,390	24,390
Debt securities	376,757	-	376,757
31 December 2020	613,188	2,703,648	3,316,836

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
33. FINANCIAL INSTRUMENTS (CONTINUED)
(d) Categories of financial instruments (continued)

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

	Company	
	Amortised cost \$'000	Total \$'000
Financial liabilities:		
Amounts due to group undertakings	224,644	224,644
Accruals	6,017	6,017
Other creditors	95	95
31 December 2020	230,756	230,756

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

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
33. FINANCIAL INSTRUMENTS (CONTINUED)
(e) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

Amounts due from exchanges, clearing houses and other counterparties are presented on a net basis in the balance sheet. As a member of the London Metals Exchange (“LME”), the Group is subject to the settlement and margining rules of LME Clear. The majority of products transacted by the Group are LME forward contracts. In accordance with the LME Clear rules, the Group is able to utilise forward profits to satisfy daily margin requirements and are set off against loss-making contracts. 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.

The effect of offsetting is disclosed below:

	Group					
	Gross amount \$'000	Amounts set-off \$'000	Net amount presented \$'000	Non-cash collateral rec'd / (pledged) \$'000	Cash collateral rec'd / (pledged) \$'000	Net amount \$'000
31 December 2020						
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	<u>1,952,869</u>	<u>(852,735)</u>	<u>1,100,134</u>	<u>-</u>	<u>-</u>	<u>1,100,134</u>
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	<u>3,262,336</u>	<u>(852,735)</u>	<u>2,409,601</u>	<u>(102,432)</u>	<u>-</u>	<u>2,307,169</u>
	Group					
	Gross amount \$'000	Amounts set-off \$'000	Net amount presented \$'000	Non-cash collateral rec'd / (pledged) \$'000	Cash collateral rec'd / (pledged) \$'000	Net amount \$'000
31 December 2019						
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	<u>1,295,275</u>	<u>(531,240)</u>	<u>764,035</u>	<u>-</u>	<u>-</u>	<u>764,035</u>
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	<u>2,301,656</u>	<u>(531,240)</u>	<u>1,770,416</u>	<u>(138,813)</u>	<u>-</u>	<u>1,631,603</u>

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

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

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

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

Credit risk

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

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

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

Credit quality

The table below does not take into account collateral held.

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
AA and above	1,988,100	1,485,899	-	-
AA-	265,845	126,616	48	65
A+	114,999	128,915	-	-
A	28,956	36,731	-	-
A-	188,584	48,185	-	-
BBB+	398,341	5,017	-	-
Lower and unrated	491,578	503,247	166,614	93,504
	3,476,403	2,334,610	166,662	93,569

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Credit quality (continued)

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments	8,472	8,052	3,446	3,082
Financial instruments	1,638,867	1,093,891	-	-
Derivative assets	199,658	91,933	-	-
Equity instruments	52,055	29,629	-	-
Amounts due from exchanges, clearing houses and other counterparties	1,100,134	764,035	-	-
Trade debtors	46,988	26,652	-	-
Default funds and deposits	102,313	99,012	-	-
Amounts due from group undertakings	-	-	-	422
Loans receivable	17,644	713	-	-
Other debtors	18,726	3,192	2,168	-
Cash and cash equivalents	291,546	217,501	48	65
Subordinated loans due from group undertakings	-	-	161,000	90,000
	3,476,403	2,334,610	166,662	93,569

The Group has received collateral in respect of its derivative assets during the year ended 31 December 2020 amounting to \$31,436,945 (2019: \$36,163,348). Collateral was recognised in amounts due to exchanges, clearing houses and other counterparties.

Market risk

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

Market risk sensitivity

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)**(f) Financial risk management objectives (continued)**Value at risk ('VaR')

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

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

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

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

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

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

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in 1-day. This may not fully reflect the market risk arising at times of severe liquidity stress, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99.75% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- the VaR, disclosed below, is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposure; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

The Group recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Group also applies a wide range of stress testing, both on individual portfolios and on the Group's consolidated positions. The VaR as at 31 December 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 Group's policy is to minimise volatility as a result of the translation of foreign currency exposure. As such management monitors currency exposure on a daily basis and buys or sells currency to minimise the exposure, in addition to the hedging of material future dated GBP commitments through the use of derivative instruments. It is the policy of the Group to enter into foreign exchange forward contracts to cover these specific future dated GBP commitments.

The associated gains and losses on derivatives hedging Pound Sterling 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. The Group has designated certain foreign exchange forward contracts as hedging instruments.

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Foreign currency risk (continued)

	2020			
	Average forward rates (\$/£)	Foreign currency \$'000	Notional value £'000	Fair value assets \$'000
Outstanding contracts				
Derivative designated as Cash flow hedges				
Less than 3 months	1.3078	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
	2019			
	Average forward rates	Foreign currency \$'000	Notional value £'000	Fair value liabilities \$'000
Outstanding contracts				
Derivative designated as Cash flow hedges				
Less than 3 months	1.3107	19,227	14,626	196
3 to 6 months	1.2994	773	595	15
		20,000	15,221	211

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

As at 31 December 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 \$1,836,746 (2019: \$213,182). 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 (2019: \$nil), no ineffectiveness has been recognised in profit or loss arising from the hedging of these future dated GBP commitments.

Interest rate risk

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)**(f) Financial risk management objectives (continued)****Interest rate risk (continued)**

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

Concentration risk

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

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

The largest concentration of cash balances as at 31 December 2020 was 33% (2019: 71%) to a UK-based, AA rated global banking group (2019: UK-based, AA- rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2020 was 32% (2019: 33%) to the LME (2019: LME).

Liquidity risk

The Group defines liquidity risk as the failure to meet its day-to-day capital and cash flow requirements. Liquidity risk is assessed and managed under the Individual Liquidity Adequacy Assessment ('ILAA') and Liquidity Risk Framework. To mitigate liquidity risk, the Group has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Group has sufficient resources to meet its margin requirement at clearing houses and third party brokers. In the event of a liquidity issue arising, the Group has recourse to existing global cash resources after which it could draw down on a \$165 million (2019: \$165 million) committed revolving credit facility.

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

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

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33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)*Liquidity risk exposures*

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

		Group	
	Notes	2020 \$'000	2019 \$'000
Financing facilities			
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used		-	-
Amount unused	24	-	-
		-	-
Secured revolving credit facility, reviewed annually:			
Amount used	24	-	-
Amount unused		165,000	165,000
		165,000	165,000
Secured receivables finance facility, reviewed bi-annually:			
Amount used	24	-	-
Amount unused		-	-
		-	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)*Liquidity risk exposures*

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

	Group					
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Amounts due to exchanges, clearing houses and other counterparties	2,409,601	-	-	-	-	2,409,601
Other creditors	-	7,713	-	2,443	-	10,156
Accruals	226	114,296	3,912	591	-	119,025
Deferred income	-	506	-	-	-	506
Repurchase agreements	-	139,969	-	-	-	139,969
Debt securities	-	40,434	89,567	228,529	18,227	376,757
Lease liabilities	-	1,865	5,459	17,115	1,751	26,190
At 31 December 2020	2,409,827	304,783	98,938	248,678	19,978	3,082,204

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

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****33. FINANCIAL INSTRUMENTS (CONTINUED)****(f) Financial risk management objectives (continued)**Liquidity risk (continued)

	Company				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due to group undertakings	224,644	-	-	-	224,644
Accruals	-	6,017	-	-	6,017
Other creditors	-	95	-	-	95
At 31 December 2020	224,644	6,112	-	-	230,756

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

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****33. FINANCIAL INSTRUMENTS (CONTINUED)****(f) Financial risk management objectives (continued)**Liquidity risk (continued)

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

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Amounts due from exchanges, clearing houses and other counterparties	1,100,134	-	-	-	1,100,134
Trade debtors	-	46,988	-	-	46,988
Default funds and deposits	-	102,313	-	-	102,313
Loans receivable	17,483	4	157	-	17,644
Other debtors	-	17,361	887	478	18,726
Equity instruments	52,055	-	-	-	52,055
Cash and cash equivalents	291,546	-	-	-	291,546
Financial instruments	-	734,497	407,416	496,954	1,638,867
At 31 December 2020	1,461,218	901,163	408,460	497,432	3,268,273

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	Company				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Cash and cash equivalents	48	-	-	-	48
Subordinated loans due from group undertakings	-	-	-	161,000	161,000
At 31 December 2020	48	-	-	161,000	161,048

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	Group				
	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
Derivative instruments - assets	-	88,390	92,888	18,380	199,658
Derivative instruments - liabilities	-	(107,866)	(76,531)	(52,034)	(236,431)
At 31 December 2020	-	(19,476)	16,357	(33,654)	(36,773)

	Group				
	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	-	(33,421)	(30,126)	(13,453)	(77,000)
At 31 December 2019	-	8,609	13,732	(7,408)	14,933

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 of \$199,658,491 (2019: \$91,933,182) and gross amount of the derivative liability of \$236,430,555 (2019: \$77,000,635) are presented separately in the Group's statement of financial position.

Fair value measurement

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

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

Fair value measurement (continued)

The level 2 pricing for investments is based on the latest traded price. The level 2 pricing for derivative instruments and debt securities 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 level 3 pricing for derivative instruments are determined using quantitative models that require the use of multiple market inputs including commodity prices, interest and foreign exchange rates to generate continuous yield or pricing curves and volatility factors in addition to unobservable inputs, which are used to value the position.

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

	Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	133,636	-	-	133,636
Derivative instruments	-	199,449	209	199,658
Equity shares	52,055	-	-	52,055
Financial instruments	-	2,313	-	2,313
Financial assets – FVTOCI:				
Investments	3,416	5,056	-	8,472
Financial instruments	1,305,335	-	-	1,305,335
Derivatives		1,837		1,837
Financial liabilities – FVTPL:				
Derivative instruments	-	(236,402)	(29)	(236,431)
Contingent consideration	-	(2,443)	-	(2,443)
Debt securities	-	(376,757)	-	(376,757)
At 31 December 2020	1,494,442	(406,947)	180	1,087,675

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****33. FINANCIAL INSTRUMENTS (CONTINUED)****(f) Financial risk management objectives (continued)**Fair value measurement (continued)

	Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	311,461	-	-	311,461
Derivative instruments	-	91,448	272	91,720
Equity shares	29,629	-	-	29,629
Financial assets – FVTOCI:				
Investments	3,219	4,833	-	8,052
Financial instruments	917,164	-	-	917,164
Derivative instruments	-	213	-	213
Financial liabilities – FVTPL:				
Derivative instruments	-	(76,962)	(38)	(77,000)
Contingent consideration	-	(1,766)	-	(1,766)
Debt securities	-	(196,199)	-	(196,199)
At 31 December 2019	1,261,473	(178,433)	234	1,083,274

33. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Financial risk management objectives (continued)

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	2020 \$'000
Balance at 1 January	272
Purchases	1,439
Settlements	(1,480)
Total gains or losses in the period recognised in the income statement:	
Market making revenue	(22)
Balance at 31 December	209

Reconciliation of Level 3 fair value measurements of financial liabilities

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

The Group's management believes, based on the valuation approach used for the calculation of fair values and the related controls, that the level 3 fair values are appropriate. The impact of reasonably possible alternative assumptions from the unobservable input parameters shows no significant impact on the Group's profit, comprehensive income or shareholders' equity. The Group deems the total inventory of level 3 financial assets and liabilities to be immaterial and therefore any sensitivities calculated on these balances are also deemed to be immaterial.

MAREX SPECTRON GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****34. CASH FLOW HEDGE RESERVE**

	2020	2019
	\$'000	\$'000
At 1 January	211	(673)
Profit on revaluation	1,626	884
At 31 December	1,837	211

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.

35. CLIENT MONEY

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

	Group	
	2020	2019
	\$'000	\$'000
Segregated assets at banks (not recognised)	1,063,032	716,322
Segregated assets at exchanges, clearing houses and other counterparties (recognised within trade and other receivables)	2,032,552	1,342,771
	3,095,584	2,059,093

As at 31 December 2020, \$49,092,688 (2019: \$46,939,911) of excess firm cash placed in segregated accounts to satisfy US regulations has been recorded within cash and cash equivalents and client liabilities.

MAREX SPECTRON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profits attributable to equity holders of Marex Spectron Group Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the income attributable to the shareholders of the Group for the year, divided by the average number of ordinary, non-voting ordinary and growth shares. The weighted average number of shares outstanding includes shares held in trust. The only class of shares not included are deferred shares, to which no income can be attributed and therefore diluted earnings per share is not materially different.

	2020	2019
Profit attributable to equity holders of the group (\$'000)	43,823	36,392
Weighted average number of shares during the year	136,662,046	136,625,654
Basic and diluted earnings per share (\$)	0.32	0.27

37. COMPANY PROFIT AND LOSS

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its income statement for the year. The Company reported a profit for year ended 31 December 2020 of \$9,344,445 (2019: \$27,527,035).

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

On 12 March 2021, the Group acquired 100% of the share capital of StarSupply the physical oil brokerage firm for cash consideration of €3,245,705 (\$3,964,304), subject to adjustment for the value of net assets as at the completion date.

(b) Equity market making franchise

The Group 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 firm's acquisition in November 2020 of XFA, the exchange traded equities derivatives brokerage, based in North America.

(c) Revolving credit facility

Effective as at 31 March 2021, the Group renewed its revolving credit facility with a syndicate of banks, with a committed credit line of \$125,000,000 until 30 June 2023 (2019: \$165,000,000).

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

In these financial statements of the Group, being the Company and its subsidiaries, subsidiaries refer to the entities controlled by the Company as disclosed in note 17(c).

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

(b) Key Management Personnel

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

	Group	
	2020	2019
	\$'000	\$'000
Aggregate wages and salaries	29,417	23,320
Short-term monetary benefits	193	157
Defined pension cost	136	108
Management incentive plan	95	-
	29,841	23,585

The remuneration of the highest paid director for their services to the Group was \$4,777,810 (2019: \$4,526,338). No pension contributions were made on their behalf whilst they were a director of the Group (2019: \$nil). As at 31 December 2020, there were 9 key management personnel in the Group's defined contribution scheme (2019: 9).

39. RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Key Management Personnel transactions**

The Group has made loans to certain directors, senior current and former employees relating to equity awards and the tax payments associated with equity awards of \$482,452 (2019: \$467,953). The loans are non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

During the year, certain employee directors of the Company were part of a long-term senior management compensation plan arranged by the majority shareholders of the Company. The majority of the compensation plan payable under these arrangements is contingent upon sale of the Company and the sale price being at a level which provides all the shareholders of the Company with a profit. A minority of the compensation plan is contingent on the profits of the Company exceeding a given threshold over a multi-year period. The only time when the Company will be required to make a payment under this plan would be when it is sold by its shareholders. During the year the Group accrued \$95,000 for a management incentive plan. The management incentive plan is an equity settled scheme which has been valued at the point of award taking into consideration the expected pay-outs on a liquidation event.

During the year the Group paid \$115,560 (2019: \$160,835) for consultancy services provided by MCS Advisory Ltd, a company 50% owned by Carla Stent.

Some directors, senior management and former employees of the Company were historically awarded options to purchase non-voting ordinary shares of the Company. The awards are all contingent upon certain events including a change in ownership or an initial public offering. There are options over 2,144,976 non-voting ordinary shares with a nominal value of \$0.000165, with an average strike price of \$1.63.

As at 31 December 2020, shares and rights over shares held by the Employee Benefits Trust were repurchased from former employees for a cash consideration of \$1,751,065 by the Trustee, funded by a loan for that amount from the Group, which is outstanding at year end. Subsequently these rights and shares were sold to current employees.

During the year 2,250,000 (2019: 12,100,000) growth shares were purchased at market value by employees and Directors for \$18,000 (2019: \$43,000).

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

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

The Group pays management fees to parties associated with the ultimate parent company based on a percentage of the Group's profitability amounting to \$1,710,870 (2019: \$1,395,283).

During the year, the Group received consortium relief amounting to \$nil from entities that have significant influence over the Group (2019: \$1,365,325). The payable balance at 31 December 2020 was \$698,708 (2019: \$2,717,543).