MAREX SPECTRON

Marex Financial (formerly Marex Financial Limited)

Annual Report and Financial Statements

Year ended 31 December 2018

Registration Number 05613061

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COMPANY INFORMATION

Country of Incorporation	England and Wales
Legal Form	Private company
Directors	R J Reid P R Tonucci S J Van Den Born R S Watts
Company Secretary	S Linsley
Registered Office	155 Bishopsgate, London, EC2M 3TQ
Auditors	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, E13 5BH

DIRECTORS' REPORT

The directors present their report and audited financial statements of Marex Financial ('the Company' or 'the firm') for the year ended 31 December 2018. In the prior year the Company was a limited liability company known as 'Marex Financial Limited' and a subsidiary of Marex Spectron Group Limited ('Marex Spectron' or 'the Group'). Marex Financial is an unlimited liability company and remains a subsidiary of Marex Spectron Group Limited ('Marex Spectron' or 'the Group').

About Marex Financial

Marex Financial is a leading independent global commodities brokerage headquartered in London with a global network spanning Asia and North America, with dominant market shares in many major agricultural and metal products. The firm has a broad range of clients including commodity producers and consumers, banks, hedge funds, asset managers, brokers, commodity trading advisors and professional traders.

We are members of the London Metal Exchange ('the LME'), where we are a Category 1 Member and Ring Dealer; the CME Group of exchanges ('the CME') and many others.

We are regulated in the UK by the Financial Conduct Authority ('the FCA', which also regulates our Group under consolidated supervision).

We believe the unique competitive attributes of Marex Financial include:

1. our breadth of commodity market coverage across metals and agricultural products;
2. extensive depth of services across broking in each market segment and financial futures and options;
3. a diversified client base consisting of blue chip commodity producers / consumers as well as leading financial players in our market;
4. an efficient and scalable platform; and
5. our proprietary technology, data and analytic offerings.

While other competitors might match our offering in one specific commodity category, we are differentiated in being a leading provider across each of the metals and agricultural products.

In metals, we provide brokerage and market making services for base and precious metals (aluminium, copper, nickel, zinc, lead and gold). For 2018, we are ranked first by Ring volume on the LME.

In agriculture, we are primarily a broker, but also provide market making in specific option products (cocoa, coffee, sugar and grains).

We are deeply embedded in the global commodity market infrastructure, with 30 exchanges in our connectivity networks. We clear over 86 million contracts a year on exchange and execute over 13 million trades a year for our clients. We operate out of 2 offices globally with over 300 employees in Europe.

To succeed in these markets, and to attract institutional clients, you need to offer more than just exchange access, you also need smarter content, data and technology capabilities. As funds and money managers become ever more reliant on quantitative data, it is the likes of Marex Spectron that are supporting their trading and execution decisions. To enable this, Marex Spectron has for several years been investing in intelligence (including proprietary models), content (quotes, reports and quantitative as well as fundamental research) and advanced 'technology' systems. It is these capabilities that give our business an added edge over the more traditional client technology providers and differentiates ourselves from our competitors.

DIRECTORS' REPORT (CONTINUED)

Culture continues to be of the utmost importance for our business. Our culture is grounded in 5 key principles:

Respect

Clients are at the heart of our business, with superior execution and superb client service the foundation of the firm. We respect our clients and always treat them fairly.

Personal 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 team work. Working well with others is necessary for us to succeed at what we do.

Developing our people

Our people are the basis of our competitive advantage. We look to "grow our own" and make Marex Spectron the place ambitious, hardworking, talented people choose to build their careers.

Adaptable

Our size and flexibility is an advantage. We are big enough to support our clients' 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.

Chief Executive Officer's Review

2018 was a record year for our firm. Gross revenues increased to $242.6 million which compares with $189.9 million in 2017; whilst net revenues were $151.1 million, against $116.9 million in 2017.

These strong numbers were partly the result of a more normalised market volatility after two-years of more subdued volatility. They were also the result of having successfully developed and refocused the business in recent years, enabling us to benefit from broader client relationships and the strengthening of our global franchises.

In this environment, our adjusted profit before tax (PBT) was 71% higher, at $36.0 million, than 2017 ($21.1 million). The $36.0 million of PBT excludes a one time expense of $31.9 million for a provision for a High Court case heard in early 2019 relating to nickel warehouse receipts, where the firm was the victim of fraud. Post this provision for fraud, Statutory PBT was $4.2 million

2018 highlights included:

- record results from our Metals business, as the team successfully navigated the higher volatility within this market;
- the Agricultural team likewise performed well, in particular market making in grains;
- excellent progress from the Marex Solutions business - which is dedicated to building customised derivative solutions – as it added sales and grew revenues whilst expanding our manufacturing capability. It also expanded its offering to include structured products, as well as launched the first ever blockchain based structured product; and
- Marex Financial rated BBB from S&P Global. This investment grade rating helps both our liquidity and clearing business.

With the notable exceptions of the fraud, this was a breakout year for the business, in terms of our performance, with a material increase in our Adjusted PBT. Furthermore, this was achieved at a time where we were strengthening our business and increasing our competitiveness.

To deliver these results, as well as helping us to grow our business in a controlled way, we have continued to invest in our Support and Control functions.

Conclusion and future developments

Marex Financial is firmly placed to continue on this growth trajectory. Importantly, we are a stronger, more balanced franchise. Our customised solutions business continues to grow, adding sales, clients and products thereby filling gaps across our offering and helping us develop our markets. We will continue to invest across our products and geographies to increase the firm's diversification to provide an even stronger platform for future growth. Our business is well positioned to benefit from further improving commodity markets and the return to more normalised volatility, but we are not reliant on such an environment.

I said this last year, and I will say it again, our people are the very basis of our competitive advantage and it has benefited our business that we have created an environment where ambitious, hardworking and talented people choose to build their careers and are excited to work.

As we continue to grow and strengthen our firm, I would like to thank all our clients for their continued support, and our employees for all their hard-work.

R S Watts

Director

10 April 2019

Directors

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

	Appointed	Resigned
R J Reid		
P R Tonucci	8 May 2018	
S J Van Den Born		
S H Sparke		8 May 2018
R S Watts		

Indemnity of directors

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

Directors' statement as to disclosure of information to the Auditor

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

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

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

Charitable and political contributions

Marex Spectron budgets to spend $100,000 per annum to support employees in their charitable fundraising activities. It does this by donating 50% of the sum raised by the employee to the chosen charities. In order to ensure that the fund can be accessed by as many employees as possible, donations from the Company are capped at $4,000 per fundraising event. The total charitable donations from this programme were $63,253 during the year ended 31 December 2018 (2017: $36,237).

No contributions were made for political purposes during the year (2017: $nil).

Foreign exchange

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

	2018		2017	
	Average Rate	Year-end Rate	Average Rate	Year-end Rate
GBP / USD	1.3355	1.2762	1.2888	1.3515
EUR / USD	1.1811	1.1466	1.1295	1.1998

DIRECTORS' REPORT (CONTINUED)

Going concern

After reviewing the Company's annual budget, liquidity requirements, plans and financial arrangements the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and for at least 12 months from the date of signing of the balance sheet and confirm that the Company is a going concern. For this reason they continue to adopt the going concern basis in the preparation of these financial statements.

Events after the reporting period

Events since the statement of financial position date are disclosed in note 30.

Legal Provisions

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

Dividends

The Company did not declare or make any dividend payments during the year ended 31 December 2018 (2017: $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.

Employees

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

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Group website.

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:

R S Watts
Director
10 April 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

Review of financial performance

After the subdued market volatility in 2017, it returned to more normal levels in 2018. The firm has been successful in converting the improved environment into higher revenues and operating profit. This improvement in gross revenue (up $52.7 million) was achieved with no increase to the previous year's VaR limits, and our 2018 Pillar 1 maximum, average and period-end requirements were all below their 2017 levels.

In 2018 the firm made a record operating profit of $34.1 million, which is an increase of 96% on 2017. PBT (before one-time expenses) was highest ever at $36.1 million, compared with $17.3 million in 2017 and $14.5 million in 2016, which indicates the growing strength of our franchise.

The one-time expense of $31.9m is a provision for a High Court case heard in early 2019 relating to nickel warehouse receipts, where the firm was the victim of fraud. This is considered a reasonable estimate of what the costs might be with the judgement pending (expected early summer 2019) and the outcome unclear (see note 23(b)). This is the only significant litigation which Marex Financial is involved in.

	2018 $'million	2017 $'million	2016 $'million	2015 $'million	2014 $'million	2018 v 2017 $'million
Revenue	242.6	189.9	199.1	221.3	243.8	52.7
Expenses	(208.5)	(172.5)	(184.4)	(212.3)	(239.8)	(36.0)
Operating profit / (loss)	**34.1**	**17.4**	**14.7**	**9.0**	**4.0**	**16.7**
Net financing	2.0	(0.1)	(0.2)	(1.3)	(0.6)	2.1
Profit / (loss) before tax (before one-time expenses)	**36.1**	**17.3**	**14.5**	**7.7**	**3.4**	**18.8**
One-time expenses[1]	(31.9)	-	(0.9)	(3.5)	(1.6)	(32.0)
Profit / (loss) before tax (before one-time revenue)	**4.2**	**17.3**	**13.6**	**4.3**	**1.8**	**(13.2)**
One-time revenue[2]	-	0.4	-	2.3	-	(0.4)
Profit / (loss) before tax	**4.2**	**17.7**	**13.6**	**6.5**	**1.8**	**(13.6)**

1. 2018: Legal provision related to the warehouse receipts case
2. 2017: Deferred consideration from the sale of London Clearing House ('LCH') shares in 2013.
   2014: Income received from the sale of Eclipse Energy Holding A.S.

Review of financial performance (continued)

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

Adjusted PBT for 2018, which excludes one-time events, was $36.0 million, $14.9 million higher than 2017 and $19.8 million above that of 2016.

The cost of the investments in new initiatives, which was significant in 2017, has been absorbed in the 2018 cost base, and contributed to the lift in earnings.

	2018 $'million	2017 $'million	2016 $'million	2015 $'million	2014 $'million	2018 v 2017 $'million
Profit before tax (reported)	**4.2**	**17.7**	**13.6**	**6.5**	**1.8**	**(13.6)**
Exclude:						
One-time revenue	0.1	0.4	-	-	-	(0.3)
One-time expenses	(31.9)		(0.9)	(3.5)	(1.6)	(32.0)
Renegotiated dilapidations	-	-	(0.5)	-	-	-
Exiting businesses	-	-	(0.9)	-	-	-
Investments in new initiatives	-	(3.8)	(0.3)	-	-	3.8
Adjusted profit before tax	**36.0**	**21.1**	**16.2**	**10.0**	**3.4**	**14.9**

Adjusted EBITDA was also a record at $39.9 million, up $14.3 million on 2017 and up $20.4 million on 2016.

	2018 $'million	2017 $'million	2016 $'million	2015 $'million	2014 $'million	2018 v 2017 $'million
Adjusted profit before tax	**36.0**	**21.1**	**16.2**	**10.0**	**3.4**	**15.1**
Exclude:						
Depreciation & amortisation	(0.4)	(0.7)	(2.1)	(3.8)	(5.1)	0.3
Financing costs	(3.1)	(3.2)	(1.8)	(1.8)	(0.8)	0.1
Other non-operating costs	(0.4)	(0.6)	0.6	(2.4)	(1.6)	0.2
Adjusted EBITDA	**39.9**	**25.6**	**19.5**	**18.0**	**10.9**	**14.5**

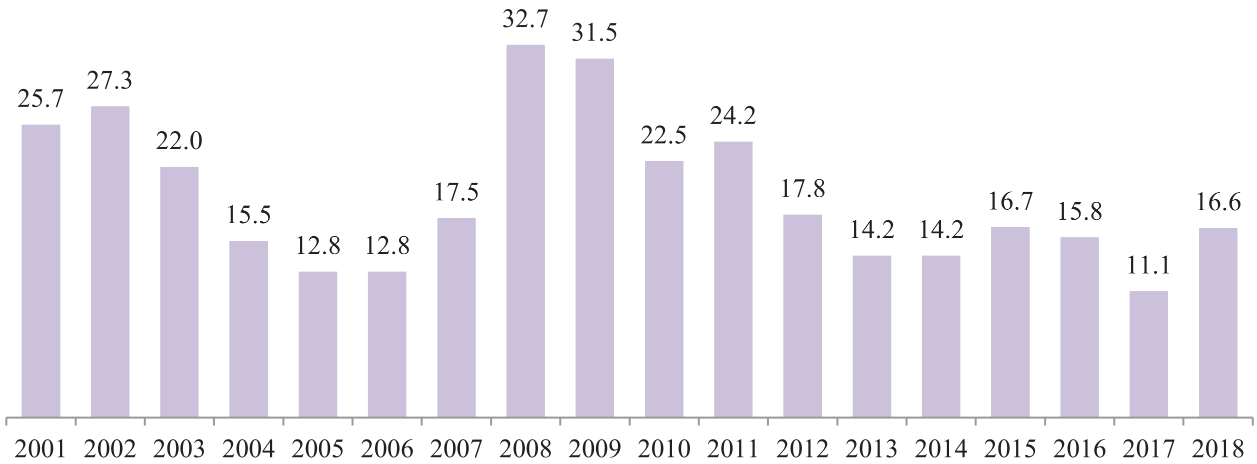
Review of financial performance (continued)

Bloomberg Commodity Index (BCOM)
Year-end points:

Given the breadth of our commodities business, with sizeable participation in the Metals and Agricultural sectors, the Bloomberg Commodity Index ('BCOM'), which tracks 22 raw materials including gold, copper, crude oil, natural gas and corn, is a reasonable representation of the markets in which we operate (BCOM weightings in 2018 were 30% Energy, 30% Agriculture, 18% Industrial Metals, 16% Precious Metals and 6% Livestock).

In 2018, the BCOM fell by 13% for the year, with industrial metals hardest hit, down 20%, and agriculture and energy down 12%.

VIX Index
Average for the year:



Compared to 2017, when volatility was unusually low, 2018 saw a return to more normalised level of market volatility. The 2018 CBOE Volatility Index ('VIX') averaged 16.6, which is similar to 2015, but considerably higher than 2017, when the average was 11.1.

The firm's business performed well in this environment with Metals up $23.5 million (+42%), Ags up $5.9 million (+39%) and Energy up $0.8 million (+15%).

Review of financial performance (continued)

Business review

The Company is organised into five business segments across three geographic regions. Management evaluates the Company's performance on a net revenue basis – i.e. gross revenue of $242.6m (see note 5 to the financial statements) less cost of trade of $96.9 (included in operating expenses) and including net interest of $5.1m and other income of $0.3. On this basis, the Company generated net revenue of $151.1 million, $34.2 million above 2017.

	Company			
31 December 2018	**Europe $'million**	**North America $'million**	**Asia $'million**	**Total $'million**
Commodities (see page 13)	98.5	-	8.3	106.8
Financial Futures and Options	5.5	-	-	5.5
Protrader	12.5	-	-	12.5
Marex Solutions*	7.0	-	-	7.0
Other	19.3	-	-	19.3
Net revenue	**142.8**	**-**	**8.3**	**151.1**

	Company			
31 December 2017	**Europe $'million**	**North America $'million**	**Asia $'million**	**Total $'million**
Commodities (see page 13)	67.5	0.9	8.2	76.6
Financial Futures and Options	11.1	-	-	11.1
Protrader	12.0	-	-	12.0
Other	17.2	-	-	17.2
Net revenue	**107.8**	**0.9**	**8.2**	**116.9**

*Marex Solutions has been split out in the current period to reflect a change in business groupings, prior period comparative amounts for the business are immaterial and therefore not restated.

Review of financial performance (continued)

Business review (continued)

Commodities

31 December 2018	Europe $'million	North America $'million	Asia $'million	Total $'million
Commodities				
Energy	6.3	-	-	6.3
Metals	71.1	-	8.3	79.4
Agriculture	21.1	-	-	21.1
Commodities net revenue	**98.5**	**-**	**8.3**	**106.8**

31 December 2017	Europe $'million	North America $'million	Asia $'million	Total $'million
Commodities				
Energy	5.5	-	-	5.5
Metals	46.8	0.9	8.2	55.9
Agriculture	15.2	-	-	15.2
Commodities net revenue	**67.5**	**0.9**	**8.2**	**76.6**

Energy

Energy net revenues were $0.8 million up on 2017 (+15%), as a result of growth in Energy Clearing as well as Energy Futures.

Metals

Metals net revenues were $79.4 million in 2018, compared with $55.9 million in 2017. This 42% increase was underpinned by record market making revenue, as volatility increased due to a variety of political action including potential US trade tariffs, trade wars and sanctions on Russia threatened to disrupt global metal supplies. In addition to market making, commissions also increased vs. 2017, with all metals products increasing net revenues year over year (with exception of Zinc which remained flat).

Agriculture

Agricultural net revenues were up 39% in 2018 at $21.1 million, compared with $15.2 million in 2017. There were good market making performances on the back of strong tradeable themes. These included sugar, cocoa and, in particular, grains as the market reacted to weather risks.

Review of financial performance (continued)

Business review (continued)

Financial Futures and Options

Net revenues for the year were $5.5 million, compared with $11.1 million in 2017 The introduction of MiFID II rules which eliminated payment for order flow in Europe, resulted in a loss of brokers in this area. The business continues to be profitable albeit on a reduced scale vs. previous years.

Protrader

Net revenues were $12.5m, an increase of 4% on the prior year. The improved volatility helped core markets, and total cleared volumes for the year rose by 15% to 84m lots. This was largely driven by increased volatility in the final third of the year, as well as the onboarding of several high volume clients towards the end of 2018. These clients are expected to continue to enhance Pro Trader’s volumes as their contribution is annualised for 2019.

Marex Solutions

Net revenues in Marex Solutions, our corporate hedging and structured products business, were $7.0 million. This was its first full year and marks a very positive start to this business. During the year, the business created products for agriculture, energy, metals and FX. The team now has distribution resources in London, USA, Canada and Brazil, and in 2018 introduced AGILE, our proprietary client web-application. The business also launched an investment product offering that included the world’s first blockchain structured product.

Corporate Net Interest Income

Net revenues for the year were $9.2 million, an increase of $1.6 million on 2017. This was largely as a result of increased interest rates when compared to 2017.

STRATEGIC REPORT (CONTINUED)

Review of financial performance (continued)

Business review (continued)

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 volatilitly is converted into positive P&L for the firm; however it does provide a favourable environment for this to happen.

We assume that the volatility experienced in 2018 continues through 2019. It is our view that the market in 2017 was characterised by abnormally low volatility which has now returned to a more normalised level. There is a risk to the downside for the firm if this assumption proves to be incorrect.

Pricing pressure

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

Commodity prices

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

Exchange rules

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

Brexit

There is a risk that Brexit results in a weaker Sterling. With revenues derived in USD and a largely Sterling cost base, we do not see that this presents a material risk to the company. However an economic down turn in the UK might impact earnings.

Regulation

Regulation continues to add cost to the firm both for compliance as well as capital; of particular significance is the gradual phasing in of the capital conservation buffer which has increased the amount of regulatory capital we are required to hold against our standard business activities. Additionally there is the potential for the counter cyclical buffer to increase in a country/countries that our clients are based.

Movement to screens

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

Review of financial performance (continued)

Balance sheet

Shareholders' equity increased by $3.4 million in 2018 (2017: increased by $14.6 million) following the net effect of profit after tax of $3.8 million (2017: $14.2 million), and the increase in value of FVTOCI Investments (net of deferred tax) as well as losses on cash flow hedge totalling $0.5 million. Combined with the $3.2 million impairment of the goodwill associated with the Securities business in 2015, tangible equity has grown by $28.5 million (17.7%) since 2015.

	2018 $'million	2017 $'million	2016 $'million	2015 $'million	2014 $'million	2013 $'million
Shareholders' equity	192.4	189.0	174.4	163.9	162.4	162.1
Goodwill	(3.2)	(3.2)	(3.2)	(3.2)	(6.2)	(7.9)
Tangible equity	**189.2**	**185.8**	**171.2**	**160.7**	**156.2**	**154.2**

	2018		2017	
$'million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Cash and cash equivalents	130.2	-	67.4	-
Financial instruments (Treasuries)	175.7	-	175.5	-
Short-term borrowings	-	-	-	(60.0)
Liquid resources	**305.9**	**-**	**242.9**	**(60.0)**
Trade receivables	801.4	-	547.9	-
Other receivables	31.0	-	34.3	-
Trade payables	-	(852.9)	-	(531.0)
Other payables	-	(60.1)	-	(55.5)
Trade and other receivables / (payables)	**832.4**	**(913.0)**	**582.2**	**(586.5)**
Derivative instruments	29.0	(48.8)	6.9	(9.3)
Net derivative assets / (liabilities)	**29.0**	**(48.8)**	**6.9**	**(9.3)**
Net tax asset / (liability)	3.8	-	-	(1.6)
Provisions	-	(32.2)	-	(0.3)
Non-current assets	12.1	-	11.5	-
Other	**15.9**	**(32.2)**	**11.5**	**(1.9)**
	1,183.2	**(994.0)**	**843.5**	**(657.7)**
Tangible equity		**189.2**		**185.8**

STRATEGIC REPORT (CONTINUED)

Review of financial performance (continued)

Balance sheet (continued)

Overall, total assets on the balance sheet have increased by $339.6 million (40%) year-on-year. Trade payables, representing client activity increased $321.9 million (61%) from $531 million to $852.9 million as at 31 December 2018. Trade receivables, increased by $253.5 million (46%) from $547.9 million to $801.4 million, year on year, mainly driven by margin requirements with exchanges.

Deployment of equity

The Company's liquid resources have increased by $122.9 million (67%) from $182.9 million to $305.8 million as at 31 December 2018. Cash and cash equivalents have increased by $62.8 million (93%) year-on-year from $67.4 million to $130.2 million and the Company's short term borrowings were $nil (2017: $60.0 million). Net derivative instruments (liabilities) have increased by $17.4 million with other net payables up $33.8 million year-on-year.

	2018 $'million	2017 $'million	2016 $'million	2018 v 2017 $'million	2018 v 2017 %
Cash and cash equivalents	130.2	67.4	161.0	62.8	93%
Financial instruments – (Treasuries)	175.7	175.5	120.2	0.1	n.m.
Short-term borrowings	-	(60.0)	(40.0)	60.0	(100%)
Liquid resources	**305.9**	**182.9**	**241.2**	**122.9**	**67%**
Trade receivables	801.4	547.9	555.7	253.9	46%
Trade payables	(852.9)	(531.0)	(613.3)	(322.2)	61%
Net trade (payables) / receivables	**(51.5)**	**16.9**	**(57.6)**	**(68.3)**	**n.m.**
Derivative instruments – assets	29.0	6.9	24.0	22.1	320%
Derivative instruments – liabilities	(48.8)	(9.3)	(12.0)	(39.5)	n.m.
Net derivative instruments (liabilities) / assets	**(19.8)**	**(2.4)**	**12.0**	**(17.4)**	**n.m.**
Other receivables	31.0	34.3	17.9	(3.7)	(11%)
Other payables	(60.1)	(55.5)	(53.3)	(4.3)	8%
Net tax assets / (liabilities)	3.8	(1.6)	(0.5)	5.4	338%
Provisions	(32.2)	(0.3)	(0.3)	(31.9)	n.m.
Non-current assets	12.1	11.5	11.8	0.7	6%
Other net payables	**(45.4)**	**(11.6)**	**(24.4)**	**(33.8)**	**n.m.**
Tangible equity	**189.2**	**185.8**	**171.2**	**3.4**	**2%**

Review of financial performance (continued)

Balance sheet (continued)

Liquidity

Company liquidity resources are the cash or assets that can be quickly converted to meet immediate and short-term obligations. The resources include non-segregated cash, unencumbered US Treasuries, LME house forward profits in excess of house margin requirements, and LME house warrant inventory. The firm also includes the undrawn portion of its committed working capital facility in its liquidity resources. In 2018, the firm increased its working capital facility by $10 million to $125 million, with Allied Irish Bank expanding the size of its commitment from $15 million to $25 million. The committed facility also includes Lloyds Bank, Bank Leumi UK, Industrial and Commercial Bank of China Limited London Branch and Barclays Bank. In addition to increased size, the facility was also enhanced by a $25 million swingline, providing same day liquidity for improved cash management.

The firm includes LME house forward profits in excess of LME house IM requirements in its liquid resources as these can be converted to cash on a trade date plus one-day basis through sale of the fully hedged house positions. These are included in trade receivables on the balance sheet and arise from house positions that are in the money, but the cash is not received until the position settlement. The firm also considers LME House warrants as a source of liquidity as these can be converted to cash on a trade date plus one-day basis, just as it can with excess forward profits.

Regulatory capital

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

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

As at 31 December 2018 the Firm had Own Funds of $178.6 million (2017: $165.6 million) and a total minimum capital requirement (‘Pillar 1’) of $62.9 million (2017: $76.4 million).

The Firm reported a Pillar 1 excess of $115.6 million (2017: $89.2 million). This excess is consistent year-on-year. The main constituent of the Pillar 1 requirement is Market Risk capital charges.

As at 31 December 2018, the Firm reported a capital ratio of 22.7% (2017: 17.35%). The ratio expresses the Firm’s capital as a percentage of Total Risk Exposure (Pillar 1 divided by 8%) where the regulatory minimum is 8%. The Firm manages its capital structure in order to comply with regulatory requirements, ensuring its capital base is adequate to cover the risks inherent in the business and to maximise shareholder value through the strategic deployment of capital to support the Firm’s growth and strategic options. The Firm performs capital projections and stress testing at least annually as part of the Firm’s Internal Capital Adequacy Assessment Process (‘ICAAP’).

Return on assets

The return on assets computation, as required by Article 90 of the Directive, as at 31 December 2018 is 17.7% (2017: 9.2%). The return on assets reflects the Company’s operating profit of $34.1 million (2017: $17.4 million) as a percentage of the net assets $192.4 million (2017: $189.0 million).

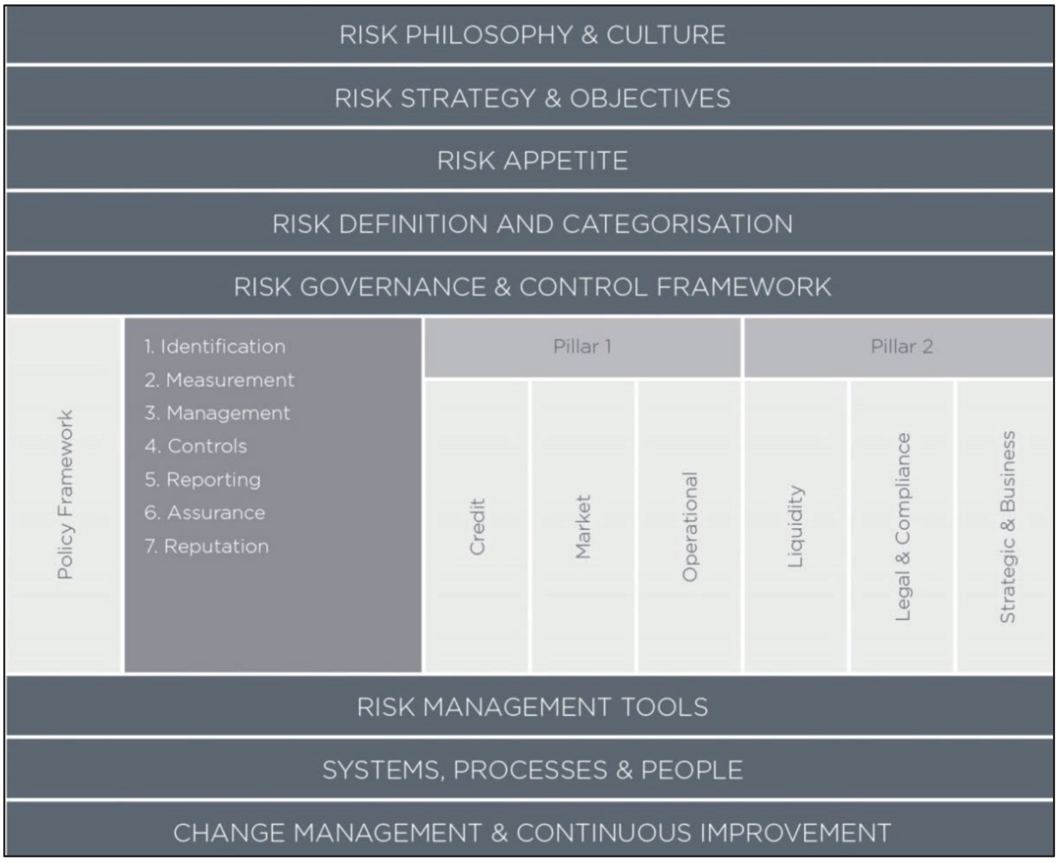
Overview of risk management

Effective risk management is at the core of the Company's business operations. In place are clear risk management objectives which are delivered through established risk management processes. The Company views risk management as a key factor in delivering its strategic business aims and objectives whilst ensuring its long-term sustainability and effective corporate governance. Business strategy, risk strategy and risk appetite are all linked to ensure that decision making across the Company reflects the correct approach to risk and that it is in line with the risk appetite and risk strategy of the organisation.

The Company places reliance on the overall risk management function of the Marex Spectron Group Limited.

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

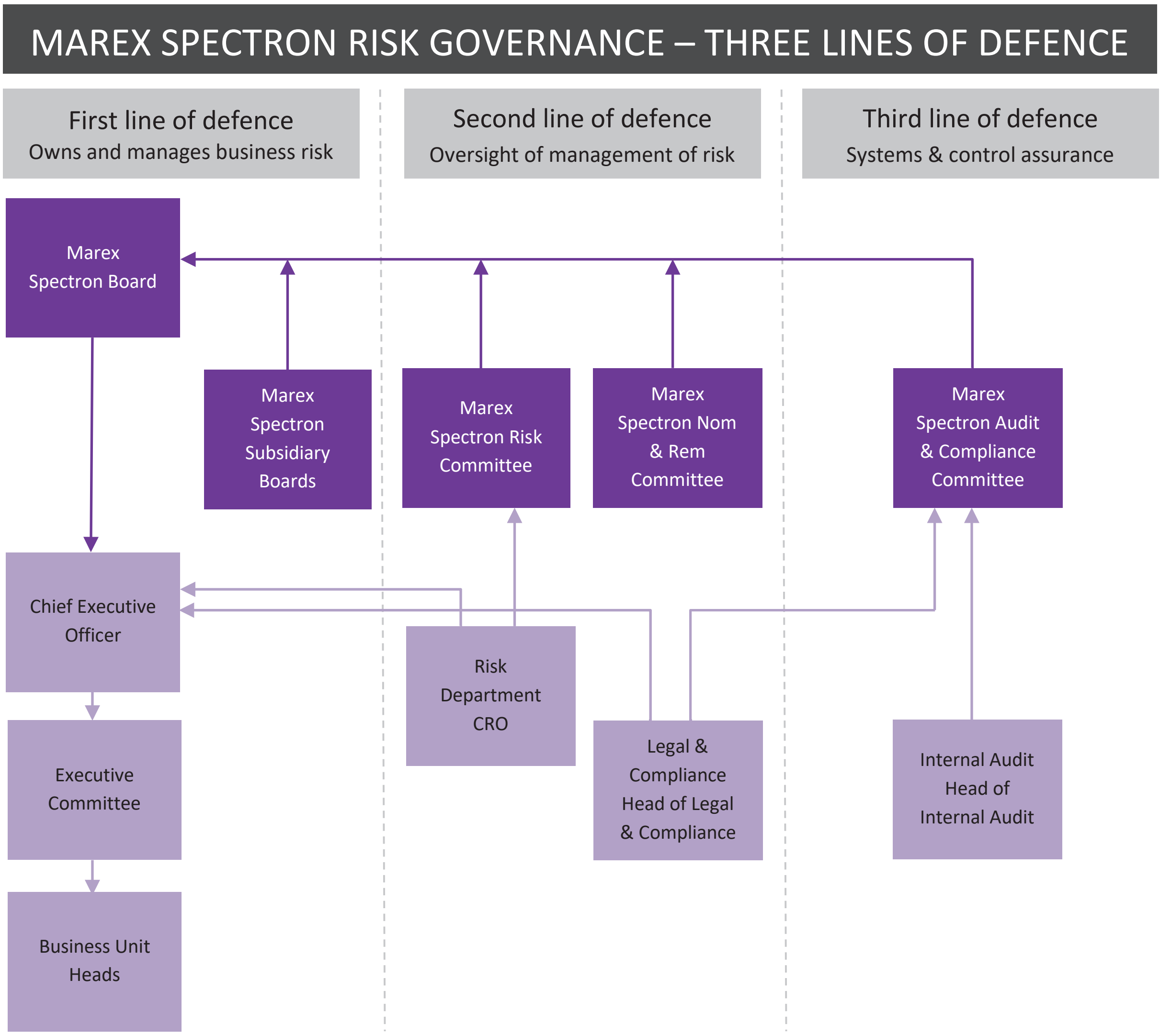
Business strategy, risk strategy and risk appetite are all aligned to ensure that decision making across the Group reflects the correct approach to risk. By taking into account the risks posed across each of the business lines, the effective management of capital and liquidity within Marex Spectron is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



Overview of risk management (continued)

Governance structure

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



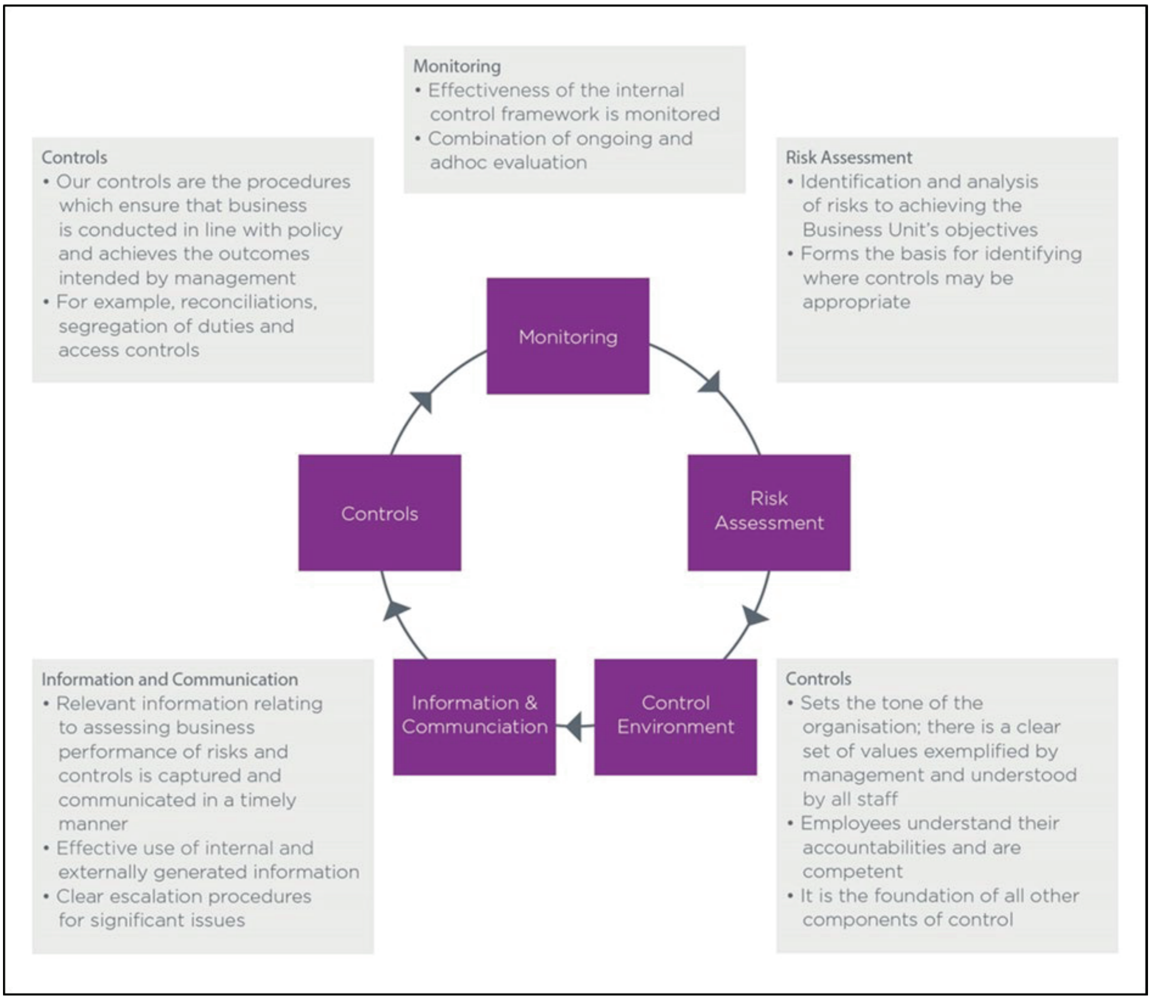
In pursuit of effective risk governance, a 'Three Lines of Defence' model has been adopted in conjunction with a strong risk culture, good communication and understanding and a strong sense of risk awareness across the Group:

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

Overview of risk management (continued)

Risk control and reporting framework

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



Risk policy framework

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

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

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

Overview of risk management (continued)

Internal audit

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

The Board's assessment of the principal risks

The directors of the Company confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Company faces a variety of risks that are inherent in its normal course of business. These risks can be categorised into: Financial; Operational; and Strategic and Business. The following are deemed to be the principal risks and uncertainties that could affect Marex Financial activities within each of these areas and are described, below, along with how the Company seeks to manage or mitigate each of these risk exposures.

Financial risk

Liquidity risk

Liquidity is essential to Marex Financial businesses. Liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet its obligations as they fall due or can only secure such resources at excessive cost.

Liquidity risk is assessed and managed under the Individual Liquidity Adequacy Assessment ('ILAA') and liquidity risk framework. The Company's liquidity could be impaired by an inability to sell assets or unforeseen outflows of cash or collateral. This situation may arise due to circumstances beyond Marex Spectron's control. This includes general market disruption, operational problems that affect third parties or the Company or from the perception amongst market participants that the Company is experiencing greater liquidity risk.

The Company's ability to sell assets may be further impaired if other market participants are seeking to sell similar assets at the same time as is likely to occur in a liquidity or other market crisis. Given the Company's significant position on a number of exchanges and its market-maker role, there is an expectation that the Company will continue to make a market in stress conditions.

To mitigate liquidity risk, the Company has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Company has sufficient resources to meet its margin requirements at clearing houses and third party brokers. There are strict guidelines in relation to the products and product duration into which excess liquidity can be invested.

Excess liquidity is invested in highly liquid instruments, such as cash deposits with financial institutions for a period of less than three months and US Treasuries with a maturity of up to two years.

The financial liabilities are based upon rates set on a daily basis, (apart from the Company's financing of warrants and the credit facility, where the rates are set for the term of the loan and / or repo). For assets not marked-to-market, there are no material differences between their carrying and fair value.

The Company has a varied client base that can hold both long and short positions in the same product. As a significant market maker, the Company's exchange exposure has, at any given point in time, some element of liquidity offset or aggregation benefit.

In the event of a liquidity issue arising, the Company has recourse to existing global cash resources. The Company also has a $15 million uncommitted overdraft facility and a $125 million committed revolving credit facility as additional contingency funding.

Overview of risk management (continued)

Financial risk (continued)

Credit risk

Credit risk is the risk that third parties who owe the Company money, securities or other assets fail to perform on their contractual obligations. This situation may arise due to their lack of liquidity, bankruptcy, operational failure as well as for other reasons. In addition, failure or concerns regarding a default by an institution could lead to significant liquidity problems, losses or subsequent defaults of other institutions. This could adversely affect the Company, given the commercial soundness of many financial institutions may be closely related as a result of clearing, credit, trading or other relationships between institutions.

The Company is exposed to credit risk arising from a number of sources, including:

- the temporary credit exposure that arises from the timing of margin payments, where the Company delivers margin to a clearing house before receiving the matching payment either from a non-credit client or from a credit client from whom margin has been called since the credit limit has been exceeded;
- the extension of credit to clients in relation to initial and variation margin payments;
- settlement risk arising from the release of currency or warrants prior to settlement by the counterparty – given that most settlement is on a delivery-versus-payment basis, this is mainly confined to a small number of trades in LME warrants with the most creditworthy counterparties; and
- exposure to non-client counterparties, including exchanges, clearing houses or deposit-taking institutions holding assets of the Company, including exchange memberships, default fund contributions and cash deposits.

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

Market risk

Market risk is defined as the risk of loss that arises from fluctuations in the values of the Company's traded positions due to adverse changes in market prices, volatilities, interest rates and foreign exchange. It also includes the risks that arise from open foreign exchange and interest rate positions on the balance sheet; for example, via our derivatives, cash and investment balances and bank borrowings.

The Company incurs market risk primarily as a result of taking positions in the course of its market-making business. The Company generally aims to match buyers and sellers in the markets where it operates: the Company has a relatively low appetite for intraday position risk, but in businesses such as Metals and Agricultural Commodities it is necessary to augment market liquidity with firm liquidity.

Market risk can also arise in relation to client-driven trading where timing issues or market opening hours result in the business carrying a position for a short period of time, typically overnight. Spread, outright and option risks result from cash and derivative exposures in commodities, foreign exchange and financial products. Risks are generally limited to highly liquid exchange-traded and foreign exchange contracts.

The Board has clearly defined its risk appetite for market risk and a variety of measurement methodologies, including Value-at-Risk ('VaR'), scenario analysis and stress testing are used to quantify and assess the levels of market risk to which the Company is exposed. Positions can be managed or additional hedging instruments can be acquired to ensure risk remains within the defined risk appetite.

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

STRATEGIC REPORT (CONTINUED)

<u>Overview of risk management (continued)</u>

Financial risk (continued)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains strong capital ratios in order to support its business growth as well as to maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In addition, the Company manages its capital so that it complies with the requirements of the regulatory authorities, as well as ensuring its capital base is adequate to cover the risks inherent in the business as defined in the Company's Internal Capital Adequacy Assessment Process ('ICAAP') document.

Foreign currency risk

As the majority of the revenue generated, and assets and liabilities of the Company are in US Dollars, there is a minimal exposure to structural currency risk.

The Company's policy is to minimise volatility as a result of the translation of foreign currency exposure. As such management monitors currency exposure on a daily basis and buys or sells currency to minimise the exposure, in addition to the hedging of material GBP exposures through the use of derivative instruments.

Foreign exchange sensitivity

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

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events. It is inherent in all the products, activities, processes and systems. Therefore, managing operational risk is considered the responsibility of all Company employees.

The Board recognises the business imperative to identify, assess, manage, mitigate and report operational risk. The firm adopts a 'Three Lines of Defence' model, where each line of defence has specific roles and responsibilities in the implementation of the Operational Risk Framework ('ORF'). The Risk Function has the responsibility to design, maintain and implement the ORF.

The Framework enables the directors to define the operational risk profile of the firm via the performance of periodic risk assessments, the collection of loss data through internal risk event reporting systems and the monitoring of the set of key risk indicators, ensuring the risk profile stays within the firm's risk appetite.

All the framework's components concur with the definition of the scenario analysis used in determining the Company's internal capital assessment for operational risk within its ICAAP.

Information security / cyber risk

Information security, data confidentiality, integrity and availability of information are of critical importance to our businesses. Technology risk is inherent not only in the Company's information technology assets, but also in the people and processes that interact with them. Cyber risk, which is part of technology risk, is the risk that the Company's systems will not operate properly or will be compromised as a result of cyber-attacks, security breaches, unauthorised access, loss, destruction or alteration of data, unavailability of service, computer viruses or other events that could have an adverse security impact. As a result, the Company could be subject to litigation, suffer financial loss not covered by insurance, experience disruption of businesses, liability to clients, regulatory intervention or reputational damage.

Although the Company has business continuity plans, businesses face a wide variety of operational risks, including technology risk arising from dependencies on information technology, third-party suppliers and the worldwide telecommunications infrastructure. The increasing sophistication of cyber-attacks means that a cyber-attack is inherently unpredictable and could occur without detection for an extended period of time.

The Company maintains active links with peer associations and appropriate government agencies to keep abreast of developments and has timely access to cyber threat intelligence. Service and infrastructure disruption risks are managed through Marex Spectron's business continuity management plan, the incident response plan, the operational risk management program and other contingency and resiliency plans.

Overview of risk management (continued)

Operational risk (continued)

Legal and compliance

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

The Company is subject to authorisation by the LME, the CME, the NYSE Euronext and Eurex. The Company is regulated in the UK by the FCA.

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

Strategic and business risk

This risk is defined as the impact of a change or a failure to change the Company's business model which impacts its ability to meet its strategic or financial objectives. It might arise from the pursuit of an unsuccessful business plan, from making slow or poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

The Company's Board and Executive Committee regularly review the Company's regulatory and business environment, the performance and capital requirements of its business lines, the level of investment in new and existing activities and its remuneration policy. The Company performs on-going surveillance of market trends, the regulatory landscape and customer demand. This is supported by risk scenario contingency planning and the assessment of emerging risks.

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

R S Watts
Director
10 April 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREX FINANCIAL

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity and movements in reserves;
- the cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 has been prepared in accordance with applicable legal requirements.

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

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

In our opinion the information given in Note 32 for the year ended 31 December 2018 has been prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Mark Rhys (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10 April 2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Revenue	5	242,634	189,900
Operating expenses		(208,516)	(172,471)
Operating profit	6	**34,118**	**17,429**
Other income	9	69	412
Other expense	9	(31,986)	-
Finance income	10	5,833	3,941
Finance expense	10	(3,795)	(4,096)
Profit before taxation	11(b)	**4,239**	**17,686**
Tax	11(a)	(399)	(3,518)
Profit after taxation		**3,840**	**14,168**

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Profit after taxation		3,840	14,168
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Gain on revaluation of investments	16(a)	104	541
Deferred tax credit / (charge) on revaluation of investments	11(c),21	39	(92)
Loss on cash flow hedge reserve	26	(574)	-
Loss on cost of hedge reserve	26	(46)	-
Other comprehensive (loss) / gain, net of tax		**(477)**	**449**
Total comprehensive income		**3,363**	**14,617**

All operations are continuing for the current and prior years.

The notes on pages 35 to 99 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Assets			
Non-current assets			
Goodwill	13	3,243	3,243
Intangible assets	14	1,359	297
Property, plant and equipment	15	297	571
Investments	16(a)	4,475	4,371
Investments in subsidiaries	16(b)	5,609	5,691
Deferred tax	21	351	473
Financial instruments – unpledged	17	34,287	35,472
Financial instruments – pledged as collateral	17	45,636	84,430
Total non-current assets		**95,257**	**134,548**
Current assets			
Derivative instruments	20	28,983	6,943
Financial instruments – unpledged	17	19,237	625
Financial instruments – pledged as collateral	17	76,508	55,001
Trade and other receivables	18	832,347	582,206
Corporation tax		3,794	-
Cash and cash equivalents		130,249	67,414
Total current assets		**1,091,118**	**712,189**
Total assets		**1,186,375**	**846,737**

The notes on pages 35 to 99 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

	Notes	2018 $'000	2017 $'000
Liabilities			
Current liabilities			
Derivative instruments	20	48,764	9,308
Trade and other payables	22	913,037	586,544
Short-term borrowings	19	-	60,000
Corporation tax		-	1,562
Provisions	23	32,179	291
Total current liabilities		**993,980**	**657,705**
Total liabilities		**993,980**	**657,705**
Total net assets		**192,395**	**189,032**
Equity			
Share capital	24, 25	160,050	160,050
Share premium	25	5,940	5,940
Retained earnings	25	27,008	23,168
Revaluation reserve	25	17	(126)
Cash flow hedge reserve	25, 26	(574)	-
Cost of hedge reserve	25, 26	(46)	-
Total equity		**192,395**	**189,032**

The financial statements on pages 29 to 99 were approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on its behalf by:

R S Watts
Director
10 April 2019
Registration Number: 05613061

STATEMENT OF THE CHANGES IN EQUITY AND MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Share premium $'000	Retained earnings $'000	Reval-uation reserve $'000	Cash flow hedge reserve $'000	Cost of hedge reserve $'000	Total $'000
At 1 January 2017	160,050	5,940	9,000	(575)	-	-	174,415
Profit for the period	-	-	14,168	-	-	-	14,168
Gain on revaluation of investments	-	-	-	541	-	-	541
Deferred tax on revaluation of investments	-	-	-	(92)	-	-	(92)
At 31 December 2017 and 1 January 2018	**160,050**	**5,940**	**23,168**	**(126)**	**-**	**-**	**189,032**
Profit for the period	-	-	3,840	-	-	-	3,840
Gain on revaluation of investments	-	-	-	104	-	-	104
Deferred tax on revaluation of investments	-	-	-	39	-	-	39
Loss on revaluation of hedge	-	-	-	-	(574)	(46)	(620)
At 31 December 2018	**160,050**	**5,940**	**27,008**	**17**	**(574)**	**(46)**	**192,395**

The notes on pages 35 to 99 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Profit before tax		4,239	17,686
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	6, 15	274	593
Amortisation of intangible assets	6, 14	79	76
Increase in provisions	23	31,888	26
Interest income		(5,833)	(3,941)
Interest expense		3,795	4,096
Provision for doubtful debts	6, 18	1,568	81
Operating cash flows before changes in working capital		**36,010**	**18,617**
Working capital adjustments:			
(Increase) / decrease in trade and other receivables		(251,919)	8,687
Increase / (decrease) in trade and other payables		331,506	(85,374)
Decrease / (increase) in amounts due from group undertakings		35	(16,306)
Increase in financial instruments – unpledged		16,667	(55,286)
Decrease / (increase) in financial instruments – pledged as collateral		(17,427)	(33)
(Increase) / decrease in derivative instruments – assets		(22,040)	17,069
Increase / (decrease) in derivative instruments – liabilities		39,456	(2,719)
(Decrease) / increase in amounts due to group undertakings		(5,013)	5,503
Cash inflow / (outflow) from operating activities		**127,275**	**(109,842)**
Corporation tax paid		(5,595)	(2,182)
Net cash inflow / (outflow) from operating activities		**121,680**	**(112,024)**

The notes on pages 35 to 99 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Notes	2018 $'000	2017 $'000
Investing activities			
Purchase of property, plant and equipment	15	-	(106)
Purchase of intangible assets	14	(1,141)	(300)
Proceeds from disposal of investments		-	309
Purchase of investments	16(a)	-	(68)
Decrease in investments		82	-
Net cash outflow from investing activities		**(1,059)**	**(165)**
Financing activities			
(Decrease) / increase in short-term borrowings		(60,000)	20,000
Interest received		5,999	2,937
Interest paid		(3,785)	(4,298)
Net cash (outflow) / inflow from financing activities		**(57,786)**	**18,639**
Net increase / (decrease) in cash and cash equivalents		**62,835**	**(93,550)**
Cash and cash equivalents			
Cash available on demand and short-term deposits at 1 January		67,414	160,964
Increase / (decrease) in cash		62,835	(93,550)
Cash and cash equivalents at 31 December		**130,249**	**67,414**

The notes on pages 35 to 99 form part o these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. GENERAL INFORMATION

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for determining whether, how much and when revenue arising from contracts with customers is recognised. It replaced lAS 18 Revenue and related interpretations.

The Company has adopted IFRS 15 with effect from 1 January 2018 and has adopted the modified retrospective approach without restatement of comparatives. Accordingly the information presented for 2017 has not been restated and is presented as previously reported under IAS 18.

The core principle of IFRS 15 is that revenue should be recognised depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 15 Revenue from Contracts with Customers (continued)

Specifically, the standard introduces a five-step approach to revenue recognition, which is to:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognised as and when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing or amount that the Company recognises. From the adoption of IFRS 15 the below listed revenue streams for Company continue to be recognised based on the following:

- execution and clearing commissions, which are recognised on a trade date basis;
- desk facilities, licence and software fees, and market data fees which are recognised on an accruals basis;
- net interest relating to activities of the Company are recognised on an accruals basis; and
- other income primarily comprises exchange rebates and is recognised on an accruals basis.

- IFRS 9 Financial instruments

The Company has applied IFRS 9 Financial Instruments from 1 January 2018, which replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) impairment for financial assets and (3) general hedge accounting. Under the transition methods chosen, comparative information has not been restated.

Details of these new requirements as well as their impact on the Company’s financial statements are described below.

(i) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

  (i) Classification and measurement of financial assets (continued)

Specifically:

- debt investment that are held within a business model whose objectives is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objectives is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ('FVTOCI'); and
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss ('FVTPL').

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets in regards to their classification and measurement:

- the Company's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the revaluation reserve;
- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and
- financial assets that were measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9.

None of the reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income.

  (ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss ('ECL') model as opposed to an incurred credit loss model under IAS 39. The ECL model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

  (ii) Impairment of financial assets (continued)

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on (1) debt investments subsequently measured at amortised cost or at FVTOCI, (2) lease receivables, (3) contract assets and (4) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, inclusive of forward-looking information.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Items existing as at 1 January 2018 that are subject to the impairment provisions of IFRS 9:

	Note	Credit risk attributes
Trade debtors	18	The Company applies the simplified approach and recognises lifetime ECL for these assets.
Default funds and deposits	18	Assessed to have low credit risk at each reporting date as amounts are held with reputable international financial institutions (i.e. exchanges and central counterparty clearinghouses ('CCP')).
Other debtors and loans receivable	18	As a result of undue cost and effort in the determination of credit risk, these amounts have been assessed to have a credit risk other than low. Accordingly, the Company recognises lifetime ECL from initial recognition for these amounts until they are derecognised.
Amounts due from exchanges, clearing houses and other counterparties	18	Amounts are assessed to have low credit risk at each reporting date as balances are held with reputable international financial institutions for which they perform a regulated function of credit risk mitigation within the financial markets. Included in this category are also amounts due from clients. Since no default has been experienced in the last 4 years the risk has been deemed low.
Financial instruments-pledged	17	As these are US Treasuries the amounts are assessed to have low credit risk at each reporting date
Financial instruments-unpledged	17	As these are US Treasuries the amounts are assessed to have low credit risk at each reporting date
Cash and cash equivalents		All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions
Amounts due from group undertakings	18	Balances are assessed to have low credit risk at each reporting date as balances are held with companies within the Group.

(iii) Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relate to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

  (iv) Disclosures in relation to the initial application of IFRS 9

The following table summarises the reconciliation of the classification and measurement of the Company's financial assets on 31 December 2017 under IAS 39 to 1 January 2018 under IFRS 9:

	FVTPL $'000	Available-for-sale $'000	Held-to-maturity $'000	Loans and receivables $'000	Amortised cost $'000	FVTOCI $'000	Total $'000
Financial assets:							
Cash and cash equivalents	-	-	-	67,414	-	-	67,414
Financial instruments	-	-	175,528	-	-	-	175,528
Amounts due from exchanges, clearing houses and other counterparties	203,482	-	-	284,306	-	-	487,788
Trade debtors	-	-	-	2,460	-	-	2,460
Default funds and deposits	-	-	-	57,622	-	-	57,622
Amounts due from group undertakings	-	-	-	27,006	-	-	27,006
Loans receivable	-	-	-	706	-	-	706
Other debtors	-	-	-	1,901	-	-	1,901
Investments – available-for-sale	-	4,371	-	-	-	-	4,371
Derivative instruments	6,943	-	-	-	-	-	6,943
31 December 2017 (under IAS 39)	**210,425**	**4,371**	**175,528**	**441,415**	**-**	**-**	**831,739**

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

(iv) Disclosures in relation to the initial application of IFRS 9 (continued)

	FVTPL $'000	Available-for-sale $'000	Held-to-maturity $'000	Loans and receivables $'000	Amortised cost $'000	FVTOCI $'000	Total $'000
31 December 2017 (under IAS 39)	210,425	4,371	175,528	441,415	-	-	831,739
Reclassifications:							
Cash and cash equivalents	-	-	-	(67,414)	67,414	-	-
Financial instruments	-	-	(175,528)	-	175,528	-	-
Amounts due from exchanges, clearing houses and other counterparties	-	-	-	(284,306)	284,306	-	-
Trade debtors	-	-	-	(2,460)	2,460	-	-
Default funds and deposits	-	-	-	(57,622)	57,622	-	-
Amounts due from group undertakings	-	-	-	(27,006)	27,006	-	
Loans receivable	-	-	-	(706)	706	-	-
Other debtors	-	-	-	(1,901)	1,901	-	-
Investments – available-for-sale	-	(4,371)	-	-	-	4,371	-
Derivative instruments	-	-	-	-	-	-	-
At 1 January 2018 (under IFRS 9)	**210,425**	**-**	**-**	**-**	**616,943**	**4,371**	**831,739**

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- IFRS 9 Financial instruments (continued)

(iv) Disclosures in relation to the initial application of IFRS 9 (continued)

The following tables summarises the reconciliation of the classification and measurement of the Company's financial liabilities on 31 December 2017 under IAS 39 to 1 January 2018 under IFRS 9:

	FVTPL $'000	Amortised cost $'000	Total $'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	2,691	528,371	531,062
Amounts due to group undertakings	-	29,023	29,023
Derivative instruments	9,308	-	9,308
Other creditors	-	834	834
Accruals	-	24,019	24,019
Deferred income	-	6	6
Short-term borrowings	-	60,000	60,000
31 December 2017 (under IAS 39) and 1 January 2018 (under IFRS 9)	**11,999**	**642,253**	**654,252**

There is no change in the classification and recognition of financial liabilities upon adoption of IFRS 9 on 1 January 2018.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

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

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing Costs*
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

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

- IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019 for which the Company will not be adopting early. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right of use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption.

The Company does not expect this guidance will have a material impact on its net profit, but it will result in a gross up of the balance sheet due to the recognition of right-of-use assets and lease liabilities based on the present value of remaining operating lease payments. Under the proposed adoption method it would result in the recognition of a right-of-use asset of $5,104,355, a lease liability of $5,911,212 and a cumulative effect adjustment to retained earnings of $593,699, on the adoption date of 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

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

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

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

The principal accounting policies adopted are set out below.

(b) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company 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.

(d) Goodwill

Goodwill is initially recognised and measured as set out above.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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

Revenue comprises the following:

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

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

(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 Company 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.

(h) Leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Borrowing costs

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

(j) Foreign currency translation

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

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

(k) Employee benefits

Short-term employee benefits

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

Retirement benefits: defined contribution schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

Current tax and deferred tax for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

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

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

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

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

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

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

(n) Intangible assets

Internally generated intangible assets (software development costs)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets (continued)

<u>Software licences</u>

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

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

(o) Impairment of non-financial assets

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

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

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

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

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

(p) Financial instruments

<u>Initial recognition and measurement</u>

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

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

<u>Effective interest method</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

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 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 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 FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

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

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

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

Amortised cost and effective interest method

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest method (continued)

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

Debt instruments classified as at FVTOCI

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the 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, they will be transferred to retained earnings.

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

Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Impairment of financial assets

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Impairment of financial assets (continued)

Definition of default

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

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses (continued)

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

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

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

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

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the 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 Company classifies its financial liabilities into the following categories, depending on the purpose for which the liability was assumed:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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

Derivative instruments

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

(q) Hedge accounting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

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

(s) Cash and non-cash distributions

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

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

(t) Client money

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimates

- Impairment of non-financial assets

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

- Fair value of financial instruments

The Company determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts, quoted market prices of comparable instruments or unobservable inputs which are considered reasonably possible. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Further information on the carrying amounts of these assets and the sensitivity of those amounts to change in unobservable inputs are provided in note 28.

- Provisions and contingent liabilities

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

- Provisions against trade and other receivables

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

(b) Judgements

- Taxation

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

The Company 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 Company has considered their carrying value as at 31 December 2018 and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover recognised deferred tax assets.

5. REVENUE

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

	2018 $'000	2017 $'000
Execution and clearing commissions	150,998	132,880
Market making	69,621	32,625
Desk facility and market data fees	5,983	6,575
Net interest income	9,311	7,309
Other income	6,721	10,511
	242,634	**189,900**

31 December 2018	North America $'000	Europe $'000	Asia $'000	Total $'000
Commodities	7	141,321	21,099	162,427
Financial Futures and Options	-	5,705	-	5,705
Protrader	-	50,486	-	50,486
Marex Solutions	-	7,081	-	7,081
Other	-	16,935	-	16,935
Revenue	**7**	**221,528**	**21,099**	**242,634**

31 December 2017	North America $'000	Europe $'000	Asia $'000	Total $'000
Commodities	886	106,588	13,345	120,819
Financial Futures and Options	-	11,591	-	11,591
Protrader	-	43,508	-	43,508
Marex Solutions[1]	-	(75)	-	(75)
Other	-	14,052	5	14,057
Revenue	**886**	**175,664**	**13,350**	**189,900**

[1] Marex Solutions has now been presented as a separate business segment. Accordingly, the 2017 disclosures have been aligned to the current presentation.

6. OPERATING PROFIT

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

	Notes	2018 $'000	2017 $'000
Staff costs	8	71,352	60,227
Depreciation of property, plant and equipment	15	274	593
Amortisation of intangible assets	14	79	76
Charges under operating leases	27	5,063	4,411
Provision for doubtful debts	18(b)	1,568	81
Management recharges - in		44,756	43,154
Management recharges - out		(24,357)	(21,930)
Foreign exchange (gains) / losses		(90)	133

7. AUDITOR'S REMUNERATION

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

	2018 $'000	2017 $'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Audit of the Company's annual accounts	301	119
Total audit fees	**301**	**119**

	2018 $'000	2017 $'000
Fees payable to the Company's auditor for other services comprise:		
Audit-related assurance services	45	68
Other taxation advisory services	6	-
Other services	59	9
Total non-audit fee	**110**	**77**

Audit fees for the Company for the year ended 31 December 2018 and the prior year were paid by a group undertaking.

8. STAFF COSTS

	2018 Number	2017 Number
Front office	116	114
Control & support	211	200
Average monthly number of staff	**327**	**314**

	2018 $'000	2017 $'000
Aggregate wages and salaries	61,400	51,921
Employer's National Insurance contributions and similar taxes	8,034	6,822
Short-term monetary benefits	176	215
Defined pension contribution cost	1,129	955
Apprenticeship levy	159	132
Redundancy payments	454	182
Total staff costs (note 6)	**71,352**	**60,227**

As at 31 December 2018, there were contributions totalling $201,038 (2017: $178,488) payable to the defined contribution pension scheme by the Company.

9. OTHER INCOME AND EXPENSE

	Notes	2018 $'000	2017 $'000
Other income			
Dividends received		34	164
Other		35	248
		69	**412**

	Notes	2018 $'000	2017 $'000
Other expense			
Legal provisions	23	(31,904)	-
Impairment of subsidiary		(82)	-
		(31,986)	**-**

10. FINANCE INCOME AND EXPENSE

	2018 $'000	2017 $'000
Finance income		
Bank interest income	725	595
Interest income on financial instruments	5,108	3,346
	5,833	**3,941**

	2018 $'000	2017 $'000
Finance expense		
Bank interest expense	(755)	(1,072)
Credit facility interest expense	(3,040)	(3,024)
	(3,795)	**(4,096)**

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

11. TAXATION

(a) Tax charge

	Notes	2018 $'000	2017 $'000
Current tax			
UK corporation tax on profit for the year		964	2,940
Adjustment in respect of prior years		(726)	286
		238	**3,226**
Deferred tax			
Origination and reversal of temporary differences		151	286
Adjustment in respect of prior years – other		10	6
	21	**161**	**292**
Tax charge for the year	11(b)	**399**	**3,518**

(b) Reconciliation between tax charge and profit before tax

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK 19.00% (2017: 19.25%). Finance (No. 2) Act 2015 enacted reductions in the UK corporation tax rate to 19.00% with effect from 1 April 2017. Accordingly, UK corporation tax for this accounting period has been calculated at 19.00% of the estimated assessable profits for the period. Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17.00% by 2020 and this reduction in the tax rate will impact the current tax charge in future periods.

	Notes	2018 $'000	2017 $'000
Profit before tax		**4,239**	**17,686**
Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)		804	3,405
Explained by:			
Expenses not deductible for tax purposes		82	98
Income not subject to tax		(7)	(76)
Foreign exchange and other differences		236	137
Prior year adjustments		(716)	292
Group relief received for nil consideration		-	(338)
Tax charge for the year	11(a)	**399**	**3,518**

(c) Amounts recognised in other comprehensive income

Amounts directly recognised in the statement of other comprehensive income relate to FVTOCI financial assets. The amount recognised in 2018 is a deferred tax credit of $39,000 (2017: deferred tax charge of $92,000).

12. DIVIDENDS PAID AND PROPOSED

No dividends were paid during the year ended 31 December 2018 (2017: $ nil).

13. GOODWILL

	$'000
Cost	
At 1 January 2017, 1 January 2018, 31 December 2017 and 31 December 2018	**12,902**
Accumulated impairment losses	
At 1 January 2017, 1 January 2018, 31 December 2017 and 31 December 2018	**9,659**
Net book value	
At 31 December 2017 and 31 December 2018	**3,243**

(a) Goodwill impairment testing

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

	Protrader $'000	Total $'000
At 31 December 2017 and 31 December 2018	**3,243**	**3,243**

The Company performed the annual impairment test as at 31 December 2018 and 2017. 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.

(b) Key assumptions

- 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.
- The price earnings multiples applied are derived from comparable peer multiples.
- Comparable peers are those which our stakeholders evaluate our performance against whilst the price earnings multiples are obtained from third party market data providers. Whilst third party data considers this to be a Level 1 input, management applies a level of judgement in determining the price earning multiple and as such is considered to be a Level 2 input.

14. INTANGIBLE ASSETS

	Software development $'000	Internally generated software $'000	Total $'000
Cost			
At 1 January 2017	6,022	-	6,022
Additions	-	300	300
At December 2017 and 1 January 2018	**6,022**	**300**	**6,322**
Additions	1,141	-	1,141
Disposals	-	-	-
At 31 December 2018	**7,163**	**300**	**7,463**
Impairment provisions and amortisation			
At 1 January 2017	5,949	-	5,949
Charge for the year (note 6)	61	15	76
At December 2017 and 1 January 2018	**6,010**	**15**	**6,025**
Charge for the year (note 6)	19	60	79
At 31 December 2018	**6,029**	**75**	**6,104**
Net book value			
At 31 December 2018	**1,134**	**225**	**1,359**
At 31 December 2017	12	285	297

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments $'000	Computer equipment $'000	Furniture, fixtures and fittings $'000	Total $'000
Cost				
At 1 January 2017	3,742	12,916	3,207	19,865
Additions	5	101	-	106
Disposals	-	(13)	-	(13)
At 1 January 2018	**3,747**	**13,004**	**3,207**	**19,958**
Disposals	-	(79)	-	(79)
At 31 December 2018	**3,747**	**12,925**	**3,207**	**19,879**
Depreciation				
At 1 January 2017	3,413	12,417	2,977	18,807
Charge for the year (note 6)	162	362	69	593
Disposals	-	(13)	-	(13)
At 1 January 2018	**3,575**	**12,766**	**3,046**	**19,387**
Charge for the year (note 6)	110	150	14	274
Disposals	-	(79)	-	(79)
At 31 December 2018	**3,685**	**12,837**	**3,060**	**19,582**
Net book value				
At 31 December 2018	**62**	**88**	**147**	**297**
At 31 December 2017	172	238	161	571

16. INVESTMENTS

(a) Investments

	2018 $'000	2017 $'000
Cost		
At 1 January	4,371	3,762
Revaluation	104	541
Additions	-	68
At 31 December	**4,475**	**4,371**
Listed investments	1,646	1,278
Unlisted investments	2,829	3,093
	4,475	**4,371**

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

(b) Investments in subsidiaries

	2018 $'000	2017 $'000
Cost		
At 1 January	5,691	5,997
Impairment	(82)	(306)
At 31 December	**5,609**	**5,691**

16. INVESTMENTS (CONTINUED)

(c) Subsidiaries and undertakings

The subsidiaries of the Company as at 31 December 2018 are as follows:

Subsidiaries held directly

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

17. FINANCIAL INSTRUMENTS – PLEDGED AND UNPLEDGED

(a) Pledged as collateral

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

During the year, the Company has pledged $122,144,479 (2017: $139,430,612) US Treasuries to counterparties as collateral for financing transactions. Financial instruments which have been pledged in this way are held under certain terms and conditions set out in specific agreements with each counterparty. In these agreements it is generally stated that whilst the US Treasury is pledged at the counterparty the Company cannot:

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

(b) Unpledged

Unpledged financial instruments comprise of $53,524,003 (2017: $36,097,539) US Treasuries which will fully mature by 31 December 2020.

18. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Amounts due from exchanges, clearing houses and other counterparties	744,319	487,788
Trade debtors	2,715	2,460
Default funds and deposits	54,364	57,622
Amounts due from group undertakings	26,971	27,006
Loans receivable	634	706
Other debtors	1,845	2,652
Prepayments	1,499	3,972
	832,347	**582,206**

Included in the amounts due from exchanges, clearing houses and other counterparties are segregated balances of $478,390,625 (2017: $385,607,142) and non-segregated balances of $265,928,075 (2017: $102,181,231).

Trade receivables disclosed above are measured at amortised cost with the exception of amounts due from exchanges, clearing houses and other counterparties of $225,143,832 (2017: $203,481,640) which are classified as fair value through profit or loss.

Included in other debtors is $39,618 (2017: $296,442) 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.

Amounts due from exchanges, clearing houses and other counterparties and trade debtors are stated after deducting impairment provisions of $2,628,000 (2017: $1,078,000).

Trade and other receivables are assessed on an individual basis for impairment, with a provision of $2,628,000 (2017:1,078,000) recognised for the Company's entire exposure on the impaired trade and other receivables. The provision is inclusive of specific provisions and amounts recognised under expected credit losses. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018 $'000	2017 $'000
Less than 30 days	691	679
31 to 60 days	387	305
61 to 90 days	351	173
91 to 120 days	118	99
More than 120 days	432	145
	1,979	**1,401**

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

	2017 $'000
As at 1 January	1,091
Charged to the income statement (note 6)	81
Bad debts written off	(78)
Foreign exchange revaluation	(16)
At 31 December	**1,078**

The opening balance for the collective provision of doubtful debts measured under IAS 39 is now presented as 12 months and lifetime expected credit losses following the adoption of IFRS 9, with no restatement to prior period comparatives. Refer to note 2(a) for information on the adoption of IFRS 9.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018				
	Provision for 12 months ECL $'000	Provision for lifetime ECL $'000	Provision for lifetime ECL credit impaired $'000	Specific provision for lifetime ECL $'000	Total $'000
At 1 January	-	-	-	1,078	1,078
Bad debts written off	-	-	-	(22)	(22)
Charged to the income statement	-	-	-	1,568	1,568
Foreign exchange revaluation	-	-	-	4	4
At 31 December	**-**	**-**	**-**	**2,628**	**2,628**

19. SHORT-TERM BORROWINGS

	2018 $'000	2017 $'000
Borrowings at amortised cost		
Secured revolving credit facility	-	60,000
	-	**60,000**

The Company has a committed revolving credit facility of up to $125,000,000 with a renewal date of 30 June 2019. This facility is renewable annually. As at 31 December 2018, the facility was unutilised (2017: $60,000,000). The credit agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants throughout the year. Interest on the amount utilised is calculated at a floating rate consisting of currency LIBOR plus a spread. Interest on the unutilised portion is charged at a fixed percentage rate.

As at 31 December 2018, the Company has an uncommitted overdraft facility of up to $15,000,000 repayable on demand. As at 31 December 2018, the Company did not utilise any of the overdraft facility (2017: $nil). The overdraft agreement contains certain financial and other covenants. The Company was in compliance with all applicable covenants throughout the year. The interest rate on the overdraft facility is calculated using an internal floating rate (provided by the lending bank) plus a fixed spread.

20. DERIVATIVE INSTRUMENTS

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

Financial assets	2018 $'000	2017 $'000
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	2,789	122
Agricultural option contracts	5,200	-
Energy forward contracts	4,475	-
Energy options contracts	5,337	-
Foreign currency forward contracts	5,724	2,631
Foreign currency option contracts	2	-
Precious metal forward contracts	5,431	4,121
Precious metal option contracts	25	69
	28,983	**6,943**

Financial liabilities	2018 $'000	2017 $'000
Held for trading derivatives carried at fair value through profit or loss ('FVTPL') that are not designated in hedge accounting relationships:		
Agricultural forward contracts	1,846	169
Agricultural option contracts	916	-
Energy forward contracts	3,559	-
Energy options contracts	2,024	-
Foreign currency forward contracts	8,229	2,499
Foreign currency option contracts	19	8
Precious metal forward contracts	14,610	6,632
Precious metal option contracts	53	-
Interest rate options	16,888	-
Held for trading derivatives that are designated in hedge accounting relationships:		
Foreign currency forward contracts	620	-
	48,764	**9,308**

21. DEFERRED TAX

	2018 $'000	2017 $'000
Revaluation of investments	(586)	(624)
Depreciation in excess of capital allowances	903	1,067
Other	34	30
31 December	**351**	**473**

	2018 $'000	2017 $'000
At 1 January	473	857
Charged to the income statement (note 11(a))	(161)	(292)
Credited / (charged) to other comprehensive income	39	(92)
31 December	**351**	**473**

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

Deferred tax balances have been calculated at the effective tax rate ruling at the balance sheet date. Finance (No. 2) Act 2015 reduced the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% from 1 April 2020 and was substantively enacted on 15 September 2016. The reduction of the UK corporation tax rate to 17% has been recognised in the deferred tax charge within the closing deferred tax position.

(a) Unrecognised deferred tax assets

The Company has unrecognised deferred tax assets in respect of:

- employee compensation deductions of $4,594,000 (2017: $4,865,000). The potential deferred tax asset at 17% (2017: 17%) is $781,145 (2017: $827,131). These assets have not been recognised as it is not foreseeable when a tax deduction will arise.

22. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Amounts due to exchanges, clearing houses and other counterparties	852,905	531,062
Amounts due to group undertakings	24,010	29,023
Other tax and social security taxes	1,393	1,600
Other creditors	1,218	834
Accruals	33,471	24,019
Deferred income	40	6
	913,037	**586,544**

Included in the amounts due to exchanges, clearing houses and other counterparties are segregated balances of $516,027,515 (2017: $385,428,836) and non-segregated balances of $336,877,485 (2017: $145,633,164). No amounts were included in the non-segregated balance of $336,877,485 which are classified as fair value through profit or loss (2017: $2,691,187).

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

23. PROVISIONS

	Legal $'000	Leasehold dilapida-tions $'000	Total $'000
Non-current			
At 1 January 2018	-	291	291
Movement in the year:			
Arising during the year	31,904	-	31,904
Foreign exchange valuation	-	(16)	(16)
	31,904	**(16)**	**31,888**
At 31 December 2018	**31,904**	**275**	**32,179**

(a) Leasehold dilapidations

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

23. PROVISIONS (CONTINUED)

(b) Legal

During the period from 22 November 2016 to 10 January 2017, Marex Financial ('MF') brokered five spot purchase contracts of 16 nickel warehouse receipts on behalf of a customer with Natixis S.A. ('Natixis') providing financing. Prior to the transactions, MF engaged the relevant warehouse company, Access World Logistics (Singapore) Pte Ltd ('Access World'), to independently inspect and authenticate the warehouse receipts. Only once the warehouse receipts had been authenticated (parcels 1 and 2 via scanned copy and parcels 3 to 5 in original form) by Access World and the metal in the warehouses independently validated by an external party did MF proceed with the transactions.

On 27 January 2017, Access World released the following statement indicating an issue regarding its warehouse receipt, "Access World has become aware that there are forged warehouse receipts in our name circulating in the market".

Subsequent to the transactions taking place, Natixis was informed by Access World that, notwithstanding the authentication carried out by Access World, the warehouse receipts were not genuine. Natixis has alleged that MF is in breach of its delivery and title obligations and has issued a claim against MF for US$32,100,000 plus interest pursuant to s35A of the Supreme Courts Act 1981 and costs to be assessed.

MF has joined Access World to the proceedings under Part 20 of the Civil Procedure Rules on the basis that Access World authenticated the warehouse receipts as genuine. It should also be noted that Natixis has issued a claim directly against Access World. Recoveries from MF's negligence claim against Access World are expected to cover any additional costs associated with the case, such as hedging and assessed legal costs.

The situation is, therefore, that multiple claims by the various parties have been joined together into one consolidated legal proceeding. This reflects the legal convention in multiparty actions under Part 20 of the Civil Procedure Rules. The trial judge who hears the case will issue a single judgement which will dispose of all of the parties' claims simultaneously. The outcome of that judgement will be recorded in a single court order which will set out the liabilities of the parties to each other as determined by the judge. The proceedings took place in January 2019 and, based on advice from legal counsel, a provision for $31.9 million has been recognised in the financial statements whilst the final judgement is pending.

24. SHARE CAPITAL

	Issued and fully paid		Issued and fully paid	
	2018 Number	**2018 $'000**	**2017 Number**	**2017 $'000**
Ordinary shares of $1.65 each	97,000,001	160,050	97,000,001	160,050
	97,000,001	**160,050**	**97,000,001**	**160,050**

The rights of the shares are as follows:

Class of share	Rights
Ordinary shares	Full voting rights and right to participate in ordinary dividends ranking pari passu with non-voting ordinary shares. In the event of a winding up, entitled to a return of capital ranking pari passu with non-voting ordinary shares and no right of redemption.

25. 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.
Cost of hedge reserve	Cumulative unavoidable 'cost' on hedging instruments deemed effective cash flow hedges.

26. CASH FLOW HEDGE RESERVE

	Cash flow hedge reserve $'000	Cost of hedge reserve $'000	Total $'000
At 1 January 2018	-	-	-
Loss on revaluation	574	46	620
At 31 December 2018	**574**	**46**	**620**

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.

27. LEASE COMMITMENTS

The Company has entered into commercial leases on its properties.

The lessee has the options of renewal on each of these leases subject to negotiation between the Company, as lessee, and each landlord in the period preceding the expiration of each lease. There were no restrictions placed upon the lessee by entering into these leases.

	Notes	2018 $'000	2017 $'000
Lease payments under operating leases recognised as an expense in the year	6	5,063	4,411

The total future minimum lease payments are due as follows:

	2018 $'000	2017 $'000
Within one year	3,370	5,001
In the second to fifth years inclusive	4,328	8,103
	7,698	**13,104**

The total sublease receipts included in the income statement during the year is $634,095 (2017: $656,021).

The total future minimum sublease receipts are due as follows:

	2018 $'000	2017 $'000
Within one year	434	459
In the second to fifth years inclusive	722	1,224
	1,156	**1,683**

28. FINANCIAL INSTRUMENTS

Capital risk managementFor the purpose of the Company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 24 and 25. The primary objective of the Company's capital management is to maximise shareholder value.

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

As at 31 December 2018 the Company had capital resources in excess of the external requisite minimum requirements. These requirements are driven by European legislation (Capital Requirements Regulation 'CRR') to ensure the Company has an adequate capital base to support the nature and scale of its operations. Management of regulatory capital forms an important part of the Group's risk governance structure. A robust programme of regular monitoring and review takes place to ensure the Company is in adherence with local rules and has capital in excess of external and internal limits. Regular submissions are made and constantly maintained with internal limits assessed against the Group's risk appetite, as determined by the Board.

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

(a) Categories of financial instruments

Set out below is an analysis of the Company categories of financial assets as at 31 December 2018. For an analysis of the classification and recognition of financial assets for Company on the adoption of IFRS 9 on the 1st of January 2018 refer to note 2(a).

	FVTPL $'000	FVTOCI $'000	Amortised cost $'000	Total $'000
Financial assets:				
Cash and cash equivalents	-	-	130,249	130,249
Financial instruments	-	-	175,668	175,668
Amounts due from exchanges, clearing houses and other counterparties	225,144	-	519,175	744,319
Amounts due from group undertakings	-	-	26,971	26,971
Trade debtors	-	-	2,715	2,715
Default funds and deposits	-	-	54,364	54,364
Loans receivable	-	-	634	634
Other debtors	-	-	1,547	1,547
Investments	-	4,475	-	4,475
Derivative instruments	28,983	-	-	28,983
31 December 2018	**254,127**	**4,475**	**911,323**	**1,169,925**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	FVTPL $'000	Available-for-sale $'000	Held-to-maturity $'000	Loans and receivables $'000	Total $'000
Financial assets:					
Cash and cash equivalents	-	-	-	67,414	67,414
Financial instruments	-	-	175,528	-	175,528
Amounts due from exchanges, clearing houses and other counterparties	203,482	-	-	284,306	487,788
Amounts due from group undertakings	-	-	-	27,006	27,006
Trade debtors	-	-	-	2,460	2,460
Default funds and deposits	-	-	-	57,622	57,622
Loans receivable	-	-	-	706	706
Other debtors	-	-	-	1,901	1,901
Investments – available-for-sale	-	4,371	-	-	4,371
Derivative instruments	6,943	-	-	-	6,943
31 December 2017	**210,425**	**4,371**	**175,528**	**441,415**	**831,739**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Set out below is an analysis of the Company's categories of financial liabilities as at 31 December 2018. For an analysis of the classification and recognition of financial assets for Company on the adoption of IFRS 9 on 1 of January 2018 refer to note 2(a).

	FVTPL $'000	Amortised cost $'000	Total $'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	-	852,905	852,905
Derivative instruments	48,764	-	48,764
Other creditors	-	1,218	1,218
Accruals	-	33,471	33,471
Amounts due to group undertakings	-	24,010	24,010
Deferred income	-	40	40
31 December 2018	**48,764**	**911,644**	**960,408**

	FVTPL $'000	Amortised cost $'000	Total $'000
Financial liabilities:			
Amounts due to exchanges, clearing houses and other counterparties	2,691	528,371	531,062
Derivative instruments	9,308	-	9,308
Other creditors	-	834	834
Accruals	-	24,019	24,019
Amounts due to group undertakings	-	29,023	29,023
Deferred income	-	6	6
Short-term borrowings	-	60,000	60,000
31 December 2017	**11,999**	**642,253**	**654,252**

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The effect of offsetting is disclosed, below:

31 December 2018	Gross amount $'000	Amounts set-off $'000	Net amount presented $'000	Non-cash collateral rec'd / (pledged) $'000	Cash collateral rec'd / (pledged) $'000	Net amount $'000
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,182,718	(438,399)	744,319	-	-	744,319
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	1,291,304	(438,399)	852,905	(122,144)	-	730,761

31 December 2017	Gross amount $'000	Amounts set-off $'000	Net amount presented $'000	Non-cash collateral rec'd / (pledged) $'000	Cash collateral rec'd / (pledged) $'000	Net amount $'000
Financial assets						
Amounts due from exchanges, clearing houses and other counterparties	1,390,834	(903,046)	487,788	-	-	487,788
Financial liabilities						
Amounts due to exchanges, clearing houses and other counterparties	1,434,108	(903,046)	531,062	(139,431)	-	391,631

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives

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

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

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

<u>Credit risk</u>

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

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

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Credit quality

The table below does not take into account collateral held.

	2018 $'000	2017 $'000
AA and above	299,362	176,824
AA-	14,741	65,253
A+	51,295	49,530
A	94,904	144,586
A-	4,669	755
BBB+	1	29
Lower and unrated	704,953	394,762
	1,169,925	**831,739**

Financial assets	2018 $'000	2017 $'000
Investments	4,475	4,371
Financial instruments	175,668	175,528
Derivative assets	28,983	6,943
Amounts due from exchanges, clearing houses and other counterparties	744,319	487,788
Trade debtors	2,715	2,460
Default funds and deposits	54,364	57,622
Amounts due from group undertakings	26,971	27,006
Loans receivable	634	706
Other debtors	1,547	1,901
Cash and cash equivalents	130,249	67,414
	1,169,925	**831,739**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Credit quality (continued)

The Company has received collateral in respect of its derivative assets during the year ended 31 December 2018 amounting to $25,756,365(2017: $ nil). Collateral was recognised in amounts due to exchanges, clearing houses and other counterparties as at 31 December 2018.

Market risk

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

Market risk sensitivity

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

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

Value at risk ('VaR')

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

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

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

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

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

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

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Value at risk ('VaR') (continued)

The Company recognises these limitations by augmenting its VaR limits with other position and sensitivity limit structures. The Company also applies a wide range of stress testing, both on individual portfolios and on the Company's consolidated positions. The VaR as at 31 December 2018 was $1,275,766 (2017: $1,349,517) and the average monthly VaR for the year ended 31 December 2018 was $1,443,498 (2017: $1,453,529).

Foreign currency risk

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

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

'The following table details the foreign currency forward contracts, held within derivatives on the statement of financial position, that are designated in hedging relationships,31 December 2018.

	2018			
Outstanding contracts	**Average forward rates**	**Foreign currency $'000**	**Notional value £'000**	**Fair value liabilities $'000**
Derivative designated as Cash flow hedges				
Less than 3 months	1.2963	6,692	5,156	94
3 to 6 months	1.3019	6,958	5,339	99
6 to 12 months	1.3112	13,843	10,548	208
More than 12 months	1.3183	14,518	11,003	219
		42,011	**32,046**	**620**

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Foreign currency risk (continued)

As at 31 December 2018, 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 $619,512. It is anticipated that these commitments will come due monthly over the course of the next 14 months, at which time the amount deferred in equity will be reclassified to profit or loss.

As at 31 December 2018, no ineffectiveness has been recognised in profit or loss arising from the hedging of these future dated GBP commitments.

Foreign exchange sensitivity

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

Interest rate risk

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

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

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

Operational risk

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

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

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

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

<u>Concentration risk</u>

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

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

The largest concentration of cash balances as at 31 December 2018 was 93% (2017: 94%) to a UK-based, AA rated global banking group (2017: UK-based, AA- rated global banking group).

The largest concentration of exposures to exchanges, clearing houses and other counterparties as at 31 December 2018 was 40% (2017: 38%) to the LME (2017: LME).

<u>Liquidity risk</u>

The Company defines liquidity risk as the failure to meet its day-to-day capital and cash flow requirements. Liquidity risk is assessed and managed under the Individual Liquidity Adequacy Assessment (‘ILAA’) and Liquidity Risk Framework. To mitigate liquidity risk, the Company has implemented robust cash management policies and procedures that monitor liquidity daily to ensure that the Company has sufficient resources to meet its margin requirement at clearing houses and third party brokers. In the event of a liquidity issue arising, the Company has recourse to existing global cash resources after which it could draw down on a $125 million committed revolving credit facility as an additional contingency funding.

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

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

Liquidity risk exposures

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

	Notes	2018 $'000	2017 $'000
Financing facilities			
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used	19	-	-
Amount unused		15,000	15,000
		15,000	**15,000**
Secured revolving credit facility, reviewed annually:			
Amount used	19	-	60,000
Amount unused		125,000	55,000
		125,000	**115,000**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

Liquidity risk exposures

The following table details the Company's expected undiscounted contractual maturity for non-derivative financial liabilities:

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Amounts due to exchanges, clearing houses and other counterparties	852,905	-	-	-	852,905
Other creditors	-	1,218	-	-	1,218
Accruals	-	33,471	-	-	33,471
Deferred income	-	40	-	-	40
Amounts due to group undertakings	24,010	-	-	-	24,010
At 31 December 2018	**876,915**	**34,729**	**-**	**-**	**911,644**

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Amounts due to exchanges, clearing houses and other counterparties	531,062	-	-	-	531,062
Other creditors	-	834	-	-	834
Accruals	-	23,916	103	-	24,019
Deferred income	-	6	-	-	6
Amounts due to group undertakings	29,023	-	-	-	29,023
Short-term borrowings	-	60,000	-	-	60,000
At 31 December 2017	**560,085**	**84,756**	**103**	**-**	**644,944**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Amounts due from exchanges, clearing houses and other counterparties	744,319	-	-	-	744,319
Trade debtors	-	2,715	-	-	2,715
Default funds and deposits	-	54,364	-	-	54,364
Loans receivable	450	-	184	-	634
Other debtors	-	1,547	-	-	1,547
Cash and cash equivalents	130,249	-	-	-	130,249
Amounts due from group undertaking	26,971	-	-	-	26,971
Financial instruments	-	25,087	70,658	79,923	175,668
At 31 December 2018	**901,989**	**83,713**	**70,842**	**79,923**	**1,136,467**

	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	487,788	-	-	-	487,788
Trade debtors	-	2,460	-	-	2,460
Default funds and deposits	-	57,622	-	-	57,622
Loans receivable	477	-	229	-	706
Other debtors	-	1,901	-	-	1,901
Cash and cash equivalents	67,414	-	-	-	67,414
Amounts due from group undertaking	27,006	-	-	-	27,006
Financial instruments	-	35,433	20,194	119,901	175,528
At 31 December 2017	**582,685**	**97,416**	**20,423**	**119,901**	**820,425**

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Derivative instruments - assets	-	13,695	14,151	1,137	28,983
Derivative instruments - liabilities	-	(22,898)	(24,019)	(1,847)	(48,764)
At 31 December 2018	**-**	**(9,203)**	**(9,868)**	**(710)**	**(19,781)**

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Derivative instruments - assets	-	5,595	1,212	136	6,943
Derivative instruments - liabilities	-	(6,927)	(2,362)	(19)	(9,308)
At 31 December 2017	**-**	**(1,332)**	**(1,150)**	**117**	**(2,365)**

The derivative asset and liability do not meet the offsetting criteria in IAS 32:42, but the entity has the right of offset in the case of default, insolvency or bankruptcy. Consequently, the gross amount of the derivative asset $28,983,391 (2017: $6,943,101) and gross amount of the derivative liability of $48,764,345 (2017: $9,307,726) are presented separately in the Company's statement of financial position.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Fair value measurement

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

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

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

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	263,950	-	-	263,950
Derivative instruments	-	28,922	61	28,983
Financial assets – FVTOCI:				
Investments	1,646	2,829	-	4,475
Financial liabilities – FVTPL:				
Derivative instruments	-	(48,657)	(107)	(48,764)
At 31 December 2018	**265,596**	**(16,906)**	**(46)**	**248,644**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

Fair value measurement (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets – FVTPL:				
Amounts due from exchanges, clearing houses and other counterparties	203,482	-	-	203,482
Derivative instruments	-	6,822	121	6,943
Financial assets – FVTOCI:				
Investments	1,278	3,093	-	4,371
Financial liabilities – FVTPL:				
Amounts due to exchanges, clearing houses and other counterparties	2,691	-	-	2,691
Derivative instruments	-	(9,139)	(169)	(9,308)
At 31 December 2017	**207,451**	**776**	**(48)**	**208,179**

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management objectives (continued)

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	2018 $'000
Balance at 1 January 2018	121
Purchases	1,767
Settlements	(1,687)
Total gains or losses in the period recognised in the income statement:	
Market making	(29)
Total gains or losses in the period recognised in OCI	
Transfers out of level 3	(111)
Balance at 31 December	**61**

Fair value measurement (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	2018 $'000
Balance at 1 January	(169)
Purchases	(1,548)
Settlements	1,651
Total gains or losses in the period recognised in the income statement:	
Market making	(41)
Balance at 31 December	**(107)**

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

29. CLIENT MONEY

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

	Company	
	2018 $'000	**2017 $'000**
Segregated assets at banks (not recognised)	269,897	204,447
Segregated assets at exchanges, clearing houses and other counterparties (recognised)	478,391	385,607
	748,288	**590,054**

Segregated assets at exchanges, clearing houses and other counterparties of $478,390,625 (2017: $385,607,142) are included on the statement of financial position within trade and other receivables.

30. EVENTS AFTER THE BALANCE SHEET DATE

Brexit

As a result of the UK's notification to the European Council of its decision to leave the EU (Brexit), there is considerable uncertainty as to the regulatory regime that will be applicable in the UK and the regulatory framework that will govern transactions and business undertaken in the remaining EU countries.

Overall, revenues generated within the Company will remain largely unaffected by this decision due to the nature of the transactions and business's conducted within the Company being largely non-EU based.

31. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

In the directors' opinion, the 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 directors for their services to the Company was as follows:

	2018 $'000	2017 $'000
Aggregate wages and salaries	7,985	5,676
Short-term monetary benefits	61	54
Defined pension cost	38	19
	8,084	**5,749**

The remuneration of the highest paid director for their services to the Company was $1,161,569 (2017: $2,599,963). As at 31 December 2018, there were 2 directors in the Company's defined contribution scheme (2017: 3).

(c) Key Management Personnel transactions

The Company made loans to certain directors associated with equity awards of $44,702 (2017: $47,340). In addition, the Company made loans to certain senior current and former employees relating to tax payments associated with equity awards of $405,506 (2017: $429,433). The loans are non-interest bearing and will be repayable under the terms of the equity award arising at the liquidating event.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances and transactions with other group undertakings

	Amounts owed from related parties 2018 $'000	Amounts owed from related parties 2017 $'000	Amounts owed to related parties 2018 $'000	Amounts owed to related parties 2017 $'000	Amounts included in operating profits 2018 $'000	Amounts included in operating profits 2017 $'000
Carlton Commodities 2004 LLP	-	-	(4,421)	(1,639)	-	-
Marex Hong Kong Ltd	-	-	(3,303)	(3,250)	4,976	5,028
Marex Spectron Asia Pte Limited	-	-	(927)	(5)	1,530	264
Marex Spectron Group Limited	20,456	20,038	-	-	455	727
Marex Spectron International Limited	8	-	(11,369)	(10,235)	(22,119)	(23,583)
Marex Trading Services (Gibraltar) Limited	-	83	(58)	-	83	(39)
Nanolytics Capital Advisors Limited	1,041	1,042	-	-	(51)	(35)
Spectron Energy (Asia) Pte Limited	-	-	(386)	(1,265)	(131)	(17)
Marex North America LLC	-	-	(3,547)	(12,594)	47,263	34,068
Spectron Energy Inc.	2,456	3,407	-	-	(502)	(641)
Spectron Services Limited	3,010	2,436	-	-	24,194	23,973
Xeram SA (dissolved)	-	-	-	(35)	-	-
	26,971	**27,006**	**(24,011)**	**(29,023)**	**55,698**	**39,745**

32. COUNTRY-BY-COUNTRY REPORTING

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

- Carlton Commodities 2004 LLP (unregulated); and
- Nanolytics Capital Advisors Limited (unregulated).

Legal entity / Registered office	Country of incorporation / Principal place of business	Nature of business
Marex Financial 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Commodities and financial instruments broker and clearer
Carlton Commodities 2004 LLP 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Commodity and option trading
Nanolytics Capital Advisors Limited 155 Bishopsgate, London, EC2M 3TQ	England and Wales	Appointed representative of a fund management company

(a) Disclosure – For the year ended 31 December 2018

Legal entity on a consolidated basis	No. employees	Revenue $'000	Profit before tax $'000	Taxation paid / (received) $'000	Public subsidies received $'000
Marex Financial	327	251,289	4,244	5,595	2

(b) Disclosure – For the year ended 31 December 2017

Legal entity on a consolidated basis	No. employees	Revenue $'000	Profit before tax $'000	Taxation paid / (received) $'000	Public subsidies received $'000
Marex Financial	314	193,053	16,989	2,182	-