

Spectron Services Limited

Annual Report and Financial Statements

Year ended 31 December 2020

Registration Number 03697505



TABLE OF CONTENTS

| | |
|--|----|
| Company Information..... | 2 |
| Directors' Report | 3 |
| Directors' Responsibilities Statement..... | 5 |
| Overview of risk management..... | 6 |
| Independent Auditor's Report | 20 |
| Income Statement | 24 |
| Statement of Other Comprehensive Income..... | 24 |
| Statement of Financial Position..... | 25 |
| Statement of the Changes in Equity and Movements in Reserves | 27 |
| Cash Flow Statement..... | 28 |
| Notes to the Financial Statements..... | 30 |

COMPANY INFORMATION

| | |
|---------------------------------|---|
| Country of Incorporation | England and Wales |
| Legal Form | Private company limited by shares |
| Directors | JK D Elliott PR Tonucci NG W Grace |
| Company Secretary | S Linsley |
| Registered Office | 155 Bishopsgate, London, EC2M 3TQ |
| Auditors | Deloitte LLP Hill House, 1 Little New Street, London, EC4A 3TR |
| Bankers | NatWest plc 63-65 Piccadilly, London, W1J 0AJ |

DIRECTORS' REPORT

The directors present their report and audited financial statements of Spectron Services Limited ('the Company' or 'the firm') for the year ended 31 December 2020. The Company is a subsidiary of Marex Group plc ('Marex' or 'the Group').

Principal activity

The principal activity of the Company continued to be trading in 'non-transaction' based services, primarily consisting of data sales to clients and acting as a service company to the Group.

Directors

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

| | Appointed | Resigned |
|---------------|-----------|-------------------|
| J K D Elliott | | |
| R J Reid | | 10 September 2020 |
| P R Tonucci | | |
| N G W Grace | | |

Indemnity of directors

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

Directors' statement as to disclosure of information to the Auditor

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

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

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

Foreign exchange

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

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

Going concern

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

Spectron Services Limited
DIRECTORS' REPORT (CONTINUED)

Events after the reporting period

Events since the statement of financial position date are disclosed in note 25.

Brexit

Preparations for Brexit have focused on ensuring client business continuity. To achieve this, the Group established a Central Bank of Ireland regulated entity in Dublin as the Company's European headquarters. To the extent that Spectron Services Limited is affected by Brexit, it is intended to migrate European business to this entity.

Dividends

During the year, the Company did not pay a dividend (2019: \$10 million). As at the date of signing, no dividend has been paid or declared after the balance sheet date.

Financial risk management

Financial risk management objectives are included in the strategic report.

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 Company website.

Charitable and political contributions

The company made charitable contributions amounting to \$nil for the year ended 31 December 2020 (2019: \$nil). No contributions were made for political purposes during the year (2019: \$nil).

Future developments

No significant change to the Company's principal business activities is currently expected.

Auditor

The auditors, Deloitte LLP, have 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:



P R Tonucci
Director
20 September 2021

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

Key Performance Indicator: Profit

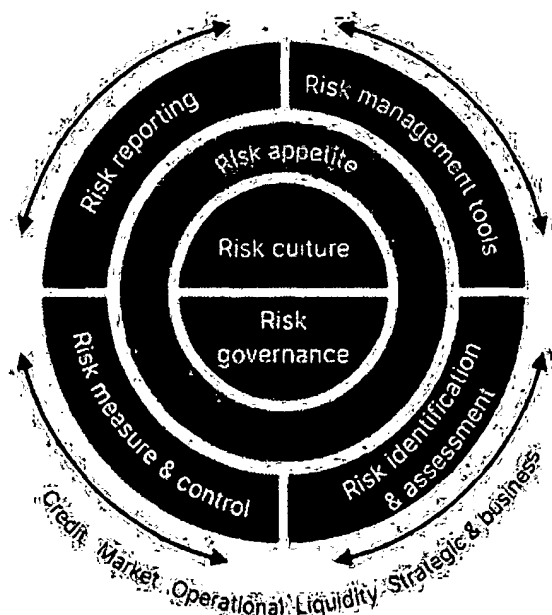
Spectron Services Limited operating profit for the year ended 31 December 2020 was \$2,923,000 (2019: \$4,022,000). The Company is profit making with profit before tax of \$3,163,000 (2019: \$4,022,000) and net assets of \$5,302,000 (2019: \$3,026,000).

OVERVIEW OF RISK MANAGEMENT

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

Risk management is not managed solely at a company level, and instead places reliance on the overall risk management function of the Group. To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Group's Enterprise Wide Risk Management (EWRM) Framework which is enabled by people, processes and systems and sets the foundations and organisational structure for implementing and reviewing risk management practices and activities across the Group.

EWRM Framework



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

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

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

Risk Culture

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

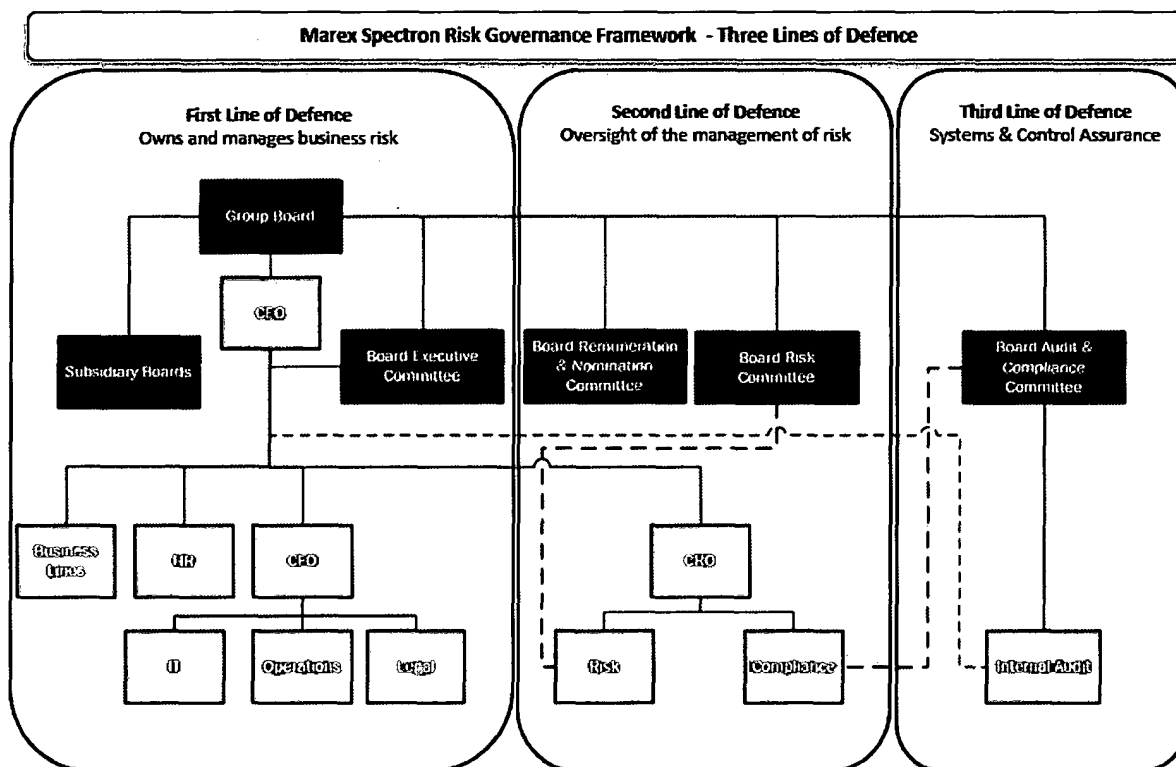
Responsibility for risk management resides at all levels within the Group, from the Group Board and the Board Executive Committee down through the organisation to each business manager, employee and risk specialist. Responsibility for effective review and challenge of risk policies reside with senior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

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

Risk Governance

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

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



First Line of Defence

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

The first line is responsible for the ongoing assessment, monitoring and reporting of risk exposures and events.

Second Line of Defence

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

Third Line of Defence

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

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

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

STRATEGIC REPORT (CONTINUED)

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

| Function | Role and Responsibility |
|---|--|
| Board of Directors | The Board of Directors set the overarching risk culture of the Group. |
| Board Executive Committee | The Board Executive Committee is charged with the day to day conduct of the Group's business; developing and recommending Group objectives, strategy and budget to the Group Board; and executing the strategy approved by the Group Board. |
| Chief Executive Officer (CEO) | Management of risks within the parameters approved by the Group Board and changes to internal systems of control as recommended / required by Internal Audit and the Audit and Compliance Committee are appropriately implemented. |
| Chief Financial Officer (CFO) | The CFO is responsible for overseeing the operational and financial practices of the Group, therefore responsible for the implementation of internal controls to manage the risks identified, and responsible for the testing of these internal controls with Internal Audit. As a member of the Audit and Compliance Committee, Risk Committee and the Group Board, the CFO is able to ensure that the strategies and policies for the management of risk can be operationalised. |
| Chief Risk Officer (CRO) | The CRO is the senior executive accountable for enabling the efficient and effective governance of significant risks and related opportunities to our business and its various segments. He is an attendee of the Board Executive Committee and guides that committee and the Group Board on the formulation of risk appetite, strategies, policies, delegated authorities and limit structures for the management of risks. |
| Audit and Compliance Committee (ACC) | The role of the ACC is to act independently from the executive management to ensure that the interests of the shareholders are properly protected in relation to financial reporting, external auditing, internal financial controls and regulatory compliance. It provides independent assurance that the internal controls processes are operating effectively. The ACC has oversight of the Compliance and Internal Audit functions, including the approving, monitoring and challenging the scope of reviews and ensuring the timely resolution of issues. In addition, the ACC is responsible for reviewing and recommending the annual financial statements and is responsible for the appointment and reappointment of auditors for the Group. |
| Risk Committee | <p>The Risk Committee is responsible for oversight and the provision of advice to the Group Board on the Group's current risk exposures and future risk strategies (including the strategy for capital and liquidity management), the embedding and maintenance throughout the entity of a supportive culture in relation to the management of risk and the establishment of prescriptive rules and procedures in relation to risk.</p> <p>The Risk Committee is responsible for the oversight of risk when approving and monitoring appropriate limits on risk exposures and concentrations across the business. The focus is on risks to which the Group is exposed considering the Group Board's overall appetite of Risk along with its current financial situation and resources.</p> |
| Remuneration & Nomination Committee | The Remuneration & Nomination Committee acts independently from executive management to ensure that the interests of shareholders are properly protected in relation to remuneration of employees; to ensure that there is a formal and transparent process for developing policies, practices and procedures for determining the remuneration packages of FCA Code Staff and other employees; to ensure compliance with all regulatory requirements pertaining to remuneration; and to nominate candidates for membership of the Group Board and Regulated Company Boards. |
| Board Acquisition & Disposal Committee | The Acquisitions and Disposals Committee is tasked with the evaluation of potential acquisitions and disposals of companies, businesses and/or teams. The Acquisitions and Disposals Committee considers the risks of the proposed transaction, whilst reviewing the proposed transaction's potential contribution to the Group's shareholder value. |

Risk Appetite

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

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

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

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

Risk Management Tools

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

Risk Identification and Assessments

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

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

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

| Risk Type | Description |
|----------------------|---|
| Financial Crime Risk | <p>Financial Crime Risk encompasses five key risk areas: 'Sanctions', 'Money Laundering and Terrorist Financing', 'Bribery and Corruption', 'Tax Evasion' and 'Fraud' risks. Respectively, these represent the risk that the Group:</p> <ul style="list-style-type: none"> (i) knowingly makes funds or services available, deals in economic resources, directly or indirectly, to or for the benefit of, a designated sanctions target subject to an asset freeze (or an entity majority owned by such a target) listed by sanctions regimes; (ii) partakes in acts of money laundering or terrorist financing either directly or indirectly; (iii) is involved in active or passive bribery, or other acts of corruption; (iv) facilitates, directly or indirectly, the establishment of solutions to evade taxes, anonymise beneficial owners or hide assets of any third party engaged in a relationship with the Group; and (v) perpetrates fraud, either directly or indirectly through related third parties. <p>The Group has adopted a holistic approach to financial crime and has one group-wide Financial Crime Policy that sets the minimum control requirement in the five key risk areas. This combined approach allows us to identify and manage connections between the key risk areas. Entity-level policies formally adopt the Group Financial Crime Policy and define any local regulatory requirements that apply to specific entities across the Group. Methodologies and Standards underpin the Group and the Company policies. Methodologies identify, select, process, and analyse Financial Crime Risk. Standards provide the detailed guidance on how to comply with the financial crime policies. Procedures provide the 'step-by-step' instructions to assist process operators in carrying out routine or complex operations consistently in alignment with policies and standards.</p> <p>For each financial crime typology an overarching risk appetite statement has been produced, which is supported by qualitative statements and quantitative thresholds and limits. A set of Key Risk Indicators (KRI) and Key Performance Indicators measure the quantitative thresholds and limits. These are produced on a quarterly basis in order to assess compliance standards and highlight areas of potential weaknesses. Financial Crime management information is presented to the Financial Crime Committee and the Audit and Compliance Committee for review and challenge as part of their oversight responsibilities.</p> <p>An annual MLRO Report is produced to articulate and summarise the current risks across financial crime and the adequacy and effectiveness systems and controls in place to combat the risks. The report is presented to the Audit and Compliance Committee each year.</p> <p><i>*Market abuse, whilst considered a financial crime, is treated as a standalone Compliance risk within the Group</i></p> |
| Concentration Risk | <p>Concentration risk can be defined as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten the Group's ability to maintain its core business. Concentration risk can arise from credit concentration to a specific country, or to specific counterparty, revenue concentration, exposure concentration to a specific product or concentrations from specific suppliers.</p> <p>To counter such risk, the Group impose various concentration limits, specifically within credit and market risk exposures.</p> |
| Settlement Risk | <p>Settlement risk is the risk that arises when payments are not exchanged simultaneously. it is a type of counterparty risk associated with default risk as well as timing differences between parties.</p> <p>Robust policies and procedures ensure that Group settlement risk is kept to a minimum.</p> |

STRATEGIC REPORT (CONTINUED)

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

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

Risk Measurement & Control

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

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

Risk Reporting

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

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

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

General Risks

Volatility

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

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

Pricing pressure

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

Commodity prices

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

Exchange rules

Changes enforced by the exchanges are outside of our control and have the potential to impact our business

Specific Risks

Pandemic

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

Terrorism

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

Regulation

Regulation continues to add cost to the firm both for compliance as well as capital. There is still an element of uncertainty as to the impact of the new investment review that is due to come into force from January 2022.

Movement to screens

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

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

Section 172(1) Companies Act 2006

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

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

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

b) the interests of the Company's employees;

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

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

Suppliers

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

Section 172(1) Companies Act 2006 (continued)

Clients

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

Regulators

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

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

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

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

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

Section 172(1) Companies Act 2006 (continued)

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

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

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

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

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

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

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



P R Tonucci
Director
20 September 2021

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SPECTRON SERVICES LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of Spectron Services Limited ('the company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

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

Conclusions relating to going concern

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

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

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

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

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

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

Other information

The 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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
20 September 2021

Spectron Services Limited**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Notes | 2020 \$'000 | 2019 \$'000 |
|-------------------------------|-------|----------------|----------------|
| Revenue | 5 | 42,728 | 42,305 |
| Operating expenses | | (39,429) | (38,105) |
| Finance income | 9 | - | 1 |
| Finance expense | 9 | (376) | (179) |
| Operating profit | 6 | 2,923 | 4,022 |
| Other Income | | 240 | - |
| Profit before taxation | 10(b) | 3,163 | 4,022 |
| Tax | 10(a) | (846) | (1,147) |
| Profit after taxation | | 2,317 | 2,875 |

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

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Profit after taxation | | 2,317 | 2,875 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss when specific conditions are met | | | |
| Cash flow hedge reserve | 20 | - | 41 |
| Total comprehensive income | | 2,317 | 2,916 |

All operations are continuing for the current and prior years.

The notes on pages 30 to 68 form part of these financial statements.

Spectron Services Limited
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 12 | 672 | 754 |
| Property, plant and equipment | 13 | 3,172 | 1,896 |
| Investments in subsidiaries | 14(a) | 21,321 | 20,738 |
| Deferred tax | 16 | - | 69 |
| Right of use asset | 21 | 8,508 | 10,185 |
| Total non-current assets | | 33,673 | 33,642 |
| Current assets | | | |
| Trade and other receivables | 15 | 11,082 | 11,025 |
| Derivative instruments | 23 | 634 | 41 |
| Corporation tax asset | | 976 | - |
| Cash and cash equivalents | | 168 | 292 |
| Total current assets | | 12,860 | 11,358 |
| Total assets | | 46,533 | 45,000 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred tax | 16 | 107 | - |
| Lease liabilities | 21 | 11,885 | 11,751 |
| Total non-current liabilities | | 11,992 | 11,751 |
| Current liabilities | | | |
| Trade and other payables | 17 | 29,239 | 30,104 |
| Corporation tax | | - | 119 |
| Total current liabilities | | 29,239 | 30,223 |
| Total liabilities | | 41,231 | 41,974 |
| Total net assets | | 5,302 | 3,026 |

The notes on pages 30 to 68 form part of these financial statements

Spectron Services Limited**STATEMENT OF FINANCIAL POSITION****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | Notes | 2020 \$'000 | 2019 \$'000 |
|----------------------------|-------|----------------|----------------|
| Equity | | | |
| Share capital | 18 | 17 | 17 |
| Share premium | 19 | 99 | 99 |
| Capital redemption reserve | 19 | 734 | 734 |
| Retained earnings | 19 | 4,452 | 2,135 |
| Cash flow hedge reserve | 19,20 | - | 41 |
| Total equity | | 5,302 | 3,026 |

The financial statements on pages 24 to 68 were approved and authorised for issue by the Board of Directors on 20 September 2021 and signed on its behalf by:



P R Tonucci
Director
20 September 2021
Registration Number: 03697505

The notes on pages 30 to 68 form part of these financial statements.

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

| | Notes | Share capital \$'000 | Share premium \$'000 | Capital redemp- tion reserve \$'000 | Retained earnings \$'000 | Cash flow hedge reserv e \$'000 | Total \$'000 |
|---|-------|----------------------------|----------------------------|---|--------------------------------|--|-----------------|
| At 1 January 2019 | | 17 | 99 | 734 | 9,260 | (53) | 10,057 |
| Profit for the period | | - | - | - | 2,875 | - | 2,875 |
| Dividends (\$9.57/share) | | - | - | - | (10,000) | - | (10,000) |
| Cash flow hedge | 20 | - | - | - | - | 94 | 94 |
| At 31 December 2019 and 1 January 2020 | | 17 | 99 | 734 | 2,135 | 41 | 3,026 |
| Profit for the period | | - | - | - | 2,317 | - | 2,317 |
| Cash flow hedge | 20 | - | - | - | - | (41) | (41) |
| At 31 December 2020 | | 17 | 99 | 734 | 4,452 | - | 5,302 |

The notes on pages 30 to 68 form part of these financial statements.

Spectron Services Limited**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Profit before tax | | 3,163 | 4,022 |
| Adjustment to reconcile profit before tax to net cash flows: | | | |
| Amortisation of other intangible assets | 6, 12 | 288 | 252 |
| Depreciation of property, plant and equipment | 6, 13 | 1,147 | 748 |
| Interest received | 9 | - | (1) |
| Depreciation of right-of-use assets | 21 | 1,677 | 886 |
| Foreign exchange revaluation of lease liabilities | 21 | 279 | 501 |
| Bank interest expense | 9 | 1 | - |
| Operating cash flows before changes in working capital | | 6,555 | 6,408 |
| Working capital adjustments: | | | |
| (Increase) / decrease in trade and other receivables | 15 | (57) | 599 |
| (Increase) / decrease in derivative instruments – assets | | (634) | - |
| Increase / (decrease) in trade and other payables | 17 | (865) | 10,900 |
| Cash inflow from operating activities | | 4,999 | 17,907 |
| Corporation tax paid | | (1,765) | (813) |
| Net cash inflow from operating activities | | 3,234 | 17,094 |

Spectron Services Limited**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****Investing activities**

| | | | |
|---|-------|----------------|----------------|
| Purchase of property, plant and equipment | 13 | (2,423) | (1,401) |
| Purchase of intangible assets | 12 | (206) | (591) |
| Increase in investment in group undertakings | 14(a) | (583) | (5,201) |
| Interest Received | | - | 1 |
| Net cash outflow from investing activities | | (3,212) | (7,192) |

Financing activities

| | | | |
|---|----|--------------|----------------|
| Interest expense on lease liabilities | 9 | 375 | 179 |
| Bank interest expense | 9 | (1) | - |
| Capital payment of lease liability | 21 | (520) | - |
| Dividends paid | 11 | - | (10,000) |
| Net cash outflow from financing activities | | (146) | (9,821) |
| Net decrease in cash and cash equivalents | | (124) | 81 |

Cash and cash equivalents

| | | | |
|---|--|------------|------------|
| Cash available on demand and short-term deposits at 1 January | | 292 | 211 |
| Increase / (decrease) in cash | | (124) | 81 |
| Cash and cash equivalents at 31 December | | 168 | 292 |

The notes on pages 30 to 68 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. GENERAL INFORMATION

Spectron Services Limited ('the Company') is a company incorporated in England and Wales under the Companies Act. The address of the registered office is 155 Bishopsgate, London EC2M 3TQ. The principal activities of the 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(g).

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 applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3: Definition of a Business

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

Conceptual Framework for Financial Reporting

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

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

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

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

At the date of authorisation of these financial statements, the 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:

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

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods and therefore does not intend to adopt the standards early.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

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.

The principal accounting policies adopted are set out below.

(b) Basis of consolidation

The Company is exempt by virtue of section 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements because the Company is a wholly-owned subsidiary of Marex Group Plc, which is incorporated in England and Wales. The financial statements present information about the Company as an individual undertaking and not about its group.

(c) Going concern

In considering going concern, the Directors have reviewed the capital, liquidity and financial position of the Company and concluded that the going concern basis is still appropriate.

As a part of this conclusion the Directors took into consideration the recent developments caused by Coronavirus Covid-19 and the potential impact on the Company's capital, liquidity and financial performance through the Group's pandemic stress and reverse stress tests. The Directors considered the results of the pandemic stress scenario and concluded that there was sufficient headroom and available management actions, further supporting the Company continuing to adopt the going concern basis of accounting in preparing the financial statements. The Directors concluded that the Company currently has adequate resources to continue to satisfy its regulatory and other obligations for the foreseeable future.

Thus the Company continue to adopt the going concern basis of accounting in preparing the financial statements.

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (continued)

- 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.

(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;
- desk facilities, licence and software fees, and market data fees which are recognised on an accruals basis; and
- other income primarily comprises of management recharges and is recognised on an accruals basis.

(f) Finance income and expense

Finance income and expense is earned on balances held at banks. 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.

(g) 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.

(h) 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.

Spectron Services Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 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)

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 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.

(j) Property, plant and equipment

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

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

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

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

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

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

(k) Other 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 accumulated 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Other intangible assets (continued)

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.

Software licences

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.

(m) Impairment of non-financial assets

Impairment tests on 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).

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

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

(n) Financial instruments

Initial recognition and measurement

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

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

Effective interest method

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

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

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

Financial assets that meet both of the following conditions and have not been designated as at 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.

Financial assets (continued)

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

The 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the contrary, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or

Financial assets (continued)

Equity instruments designated as at FVTOCI (continued)

- 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 FVTOCI criteria are classified as at FVTPL.

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to

measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

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 under hedge accounting relationships. They are carried in the balance sheet at fair value with changes in fair value recognised in other comprehensive income;
- other financial liabilities include the following items: trade and other payables and other short-term monetary liabilities which are recognised at amortised cost.

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.

(o) Impairment of financial assets

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:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (continued)

- significant deterioration in external market indicators of credit risk for a particular financial instrument

Significant increases in credit risk (continued)

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; (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (continued)

Measurement and recognition of expected credit losses

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

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

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.

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

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.

(p) Hedge accounting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

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

(r) Cash and non-cash distributions

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

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

(s) Leases

The Company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate, which is the rate of interest that best approximates what a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leases (continued)

The Company did not make any such adjustments during the periods presented.

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "operating expenses" in the income statement (see note 6).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

Provisions against trade and other receivables

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Additionally, the Company uses historical information to estimate a probability of default and determine future expected credit losses.

Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(b) Judgements

There are no critical judgements that the directors have made in the process of preparing the Financial Statements.

5. REVENUE

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

| | 2020 \$'000 | 2019 \$'000 |
|------------------------------------|------------------------------|------------------------------|
| Desk facility and market data fees | 3,426 | 3,580 |
| Other income – management fees | 39,302 | 38,725 |
| | 42,728 | 42,305 |

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------------------|------------------------------|
| Commodities | 3,119 | 3,344 |
| Recovery of costs incurred on behalf of group undertakings | 39,302 | 38,725 |
| Other | 307 | 236 |
| | 42,728 | 42,305 |

6. OPERATING PROFIT

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

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|--------------|------------------------------|------------------------------|
| Staff costs | 8 | 52,996 | 51,318 |
| Amortisation of other intangible assets | 12 | 288 | 252 |
| Depreciation of property, plant and equipment | 13 | 1,147 | 1,628 |
| Provision for doubtful debts | 15(a) | 6 | 6 |
| Charges under operating leases | 21 | 2,756 | 2,488 |
| Management recharges – in | | 39,605 | 39,916 |
| Management recharges – out | | (89,504) | (88,619) |

Management fees charged by group undertakings relate to operational and administrative support and management services from group undertakings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
7. AUDITOR'S REMUNERATION

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

| | 2020 \$'000 | 2019 \$'000 |
|---|------------------------------|------------------------------|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | | |
| Audit of the Company's annual accounts | 51 | 133 |
| Total audit fees | 51 | 133 |
| Fees payable to the Company's auditor for other services comprise: | 2020 \$'000 | 2019 \$'000 |
| Other services | - | - |
| Total non-audit fee | - | - |

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

8. STAFF COSTS

| | 2020 Number | 2019 Number |
|---|------------------------------|------------------------------|
| Front office | 85 | 79 |
| Average monthly number of staff | 85 | 79 |
| | 2020 \$'000 | 2019 \$'000 |
| Aggregate wages and salaries | 50,164 | 44,204 |
| Employer's National Insurance contributions and similar taxes | 1,184 | 5,414 |
| Short-term monetary benefits | 1,471 | 1,398 |
| Defined pension contribution cost | 137 | 106 |
| Apprenticeship levy | 40 | 196 |
| Total staff costs (note 6) | 52,996 | 51,318 |

As at 31 December 2020, there were contributions totalling \$nil (2019: \$32,219) payable to the defined contribution pension scheme by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. FINANCE INCOME AND EXPENSE

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Finance income | | |
| Bank interest income | - | 1 |
| | <u>-</u> | <u>1</u> |
| | | |
| | 2020 \$'000 | 2019 \$'000 |
| Finance expense | | |
| Bank interest expense | - | (1) |
| Unwinding lease liability (note 21) | (375) | (178) |
| | <u>(375)</u> | <u>(179)</u> |

10. TAXATION

(a) Tax charge

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Current tax | | | |
| UK and foreign corporation tax on profit for the year | | 794 | 1,107 |
| Adjustment in respect of prior years | | (124) | 43 |
| | | <u>670</u> | <u>1,150</u> |
| Deferred tax | | | |
| Origination and reversal of temporary differences | | 27 | (15) |
| Adjustment in respect of prior years – other | | 149 | 12 |
| | 16 | <u>176</u> | <u>(3)</u> |
| Tax charge for the year | 10(b) | <u>846</u> | <u>1,147</u> |

(b) Reconciliation between tax charge and profit before tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10. TAXATION

(b) Reconciliation between tax charge and profit before tax

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Profit before tax | | 3,163 | 4,022 |
| Expected tax expense based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | | 601 | 764 |
| Explained by: | | | |
| Income not subject to tax | | (46) | - |
| Expenses not deductible for tax purposes | | 264 | 324 |
| Foreign exchange and other differences | | 2 | - |
| Prior year adjustments | | 25 | 54 |
| Tax charge for the year | 10(a) | 846 | 1,142 |

11. DIVIDENDS PAID AND PROPOSED

During the year, the Company did not propose or pay any dividend (2019: \$10 million). No dividends are currently proposed

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. INTANGIBLE ASSETS

| | Software development \$'000 | Total \$'000 |
|---|-----------------------------------|-----------------|
| Cost | | |
| At 1 January 2019 | 711 | 711 |
| Additions | 816 | 816 |
| Disposals | (289) | (289) |
| At December 31 2019 and 1 January 2020 | 1,238 | 1,238 |
| Additions | 587 | 587 |
| Disposals | - | - |
| Transfers | (381) | (381) |
| At 31 December 2020 | 1,444 | 1,444 |
| Impairment provisions and amortisation | | |
| At 1 January 2019 | 296 | 296 |
| Charge for the year (note 6) | 252 | 252 |
| Disposals | (64) | (64) |
| At 31 December 2019 and 1 January 2020 | 484 | 484 |
| Charge for the year (note 6) | 325 | 325 |
| Disposals | - | - |
| Transfers | (37) | (37) |
| At 31 December 2020 | 772 | 772 |
| Net book value | | |
| At 31 December 2020 | 672 | 672 |
| At 31 December 2019 | 754 | 754 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements \$'000 | Computer equipment \$'000 | Software \$'000 | Furniture, fixtures and fittings \$'000 | Total \$'000 |
|------------------------------|--|--|----------------------------|--|-------------------------|
| Cost | | | | | |
| At 1 January 2019 | 640 | 1,625 | - | 87 | 2,352 |
| Additions | 220 | 1,173 | - | 173 | 1,566 |
| Disposals | | (9) | - | (2) | (11) |
| Transfers | (97) | (36) | - | (21) | (154) |
| At 1 January 2020 | 763 | 2,753 | - | 237 | 3,753 |
| Additions | 649 | 594 | 639 | 160 | 2,042 |
| Disposals | - | - | - | - | - |
| Transfers | - | - | 381 | - | 381 |
| At 31 December 2020 | 1,412 | 3,347 | 1,020 | 397 | 6,176 |
| Depreciation | | | | | |
| At 1 January 2019 | 248 | 848 | - | 13 | 1,110 |
| Charge for the year (note 6) | 140 | 559 | - | 47 | 748 |
| At 1 January 2020 | 388 | 1,409 | - | 60 | 1,857 |
| Charge for the year (note 6) | 179 | 674 | 174 | 83 | 1,110 |
| Transfers | - | - | 37 | - | 37 |
| At 31 December 2020 | 567 | 2,083 | 211 | 143 | 3,004 |
| Net book value | | | | | |
| At 31 December 2020 | 845 | 1,264 | 809 | 254 | 3,172 |
| At 31 December 2019 | 375 | 1,344 | - | 177 | 1,896 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. INVESTMENTS**(a) Investments in subsidiaries**

| | 2020 | 2019 |
|-----------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Cost | | |
| At 1 January | 20,738 | 15,537 |
| Additions | 583 | 5,201 |
| At 31 December | 21,321 | 20,738 |

The investment in subsidiaries relates to the investment in the Marquee Oil Broking Limited ('Marquee'). Subsequently to the acquisition in 2019 an additional deferred contribution payment of \$583,136 was made in December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. INVESTMENTS (CONTINUED)

(b) Subsidiaries and undertakings

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

Subsidiaries held directly

| Name / Registered office | Country of incorporation / Principal place of business | Class | Proportion of ownership interest | Nature of business |
|---|--|-----------------|----------------------------------|----------------------|
| Marex Spectron Asia Pte Ltd 8 Marina Way, 33-06 Asia Tower 1, Singapore, 018960 | Singapore | Ordinary shares | 100% | Freight broking |
| Marex Spectron Inc. 360 Madison Ave, Third Floor, New York 10017 | United States of America | Ordinary shares | 100% | Dormant |
| Marex Spectron Ltd 20/F Alexandra House, 16-20 Chater Road, Central, Hong Kong | Hong Kong | Ordinary shares | 100% | Dormant |
| Marex Spectron Pte Ltd 8 Marina Way, 33-06 Asia Tower 1, Singapore, 018960 | Singapore | Ordinary shares | 100% | Dormant |
| Marex Trading Services Ltd 19A Town Range, P.O. Box 872, GX11 1AA, Gibraltar | Gibraltar | Ordinary shares | 100% | Dormant |
| Spectron Energy (Asia) Pte Limited 8 Marina Way, 33-06 Asia Tower 1, Singapore, 018960 | Singapore | Ordinary shares | 100% | Energy OTC broking |
| Spectron Energy Inc. 360 Madison Ave, Third Floor, New York 10017 | United States of America | Ordinary shares | 100% | Energy OTC broking |
| Marquee Oil Broking Limited 155 Bishopsgate, London, England, EC2M 3TQ | United Kingdom | Ordinary shares | 100% | Physical Oil broking |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
15. TRADE AND OTHER RECEIVABLES

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Trade debtors | 483 | 939 |
| Loans receivable | 36 | 55 |
| Other tax and social security taxes | 1,173 | 757 |
| Other debtors | 3,796 | 3,149 |
| Prepayments | 5,594 | 6,125 |
| | 11,082 | 11,025 |

Included in other debtors is \$389,714 (2019: \$904,571) which is due in more than one year, relating to sign-on bonuses which are awarded to employees and amortised over the term of the contract.

Trade debtors are stated after deducting impairment provisions of \$20,000 (2019: \$14,000).

Trade receivables are assessed on an individual basis for impairment, with a provision recognised for the Company's entire exposure on the impaired trade receivable. The directors consider that the carrying amount of trade and other receivables is not materially different to their fair value.

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

| | 2020 \$'000 | 2019 \$'000 |
|--------------------|----------------|----------------|
| Less than 30 days | 85 | 158 |
| 31 to 60 days | 115 | 29 |
| 61 to 90 days | 9 | 98 |
| 91 to 120 days | 17 | 9 |
| More than 120 days | 52 | 38 |
| | 278 | 332 |

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| 2020 | | | | | |
|---|--|---|---|---|-----------------|
| | Provision for 12 months ECL \$'000 | Provision for lifetime ECL \$'000 | Provision for lifetime ECL credit impaired \$'000 | Specific provision for lifetime ECL \$'000 | Total \$'000 |
| At 1 January | - | - | - | 14 | 14 |
| Bad debts written off | - | - | - | (1) | (1) |
| Credit to the income statement (note 6) | - | - | - | 6 | 6 |
| Foreign exchange revaluation | - | - | - | 1 | 1 |
| At 31 December | - | - | - | 20 | 20 |

| 2019 | | | | | |
|---|--|---|---|---|-----------------|
| | Provision for 12 months ECL \$'000 | Provision for lifetime ECL \$'000 | Provision for lifetime ECL credit impaired \$'000 | Specific provision for lifetime ECL \$'000 | Total \$'000 |
| At 1 January | - | - | - | 8 | 8 |
| Bad debts written off | - | - | - | (1) | (1) |
| Credit to the income statement (note 6) | - | - | - | 6 | 6 |
| Foreign exchange revaluation | - | - | - | 1 | 1 |
| At 31 December | - | - | - | 14 | 14 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. DEFERRED TAX

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------------------|------------------------------|
| Depreciation in excess of capital allowances | (107) | 63 |
| Other | - | 6 |
| 31 December | (107) | 69 |

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------------------|------------------------------|
| At 1 January | 69 | 66 |
| Charged to the income statement (note 10(a)) | (176) | 3 |
| 31 December | (107) | 69 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17. TRADE AND OTHER PAYABLES

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Amounts due to group undertakings | 11,966 | 12,311 |
| Other tax and social security taxes | 403 | 687 |
| Other creditors | 534 | 56 |
| Accruals | 15,851 | 16,319 |
| Deferred income | 485 | 731 |
| | 29,239 | 30,104 |

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

18. SHARE CAPITAL

| | Issued and fully paid | | Issued and fully paid | |
|---|-----------------------|----------------|-----------------------|----------------|
| | 2020 Number | 2020 \$'000 | 2019 Number | 2019 \$'000 |
| Authorised ordinary shares of \$0.0165 each | 1,044,932 | 17 | 1,044,932 | 17 |
| | | 17 | | 17 |

The rights of the shares are as follows:

| Class of share | Rights |
|-----------------|--|
| Ordinary shares | The shares have attached to them full voting, dividend and capital distribution rights (including on winding up); they do not confer any rights of redemption. |

19. 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. |
| Capital redemption reserve | Non-distributable reserves into which amounts are transferred following the redemption or purchase of the Company's own shares. |
| Retained earnings | Cumulative net gains and losses recognised in the income statement or statement of other comprehensive income. |
| Cash flow hedge reserve | Cumulative unrealised gains and losses on hedging instruments deemed effective cash flow hedges. |

20. CASH FLOW HEDGE RESERVE

| | 2020 | 2019 |
|-----------------------|---------------|---------------|
| | \$'000 | \$'000 |
| At 1 January | 41 | (53) |
| Profit on revaluation | (41) | 94 |
| At 31 December | - | 41 |

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.

21. OPERATING LEASES

| | 2020 | 2019 |
|---|---------------------------------|---------------------------------|
| | Right of use asset \$'000 | Right of use asset \$'000 |
| Right of use assets: | | |
| As at 1 January: | 10,185 | - |
| Additions during the year | - | 11,071 |
| Depreciation charged to income statement | (1,677) | (886) |
| As at 31 December: | 8,508 | 10,185 |
| | 2020 | 2019 |
| | Lease liability \$'000 | Lease liability \$'000 |
| Lease liabilities: | | |
| As at 1 January: | 11,751 | - |
| Additions during the year | - | 11,071 |
| Interest expense charged to income statement | 375 | 179 |
| Payment of lease liabilities | (520) | - |
| FX revaluation | 279 | 501 |
| As at 31 December | 11,885 | 11,751 |
| Other leases payments under operating leases recognised as an expense in the year (note 6) | 2,756 | 2,488 |

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 3.31%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. FINANCIAL INSTRUMENTS

(a) Capital risk management

For the purpose of the Company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent as disclosed in notes 18 and 19. The primary objective of the Company's capital management is to maximise shareholder value.

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

(b) Categories of financial instruments

Some of the Company's assets are carried at fair value or contract amounts that approximate fair value. Set out below is an analysis of the categories of financial instruments. Due to the nature of the underlying assets, the carrying value approximates fair value. For an analysis of the classification and recognition of financial assets for Company on the adoption of IFRS 9 on 1 January 2018 refer to note 2(a).

| | 2020 | | |
|---------------------------|-----------------|-----------------------------|-----------------|
| | FVTPL \$'000 | Amortised cost \$'000 | Total \$'000 |
| Financial assets: | | | |
| Trade debtors | - | 483 | 483 |
| Loans receivable | - | 36 | 36 |
| Cash and cash equivalents | - | 168 | 168 |
| Other Debtors | - | 57 | 57 |
| Derivative instruments | 634 | - | 634 |
| | 634 | 744 | 1,378 |
| | | | |
| | 2019 | | |
| | FVTPL \$'000 | Amortised cost \$'000 | Total \$'000 |
| Financial assets: | | | |
| Trade debtors | - | 939 | 939 |
| Loans receivable | - | 55 | 55 |
| Cash and cash equivalents | - | 292 | 292 |
| Other Debtors | - | 14 | 14 |
| Derivative instruments | 41 | - | 41 |
| | 41 | 1,300 | 1,341 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
22. FINANCIAL INSTRUMENTS (CONTINUED)
(b) Categories of financial instruments (continued)

| | 2020 | | |
|-----------------------------------|-----------------|-----------------------------|-----------------|
| | FVTPL \$'000 | Amortised cost \$'000 | Total \$'000 |
| Financial liabilities: | | | |
| Amounts due to group undertakings | - | 11,966 | 11,966 |
| Other creditors | - | 534 | 534 |
| Accruals | - | 15,851 | 15,851 |
| Deferred income | - | 485 | 485 |
| | - | 28,836 | 28,836 |
| | | | |
| | 2019 | | |
| | FVTPL \$'000 | Amortised cost \$'000 | Total \$'000 |
| Financial liabilities: | | | |
| Amounts due to group undertakings | - | 12,311 | 12,311 |
| Other creditors | - | 56 | 56 |
| Accruals | - | 16,319 | 16,319 |
| Deferred income | - | 731 | 731 |
| | - | 29,417 | 29,417 |

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

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangement or similar netting agreements.

(d) 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 analytically assessed and measured.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Financial risk management objectives (continued)

Credit risk

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. Credit risk in the Company principally arises from cash and cash equivalents deposited with third party institutions and exposures resulting from transactions and balances relating to customers and counterparties.

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 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.

Credit quality

The table below does not take into account collateral held.

| | 2020 \$'000 | 2019 \$'000 |
|-------------------|----------------|----------------|
| AA and above | - | 42 |
| AA- | - | 100 |
| A+ | 170 | - |
| BBB+ | - | 335 |
| Lower and unrated | 1,208 | 864 |
| | 1,378 | 1,341 |

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------|----------------|----------------|
| Financial assets | | |
| Trade debtors | 483 | 939 |
| Loans receivable | 36 | 55 |
| Cash and cash equivalents | 168 | 292 |
| Derivative instrument | 634 | 41 |
| Other debtors | 57 | 14 |
| | 1,378 | 1,341 |

Market risk

The Company's activities expose it to financial risks primarily generated through foreign exchange, which are outlined in the strategic report.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
22. FINANCIAL INSTRUMENTS (CONTINUED)
(d) Financial risk management objectives (continued)
Foreign currency risk (continued)

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 a hedge.

The following table details the foreign currency forward contracts outstanding as at 31 December 2020:

| | | 2020 | | | |
|--|--|--|-------------------------------|-----------------------------|-------------------------|
| | | Average exchange rates \$'000 | Foreign currency \$'000 | Notional value \$'000 | Fair value \$'000 |
| Outstanding contracts | | | | | |
| Derivative designated as Cash flow hedges | | | | | |
| Less than 3 months | | - | - | - | - |
| | | | | | |
| | | 2019 | | | |
| | | Average exchange rates | Foreign currency \$'000 | Notional value \$'000 | Fair value \$'000 |
| Outstanding contracts | | | | | |
| Derivative designated as Cash flow hedges | | | | | |
| Less than 3 months | | 1,3013 | 1,471 | 1,914 | 40 |

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.

As at 31 December 2020 the aggregate amount of gains under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to the exposure on these anticipated future commitments is \$0. It is anticipated that these commitments will come due monthly over the course of the next 3 months, at which time the amount deferred in equity will be reclassified to profit or loss.

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

Foreign exchange sensitivity

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Financial risk management objectives (continued)

Interest rate risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Financial risk management objectives (continued)

Liquidity risk

The Company defines liquidity risk as the failure to meet its day-to-day capital and cash flow requirements. Liquidity risk is assessed and managed under the 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.

Liquidity risk exposures

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

| | 2020 | | | | Total \$'000 |
|-----------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | |
| Amounts due to group undertakings | 11,966 | - | - | - | 11,966 |
| Other creditors | - | 534 | - | - | 534 |
| Accruals | - | 15,810 | 41 | - | 15,851 |
| Deferred income | - | 485 | - | - | 485 |
| | 11,966 | 16,829 | 41 | - | 28,836 |

| | 2019 | | | | Total \$'000 |
|-----------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | |
| Amounts due to group undertakings | 12,311 | - | - | - | 12,311 |
| Other creditors | - | 56 | - | - | 56 |
| Accruals | 666 | 14,899 | 754 | - | 16,319 |
| Deferred income | - | - | 731 | - | 731 |
| | 12,977 | 14,955 | 1,485 | - | 29,417 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
22. FINANCIAL INSTRUMENTS (CONTINUED)
(d) Financial risk management objectives (continued)
Liquidity risk (continued)

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

| | 2020 | | | | Total \$'000 |
|----------------------------|-----------------------------|--|--------------------------------------|------------------------------------|-------------------------|
| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | |
| Trade debtors | - | 483 | - | - | 483 |
| Loans receivable | - | 7 | 29 | - | 36 |
| Other debtors | - | 57 | - | - | 57 |
| Cash and cash equivalents | 168 | - | - | - | 168 |
| At 31 December 2020 | 168 | 547 | 29 | - | 744 |

| | 2019 | | | | Total \$'000 |
|----------------------------|-----------------------------|--|--------------------------------------|------------------------------------|-------------------------|
| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | |
| Trade debtors | - | 939 | - | - | 939 |
| Loans receivable | - | 6 | 49 | - | 55 |
| Other debtors | - | 14 | - | - | 14 |
| Cash and cash equivalents | 292 | 1 | - | - | 293 |
| At 31 December 2019 | 292 | 959 | 49 | - | 1,300 |

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.

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

| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | Total \$'000 |
|------------------------------------|-----------------------------|--|--------------------------------------|------------------------------------|-------------------------|
| Derivative instruments - assets | - | 634 | - | - | 634 |
| At 31 December 2020 | - | 634 | - | - | 634 |

Consequently, the gross amount of the derivative asset of \$633,884 (2020: derivative liability \$40,482) are presented separately in the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Financial risk management objectives (continued)

Liquidity risk (continued)

| | On demand \$'000 | Less than 3 months \$'000 | 3 to 12 months \$'000 | 1 to 5 years \$'000 | Total \$'000 |
|---------------------------------|---------------------|---------------------------------|-----------------------------|---------------------------|-----------------|
| Derivative instruments - assets | - | 1 | 40 | - | 41 |
| At 31 December 2019 | - | 1 | 40 | - | 41 |

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 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.

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial assets – FVTOCI: | | | | |
| Derivative instruments | - | 634 | - | 634 |
| At 31 December 2020 | - | 634 | - | 634 |

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial assets – FVTOCI: | | | | |
| Derivative instruments | - | 41 | - | 41 |
| At 31 December 2019 | - | 41 | - | 41 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23. DERIVATIVE INSTRUMENTS

Derivative assets and liabilities at fair value through profit or loss comprise of over-the-counter foreign exchange contracts.

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Held for trading derivatives that are designated in hedge accounting relationships: | | |
| Foreign currency forward contracts | 634 | 41 |
| | 634 | 41 |

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

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

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

(b) Key Management Personnel

The remuneration paid to directors and other Key Management Personnel for their services to the Company was as follows:

| | 2020 \$'000 | 2019 \$'000 |
|------------------------------|----------------|----------------|
| Aggregate wages and salaries | 289 | 109 |
| Short-term monetary benefits | 2 | 1 |
| Defined benefit cost | 4 | - |
| | 295 | 110 |

The remuneration of the highest paid director for their services to the Company was \$44,715 (2019: \$16,136). As at 31 December 2020, there was 3 directors in the Company's defined contribution scheme (2019: 3).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**
24. RELATED PARTY TRANSACTIONS (CONTINUED)
(c) Balances and transactions with other group undertakings

| | Amounts owed to related parties 2020 \$'000 | Amounts owed to related parties 2019 \$'000 | Amounts included in operating profit 2020 \$'000 | Amounts included in operating profit 2019 \$'000 |
|---|---|---|--|--|
| Marex Financial | (11,966) | (12,311) | (31,797) | (29,499) |
| Marex Hong Kong Ltd | - | - | (271) | (257) |
| Marex Spectron Asia Pte. Ltd. | - | - | (648) | (263) |
| Marex Group plc | - | - | 131 | 143 |
| Marex Spectron International Limited | - | - | (54,976) | (55,727) |
| Marex North America LLC | - | - | (744) | (1,265) |
| Spectron Energy Inc. | - | - | (194) | (227) |
| Marex Spectron Europe Limited | - | - | (146) | (1) |
| Energy Broking Ireland Limited | - | - | - | (1) |
| CSC Commodities UK Ltd | - | - | (325) | (295) |
| | (11,966) | (12,311) | (88,970) | (87,392) |

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

25. EVENTS AFTER THE BALANCE SHEET DATE

There were no post balance sheet events which would have a material impact on these financial statements.