Registered number: 8714321

CSC COMMODITIES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CSC COMMODITIES UK LIMITED
COMPANY INFORMATION

DIRECTORS	Mr N G W Grace Mr R J Reid Mr P R Tonucci
COMPANY SECRETARY	Mr S Linsley
REGISTERED NUMBER	8714321
REGISTERED OFFICE	155 Bishopsgate London EC2M 3TQ
INDEPENDENT AUDITOR	Deloitte LLP Hill House, 1 Little New Street, London, EC4A 3TR

The directors present their report and the financial statements for CSC Commodities UK Limited (the 'Company') for the year ended 31 December 2019.

The Company, a limited company incorporated in the United Kingdom, is a wholly owned subsidiary of the Marex Spectron Group Limited, after it was acquired from BGC European Holdings LP on 18 January 2019.

Principal activities

The Company's principal activity is as a proprietary trading firm, specialising in oil derivatives with a breadth of expertise across exchanges. From the date of acquisition, all transactions are traded in the name of Marex Financial, an affiliate of the Group. The risks and rewards of the trading positions are transferred to the Company under the Group's Transfer Pricing Policy. The trading mandate allows the Company to provide oil and freight hedging; in oil throughout the entire barrel, from crude to fuel oil, middle distillates, light ends and in freight across all routes and ship sizes.

Future developments

The company is looking to continue its development and has hired 3 new staff to drive diversification from bunkering products and to increase its market share in the Light Ends business.

The management of the Company has also reduced its exposure to the options market to avoid a repeat of 2018 year end losses and has refocussed its energy on replicating the successful model of the freight, fuel and distillates flow driven strategies from prior years.

After the Light Ends strategy has been grown and consolidated, a Crude Oil differentials strategy is next on the radar, where no efficient on-screen market exists and where arbitrage opportunities and flow dislocations can be taken advantage of.

Results and dividends

The profit for the year, after taxation, amounted to US$1,273,266 (2018: loss after tax US$4,739,292).

The directors did not declare any dividend (2018: US$nil) during the year.

Directors

The directors who served during the year were:

Mr D A Denyssen	(resigned 18 January 2019)
Mr J R Lightbourne	(resigned 18 January 2019)
Mr J R Martin	(resigned 18 January 2019)
Mr R B Stevens	(resigned 18 January 2019)
Mr J S J Swain	(resigned 18 January 2019)
Mr R J Reid	(appointed 18 January 2019)
Mr P R Tonucci	(appointed 18 January 2019)
Mr N G W Grace	(appointed 27 June 2019)

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 Coronavirus Covid-19 discussed in note 18 and in note 2.2 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.

Charitable and political contributions

The Company made charitable contributions amounting to $nil for the year ended 31 December 2019 (2018: $nil). No contributions were made for political purposes during the year (2018: $nil).

Financial risk management

Financial risk management objectives are included in the strategic report.

Events after the reporting period

Events since the statement of financial position date are disclosed in note 18.

Branches outside the UK

The Company operates branches located in Gibraltar and the United States.

Directors' indemnities

The Company has made indemnity provisions for the benefit of the directors of CSC Commodities UK Limited. These provisions were in force during the financial year and at the date of this report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed

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

Auditor

The auditor, Deloitte LLP, has been appointed in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

N G W Grace

Director

Date: 24 July 2020

Business review

As a proprietary trading firm the Company's results are impacted by market volatility and its risk appetite.

Management uses a series of key performance indicators to monitor performance and financial condition. These indicators are primarily turnover, operating profit and the level of working capital.

After a modest first half of the year, the Company had a strong second half; various trading strategies yielded positive results, in particular swaps positions in the newly introduced IMO2020 compliant bunkering contracts, in both oil and freight.

Business performance and key performance indicators

As a result of the events detailed above, turnover has increased during the year by 780% from US$1,589,673 to US$13,994,707, with the operating profit increasing from a loss of US$6,516,359 to an operating profit of US$488,810.

Total shareholders' funds increased by US$1,273,266 (2018: increased by US$6,510,708).

Principal risks and uncertainties

Risk Management

The principal risk facing the Company arises from operational, market and foreign exchange risks in the course of its normal business.

The directors placed reliance on the Group's risk management framework to manage and monitor risks as well as other related matters, and receive regular reports on specific risks affecting the Company.

Operational risk

Operational risk is the risk that the Company may incur losses as a result of the business environment in which it operates, failed internal processes, our staff and the systems and facilities that we use. The Company has an operational risk framework in place to ensure that operational risk is reduced to acceptable levels.

Market risk

Market risk is the risk that arises from fluctuation in values of assets and liabilities due to short-term price movements. The Company has an in-house system to monitor and manage this risk by product and maturity. In addition the overall amount of risk is monitored with reference to margin numbers provided by the Company's clearer.

Geopolitical

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

Brexit

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

Pandemic

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

Climate change

The Paris Agreement signed in 2015, aims to limit increases in global temperature to below two degrees Celsius above pre-industrial levels. This has led to additional regulations designed to reduce greenhouse gas emissions. This focus on greenhouse gas emissions has resulted in increased costs associated with operating in the oil industry, which in turn introduces uncertainties which have a direct impact on prices in the oil industry. We believe that this will not adversely impact our operations and in particular in the short term provide new opportunities.

Section 172(1) Companies Act 2006

For the year ended 31 December 2019, in order to satisfy the reporting requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company forms part of the 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 consequences of any decision in the long term:

Strategy, risk and financial and operation resilience of the Company is managed at a Group level. The Group strategic review formulated by the Board Executive Committee which was approved in January 2019 includes the Company and how the Company fits into the wider strategic plan. 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 interest 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. We frequently engage with our employees through formal and informal channels. These included face-to-face dialogue between employees and line managers, regular 'Town Halls' and staff breakfasts with the CEO, the Chief Operating Officer hosts staff lunches, culture and conduct workshops which were well attended.

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

Suppliers

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

Clients

Our clients are everything, which is why superior execution and superb client services is central to our business. We are always looking for new ways to strengthen our client offerings. 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.

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

The Group recognises its role in promoting and supporting environmental sustainability initiatives and as part of the Group, the Company participates in these initiatives. In 2019 the Group announced sponsorship of a multi-year Research Program at the Smith School of Enterprise and the Environment at the University of Oxford, and the Group Board intends on further strengthening its commitment to sustainability throughout 2020, driven by acquisitions, partnership initiatives and development of a Corporate Social Responsibility Policy and Social Purpose Statement.

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.

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

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

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

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

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

N G W Grace
Director
Date: 24 July 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under 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, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Opinion

In our opinion the financial statements of CSC Commodities UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which compromise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 in our report.

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatements 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.

Opinions on other matters prescribed by 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 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 on 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 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 work, or for the opinions we have formed.

Mark Rhys, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24 July 2020

CSC COMMODITIES UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Turnover	3	13,994,707	1,589,673
Administrative expenses		(13,505,897)	(8,106,032)
Operating profit/(loss) on ordinary activities	4	488,810	(6,516,359)
Interest receivable and similar income	7	772,073	377,485
Interest payable and similar charges	8	(121)	(20,211)
Profit/(loss) before taxation		1,260,762	(6,159,085)
Taxation on profit/(loss) on ordinary activities	9	12,504	1,419,793
Profit/(loss) for the financial year		1,273,266	(4,739,292)

The notes on pages 11 to 21 form part of these financial statements.

All amounts relate to continuing operations for the current and prior year.

CSC COMMODITIES UK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Fixed assets			
Tangible assets	10	141,514	78
		141,514	78
Current assets			
Debtors	11	19,977,282	20,954,503
		19,977,282	20,954,503
Creditors: amounts falling due within one year	12	(3,814,573)	(5,923,624)
Net current assets		16,162,709	15,030,879
Net assets		16,304,223	15,030,957
Capital and reserves			
Called up share capital	15	11,250,002	11,250,002
Retained earnings		5,054,221	3,780,955
Total shareholders' funds		16,304,223	15,030,957

The notes on pages 11 to 21 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and was signed on its behalf by:

N G W Grace
Director
24 July 2020
Registration Number: 8714321

CSC COMMODITIES UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Retained earnings	*Total* shareholders' funds
	US$	US$	US$
At 1 January 2018	2	8,520,247	8,520,249
Issued shares	11,250,000	-	11,250,000
Profit and loss account	-	(4,739,292)	(4,739,292)
At 31 December 2018	11,250,002	3,780,955	15,030,957
Profit and loss account	-	1,273,266	1,273,266
At 31 December 2019	11,250,002	5,054,221	16,304,223

The notes on pages 11 to 21 form part of these financial statements.

1. Statement of compliance

CSC Commodities UK Limited is a limited company incorporated in the United Kingdom. Its registered office is 155 Bishopsgate, London, EC2M 3TQ. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention on the basis that the Company is a going concern, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

2.2 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.

2.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported for revenues and expenses during the year. However, the nature of estimation means the actual outcome could differ from those estimates.

The Company has identified the following judgements:

Bonus accruals
Management make provisions based on the best estimate of expected discretionary bonuses payable that may be incurred.
Fair value of financial instruments
The Company determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. As at 31st December 2019, the Company does not hold any financial instruments of this nature.

There are no sources of estimation uncertainty.

2.4 Cash flow statement

Under FRS 102, the Company is exempt from preparing a cash flow statement being a member of the Group. The Group prepares publicly available consolidated financial statements including a cash flow statement which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and the Company is included in the Group's consolidated financial statements.

2.5 Functional and presentation currency

The financial statements are prepared in US Dollars, which is the currency of the primary economic environment in which the Company operates.

2.6 Foreign currencies

Transactions in currencies other than US Dollars are recorded at the prevailing spot rate for the day in which the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date. Translation differences at the balance sheet dates are recognised in the Statement of Comprehensive Income.

The conversion rate used to translate GBP into USD at 31 December 2019 was 1.326 (2018: 1.276).

2.7 Open positions

Open positions are valued on the Statement of Financial Position at fair value.

2.8 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Company and the revenue can be reliably measured.

In accordance with accepted practice, the profits and losses from trading activities include unrealised profits and losses at the period end, as open positions are included at market value. The Directors consider this to be necessary to show a true and fair view, since the marketability of the instruments enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit in any period is properly made by reference to market values.

2.9 Exemptions Applied

As a qualifying entity under FRS 102, the Company has taken advantage of the exemptions in section 1.11-1.12 from preparing a cash flow statement, the exemption in section 1.9 requiring the entity to make disclosures about financial instruments, the requirement of section 33.7 to disclose key management personnel compensation, the requirement of section 33.1A to disclose of related party transactions with and between wholly-owned subsidiaries, and the exemption in section 9.3 from preparing consolidated financial statements. The Marex Spectron Group prepares publicly available consolidated financial statements including a cash flow statement which are intended to give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows and the Company is included in the Marex Spectron Group's consolidated financial statements.

2.10 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and impairment. Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives (between 2 and 5 years depending upon the asset) on a straight-line basis.

2.11 Financial instruments

Recognition
The Company determines the classification of its financial instruments at initial recognition depending on the purpose for which the financial instruments were acquired and their characteristics, in accordance with the categories outlined below. When financial instruments are recognised initially, they are measured at fair value.

Determination of fair value
Fair value is determined by reference to third party market values where available. Where the Company has assets and liabilities with offsetting market risks, mid-market prices have been used as a basis for establishing the fair values of those positions. Bid prices are used for long positions and offer prices for short positions.

Where there is no underlying active market, the fair value is determined using proprietary pricing models which apply appropriate valuation techniques and consider the impact of post period end settlement prices.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:	quoted (unadjusted) prices in active markets for identical assets or
Level 2:	other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3:	techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Classifications

(i) Financial instruments at amortised cost

2.11 Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These amounts are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying value and the estimated future cash flows deriving from the continued use of that asset and discounted.

(ii) Financial instruments at fair value through profit or loss

Financial instruments classified as held for trading or designated as such on inception, are included in this category and relate to derivative financial instruments within trade debtors and trade creditors as shown in the statement of financial position. Financial instruments are classified as held for trading if they are acquired for the purpose of reselling.

The financial instruments are initially recognised at fair value on the date on which a contract is entered into. They are subsequently carried on the balance sheet at fair value with gains or losses recognised in the Statement of Comprehensive Income.

Derecognition

A financial asset is considered for derecognition when the contractual rights from the financial asset expire, or when the contractual right to benefit from the future cash flow of that asset has been transferred. The Company derecognises a financial asset when it substantially transfers all the risks and rewards of ownership.

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.

Impairment of financial assets not held at fair value through profit and loss

The Company assesses at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date.

The recoverable amount is the higher of the fair value less costs to sell 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 to the specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income.

2.12 Loans, forgivable loans, and other receivables from employees

The Company has entered into various agreements with its employees whereby these individuals receive loans which may be either wholly or in part repaid from the distribution earnings that the individual receives on some or all of their Company interests or may be forgiven over a period of time. The forgivable portion of these loans is recognised as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements. The Company reviews the loan balances each reporting period for collectability. If the Company determines that the collectability of a portion of the loan balances is not expected, the Company recognises a provision against the loan balances.

2.13 Pension costs

The Company incurs costs relating to a defined contribution scheme. The charge to the income statement for the year is the amount of contributions payable to such schemes in respect of the financial year.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 Interest income and interest expense

Interest income and expense is recognised in the Statement of Comprehensive Income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

2.16 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Deferred taxation

Deferred tax is recognised in respect of all timing differences, which occur between the Company's taxable profits and total comprehensive income, arising from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

3. Turnover

Turnover represents the realised and unrealised income received from trading activity net of brokerage fees represented by the proprietary energy trading business and split between geographical locations of Europe and North America (75% and 25%).

4. Operating loss

The operating (loss)/profit is stated after charging/(crediting):

	2019 US$	2018 US$
Depreciation on tangible fixed assets	24,336	100
Gains on foreign exchange	(5,882)	(102,329)
Operating lease rentals for land and building	5,936	67,483

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	78,786	55,583

The audit fees payable represent the Company's portion of the group audit fees payable relating to the financial year. Audit fees in prior years was paid to Wilkins and Kennedy Partners.

5. Staff costs

Staff costs were as follows:

	2019 US$	2018 US$
Wages and salaries	2,016,159	4,371,236
Social security costs and other tax	196,805	120,459
Other pension costs	28,977	11,307
	2,241,941	4,503,002

Included in wages and salaries is an expense of US$0 (2018: US$1,302,397) was related to limited partnership units for the previous ownership that were exchanged during 2018.

The average monthly number of employees, including directors, during the year was as follows:

	2019 No.	2018 No.
Administration	1	1
Proprietary trading	11	10
	12	11

Staff costs and staff numbers disclosed above relate to those employees employed by the Gibraltar and New York branches of CSC Commodities UK Limited.

6. Directors' remuneration

The total remuneration of the directors of the company for the year was as follows:

	2019 US$	2018 US$
Aggregate remuneration	76,965	1,000
	76,965	1,000
Aggregate remuneration of the highest paid director	50,201	1,000
	50,201	1,000

7. Interest receivable and similar income

	2019 US$	2018 US$
Other interest receivable and similar income	772,073	377,485

8. Interest payable and similar charges

	2019 US$	2018 US$
Bank charges and other interest	121	20,211

9. Taxation

	2019	2018
Corporation tax	US$	US$
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	-	(189,659)
	-	(189,659)
Foreign tax		
Foreign tax on profits for the year	74,277	-
	74,277	-
Total current tax	74,277	(189,659)
Deferred tax		
Origination and reversal of timing differences	250,034	(1,208,615)
Adjustments in respect of prior years	-	(21,582)
Effect of changes in tax rates	(336,815)	63
Total deferred tax	(86,781)	(1,230,134)
Tax on loss on ordinary activities	**(12,504)**	**(1,419,793)**

Factors affecting tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 US$	2018 US$
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	239,545	(1,170,226)
Effects of:		
Expenses not deductible	30,625	(8,457)
Effect of overseas tax rates	53,125	(24,447)
Adjustment from previous periods	-	(211,241)
Tax rate changes	(336,815)	63
Foreign exchange	1,016	(5,485)
Total tax credit for the year	(12,504)	(1,419,793)

9. Taxation (continued)

Factors that may affect future tax (credits)/charges

Finance (No. 2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017. Accordingly, UK corporation tax for this accounting period has been calculated at 19% of the estimated assessable profits for the period. Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% by 2020 and this reduction in the tax rate will impact the current tax charge in future periods. However, in the Budget on 11 March 2020 the Government has announced that the reduction in the rate will be reversed and the corporation tax rate will remain at 19% from 1 April 2020.

10. Tangible assets

	Office furniture & equipment US$
Cost	
At 1 January 2018	15,101
At 1 January 2019	15,101
Additions	165,772
At 31 December 2019	180,873
Depreciation	
At 1 January 2018	14,923
Charge for the year	100
At 1 January 2019	15,023
Charge for the year	24,336
At 31 December 2019	39,359
Net book value	
At 31 December 2019	141,514
At 31 December 2018	78

11. Debtors

	2019 US$	2018 US$
Trade debtors	-	12,005,529
Amounts owed by group undertakings	12,448,880	6,987,335
Deferred taxation (note 14)	1,313,256	1,258,981
Corporation tax	747,771	702,658
Other debtors, prepayments and accrued income	5,467,375	-
	19,977,282	20,954,503

Trade debtors in 2018 consist of open positions which are classified as a current asset at fair value through the income statement. These positions are held for short term gain and any changes in fair value are recognised as part of turnover. As at the year end 31 December 2019, the Company held long positions with a total value of US$nil (2018: US$12,005,529) as all derivative positions for the Marex Group are managed by another Group entity.

The amounts owed by group undertakings are non-interest bearing and repayable on demand.

The directors of the Company consider the carrying value of these items approximate to fair value.

12. Creditors: amounts falling due within one year

	2019 US$	2018 US$
Amounts owed to group undertakings	-	2,010,502
Other taxation and social security	73,555	93,376
Bank overdraft	-	582
Amounts owed to clearing organisations	-	2,184,296
Accruals	3,741,018	1,634,868
	3,814,573	5,923,624

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

13. Derivatives held at fair value

The Company held the following derivative instrument positions at the year end:

	Contract or underlying principal amount US$	Fair value asset US$	Fair value liability US$
2019			
Oil derivatives (level 1)	-	-	-
Oil derivatives (level 2)	-	-	-
	-	-	-
2018			
Oil derivatives (level 1)	3,610,454,049	351,832,668	(167,257,678)
Oil derivatives (level 2)	1,083,036,947	774,597,951	(947,167,412)
	4,693,490,996	1,126,430,619	(1,114,425,090)

Changes in the fair value of the financial assets and liabilities are recorded within turnover in the Statement of Comprehensive Income.

14. Deferred taxation

	2019 US$	2018 US$
At beginning of year	1,258,981	6,315
Adjustment in respect of prior periods	-	21,582
Charge to the income statement	86,781	1,208,552
Other credits	(32,506)	-
Charge to the reserves	-	22,532
At end of year	1,313,256	1,258,981

The deferred tax asset is made up as follows:

	2019 US$	2018 US$
Fixed Assets	(181)	269
Short-term timing differences	645	53,604
Losses	1,312,792	1,205,108
	1,313,256	1,258,981

There is no expected expiry date on the unrecognised deferred tax assets.

14. Deferred taxation (continued)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been $24,258 higher.

15. Share capital

	2019 US$	2018 US$
Allotted, called up and fully paid		
8,427,003 Ordinary shares of £1 each	11,250,002	11,250,002

15. Financial commitments

	2019 US$	2018 US$
Not later than 1 year	-	6,881

The financial commitment relates to a lease agreement which expired on 31 July 2019.

16. Ultimate parent and controlling party

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

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

17. Related party transactions

The Company has taken advantage of the exemption in FRS 102 not to disclose transactions with other Group entities that are directly or indirectly wholly owned by the Group, whose financial statements are publicly available. The balances in 2019 were balances with other Marex Spectron Group Limited entities, prior to the acquisition, related parties were balances between the Company and entities within the BGC Group of companies.

Related party balances requiring disclosure are as follows:

	2019	2018
Amounts due from/(to) group undertakings	US$	US$
Other affiliated entities	12,448,880	(4,976,834)
Write-off intercompany balance	-	300,428
Total	12,448,880	(4,676,406)

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

Key management personnel

The directors of the Company who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be the key management personnel. Remuneration of these directors' is disclosed in note 6.

18. Post balance sheet events

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

Since 23 March 2020, a significant proportion of the Company's employees have been working from home in accordance with Government requirements. Whilst market volatility has resulted in widespread credit issues across all industries, the Company remains profitable through 2020 and is ahead of budget.

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