

**(Registered Number: 07611628)**

**LME Clear Limited**

**Annual report and financial statements**

**31 December 2024**

# **LME Clear Limited**

## **Directors and independent auditors**

### **Directors**

The Directors of LME Clear Limited (the Company or LME Clear) who were in office during the year and up to the date of signing the financial statements were:

#### Current directors

D Warren (Chairman) <sup>1</sup>	
N C Allen	
J Carruthers <sup>1</sup>	
M Carty (CEO)	
P C Chapman <sup>1</sup>	Appointed 21 February 2024
H E Graham	
R Gil-Tienda	
R A Wise	
C Young <sup>1</sup>	
H P H Leung	Appointed 5 July 2024

#### Resigned directors

B Y Chan	Resigned 4 July 2024
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### **Registered office**

10 Finsbury Square, London EC2A 1AJ

### **Independent auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside, London SE1 2RT

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<sup>1</sup> Denotes Independent Non-Executive Director

# **LME Clear Limited**

## **Strategic report**

The Directors present their Strategic report on the Company for the year ended 31 December 2024. This report should be read in conjunction with the Directors' report on pages 10 to 17.

### **Overview**

The Company is incorporated in England and Wales and is an indirect subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), a leading global financial market operator.

### **Principal activities**

The Company is a Recognised Clearing House under the Financial Services and Markets Act 2000 and authorised in accordance with the European Market Infrastructure Regulation (EMIR) as transposed into UK law (UK EMIR). The Company acts as the central counterparty (CCP) for exchange contracts traded on The London Metal Exchange (the LME). The clearing service principally provides counterparty risk mitigation services for the Company's Clearing Members.

### **Review of the business**

The Directors are pleased to report that the Company has recorded a strong financial performance. Profit after tax for the year was \$43,831,000, an increase of 53% from 2023; primarily driven by growth in clearing revenues, higher investment income and lower professional fees, partly offset by higher taxation and staff costs during the year.

The Company serves as the clearing house for the LME, providing EMIR-compliant clearing and settlement services for all trades transacted across the LME's three trading venues – the Ring, the LME's interoffice market, and LMEselect, the LME's electronic trading venue. Its performance is hence closely tied to the volume of trading which takes place on the LME.

The Company's revenue and other income, primarily derived from clearing and settlement fees and investment income, increased 24% from the prior year.

Clearing and settlement fee income for the current year was \$80,203,000 (2023: \$61,643,000). The increase reflects the LME's higher average daily volume (ADV) up 18% year-on-year. The LME's ADV of metals contracts, representing chargeable volume excluding administrative trades was 664k lots (2023: 562k lots). Higher volumes at the LME were driven by a number of factors including volatility in the second quarter of 2024 following the introduction of sanctions on Russian metal, high prices - including record highs for LME Copper, and healthy open interest throughout the year. Good take-up of the electronic volume incentive programme and the proprietary liquidity programme has also supported volumes.

Following the UK's exit from the European Union (EU) significant regulatory changes that affect the Company have yet to be announced - beyond the onshoring of EMIR into UK law. In January 2025, the European Commission announced that CCP equivalence for UK CCPs would be extended for a further three years until 2028.

The key risk management activities of the Company as a CCP include market, credit and liquidity risk and associated policies and procedures have all operated in line with the Company's Risk Appetite Statement.

The Company, alongside LME, continues to deliver against its published Action Plan, a multi-year programme of change to strengthen and enhance its markets following the events in the nickel market in 2022 and in line with recommendations from Oliver Wyman. The Company has made significant progress in implementing recommended measures, including consulting on proposals to increase the minimum net capital requirement for Clearing Members, a default fund mutualisation limit and anti-procyclicality controls. The LME made enhancements to the physical market such as fast-track nickel brand listings. Under the fast-track brand listing process which operated from March 2023 until December 2024, the LME listed six new nickel brands. Such listings further facilitate the building of liquidity in the LME Nickel contract which continued to show positive growth, with ADV rising above 50k lots for the first time since March 2022.

# LME Clear Limited

## Strategic report (continued)

### Review of the business (continued)

#### Performance measurement and key performance indicators (KPIs)

Management employs commercial KPIs including clearing volume, margin portfolio size and critical system availability.

In respect of capital, the key performance indicator is compliance with regulatory capital requirements set in accordance with the UK EMIR. The Company held sufficient capital to meet its requirements throughout the year. Further detail on capital requirements is presented in the Directors' report.

Financial KPIs	2024	2023	Increase / (decrease)
	\$ 000's	\$ 000's	\$ 000's
Revenue and other income	132,306	106,685	25,621
Operating expenses	73,501	68,781	4,720
Earnings before interest, tax, depreciation, and amortisation	65,742	43,421	22,321
Profit before tax	58,539	37,684	20,855
Profit after tax	43,831	28,662	15,169
Net assets	333,168	290,448	42,720
Margin deposits from clearing participants	8,469,168	8,696,247	(227,079)
<b>Related non-financial KPIs</b>			
ADV (000's; chargeable, excluding administrative trades)	664	562	102
Futures market open interest (lots)	1,786,686	1,793,375	(6,689)

Higher revenue is predominantly due to an increase in clearing and settlement fees due to the increase in ADV and higher investment income due to higher returns on investments made. The increase in operating expenses is due to higher staff costs offset by a decrease in legal and professional fee expense in the year. As a result, profits have increased compared to 2023.

No final dividend is proposed in respect of 2024 (2023: \$nil). The Company did not pay an interim dividend during the year (2023: \$nil).

### Strategy

The Company's strategy continues to focus on clearing the existing contracts traded on the LME and providing a resilient and efficient service. In addition, the Company will seek to clear any new products developed by the LME and to diversify its clearing services to existing and prospective Clearing Members.

The Company is assessing its longer-term strategy and is considering opportunities to redevelop its clearing services in concert with commencing preparations for replacing its clearing platform later this decade. This strategic review will aim to pinpoint and develop opportunities in the clearing services the Company provides while supporting the growth and structural reform of the LME. This will also include assessing opportunities in the global clearing space aligned to LME and HKEX priorities.

# LME Clear Limited

## Strategic report (continued)

### Business environment

The Company operates in a highly regulated, competitive and technology-intensive environment. The Company will continue to offer robust and resilient clearing services and improve its offering to its Clearing Members.

2024 saw a continuation of some of the challenges that characterised 2023, including weak manufacturing demand - in particular in Europe. Cuts and disruptions to raw materials have fed through to refined metal, particularly for zinc, copper, and aluminium. Nickel, in contrast, remains in a sizeable surplus due to increased production from Indonesia. Following the election of Donald Trump the US dollar strengthened to a two-year high. Shortly thereafter China removed export rebates for aluminium and copper products leading to aluminium prices rising almost nine per cent day-on-day.

The year was also characterised by several elections globally, including in the UK where a Labour government took power for the first time in 14 years, and in the United States where President Trump was inaugurated in January 2025. These changes, particularly in the United States, have the potential to impact the Company's operating environment, especially in respect of (a) the global impetus for sustainability and (b) the sanctions relating to the ongoing Ukraine-Russia environment. The Company will continue to monitor this carefully.

Other areas of focus have been progressing the programme of change associated with the Action Plan and managing the ongoing impact of continued geopolitical uncertainty and macroeconomic challenges to the Company.

### Principal risks and uncertainties

The Company's activities as a CCP expose it to several risks, both financial and non-financial. The Company maintains a comprehensive risk management framework to manage these risks in accordance with the risk appetite set by the Board. The Company aligns all risks they face under four principal risk categories, default, resilience, strategic and regulatory and sets its risk appetite and tolerances at this level allowing the Board to monitor its performance. Detailed notes on the financial risks faced are captured in note 16 of the Company's financial statements.

#### Default risk

Default risk covers the Company's principal financial risks which are mitigated through risk processes. As a CCP the Company is the counterparty to every matched trade. It acts as a buyer to every seller and the seller to every buyer and as a result it recognises derivative instruments in respect of both sides of the trade. During the life of a trade the Company processes all cash flows, marks the trade to market and calls collateral in the form of initial and variation margin to protect the CCP from the risk of a counterparty to the trade defaulting. If either party defaults on the trade the Company owns the defaulter's risk and becomes accountable for its liabilities. In the event of default, the collateral held by the Company is used to fulfil the failed organisation's obligations, which minimises the risk that the party on the other side of the trade is not negatively impacted by the default. Cash collateral collected from Clearing Members is invested in high quality liquid assets to minimise liquidity and credit risk.

At the current time the Company considers that the risks it faces with regard to its default risk continue to be within risk appetite and have been further mitigated by recent changes to its risk management practices including new margin, default fund and member liquidity requirements.

#### Strategic risks

##### (i) Litigation

The Company and LME were named as defendants in two judicial review claims filed in the English High Court in 2022 (the JR Proceedings) and three related claims filed in the English High Court in 2023 (HRA Claims). These sought to challenge the LME's decision to ensure that no trading activity that had taken place on the LME's nickel market after 00:00 UK time on 8 March 2022 until 08:15 when the market was suspended should result in a binding contract under the LME's rules.

On 29 November 2023, the Court gave judgment in the JR Proceedings in the LME's favour on all grounds and ordered the claimants to pay the Company and LME's costs of the Proceedings.

# LME Clear Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Strategic risks (continued)

##### (i) Litigation (continued)

One of the claimants (Elliott Associates L.P. and Elliott International L.P., together referred to as Elliott) sought and was granted permission to appeal to the Court of Appeal (the Appeal). The Appeal was heard by the Court of Appeal in July 2024. Judgment in respect of the Appeal was handed down by the Court of Appeal on 7 October 2024, in which the Court of Appeal found in the Company and LME's favour and dismissed the Appeal. On 29 January 2025 the Supreme Court refused permission for Elliott to appeal the Appeal outcome further. This effectively brings an end to the JR proceedings; full details are provided in the financial statements including information on the current status of the JR Proceedings and HRA Claims.

##### (ii) Change programme

As part of its strategic growth objectives and to maintain its regulatory status the Company undertakes a ongoing programme of change to its processes and systems. This change programme is managed carefully but can create risks and complex dependencies and so will remain a key focus of the Board as further improvements are made.

##### (iii) Resilience risk

With continued reliance placed on technology, the Company is aware of the need to maintain high degrees of operational and system resilience. In addition, the risk of cyber-attacks remain significant with financial services companies among the most heavily targeted. To mitigate the risks, the Company continues to invest in controls and focus on its people, processes, data, third parties and technology. The Company maintains robust risk management processes and assesses resilience risks on an ongoing basis, seeks to continually improve processes and technology to mitigate identified risks. The Company has recently further refined operational incident process to manage incidents and ensure required improvements are identified which may then result in changes to processes or technology.

The Company continues to make significant cyber-security investment underpinned by a number of capabilities such as threat intelligence, regular penetration testing, maturity reviews against the National Institute of Standards and Technology framework, provision of training to employees in cyber techniques that could be used to compromise the Company. The Company's information security team liaise with key government and other bodies to keep up-to-date on the latest cyber threat information.

The Company's critical system availability is measured and monitored on a monthly basis. The Company achieved 100% uptime throughout 2024 for all 10 critical systems (2023: 100% uptime for 9 of 10 critical systems). Incidents were rapidly remediated and subject to detailed root cause analysis and implementation of preventative measures.

The Bank of England (BoE) published guidance on operational resilience for Financial Market Infrastructures and its expectations with a date for full implementation across the Company by March 2025. The Company has undertaken significant work over the past 12 months to ensure it will meet these expectations. In 2023 the BoE also introduced a new statement on Outsourcing and Third Party Risk Management that came into force during 2024 in response to which the Company has developed a new policy and framework. The Company takes its position as a key financial market infrastructure provider extremely seriously and will continue to invest in and to further embed and enhance its operational resilience framework and outsourcing and third party risk management framework in 2025.

#### Regulatory risk

The Company places a high emphasis on regulatory compliance in all jurisdictions in which it operates, seeks to promote active and co-operative relationships with its lead regulator, the BoE, and maintains an active interest and involvement where appropriate in regulatory matters arising in the UK and other global locations. Following the UK's withdrawal from the EU, the Company continues to engage with UK legislators and policy makers as the UK considers its regulatory structure and environment. The implementation of a demanding and still evolving regulatory agenda and other market developments means that regulatory and compliance risks remain key risks.

# **LME Clear Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### Regulatory risk (continued)

In March 2023, the BoE announced the results of its supervisory review into the operation of the Company following the events in the nickel market in March 2022. The BoE also announced that it would appoint a skilled person under section 166 of the Financial Services and Markets Act 2000 to independently monitor, assess and report to the BoE on progress of implementation of the Company's implementation plan to strengthen its governance arrangements, increase independence in management and governance at the CCP, and improve on its wider risk management. This review began in July 2023 and the Company is working towards its conclusion with the Company having implemented several significant changes.

Regarding UK CCP equivalence, the risk facing the Company as a result of the equivalence decision is that it would not be able to provide clearing services for those Clearing Members that reside within the EU. The Company is currently recognised by the European Securities and Markets Authority as a Tier 1 third country CCP and is therefore able to provide clearing services to its EU Clearing Members. In January 2025, the European Commission announced that CCP equivalence for UK CCPs would be extended for a further three years until 2028.

### **Emerging risks**

#### Geopolitical and macroeconomic environment

The overall geopolitical and macroeconomic environment remains turbulent. While metal prices have generally been driven by fundamental physical demand, which continues to be moderate, there have also been concerns around the slowdown in growth of the Chinese economy and the impact of a new US Government on trade flows. The major risk to the Company is the greater bifurcation of global trade and a global slowdown.

#### Climate risk

The Company considers climate risk to be an emerging risk that may have an impact on its operations, market, Clearing Members, and clients in the medium to long term. The Company has assessed that climate risk does not have any significant impact regarding its financial position as of the reporting date or on its outlook for the near-term. For more information on this please refer to the streamlined energy and carbon section of the Directors' report.

### **Section 172 Companies Act 2006**

All Directors are collectively responsible for the success of the Company and take their duties and responsibilities, including those set out in section 172(1) of the Companies Act 2006, seriously. Whilst the duty of each Director is to promote the success of the Company for the benefit of its shareholder, in doing so the Board considers as part of its discussions and decision-making process the interests of all key stakeholder groups as identified below.

The Board therefore recognises the importance of effective stakeholder engagement in driving the Company's strategic focus of clearing the contracts traded on the LME. Effective stakeholder engagement enables Directors to identify key emerging themes and trends in the markets that are served by the Company.

The Company identifies its key stakeholders as Company employees, Clearing Members, regulators, service providers/suppliers, and its ultimate parent, HKEX.

The Company uses a variety of approaches to engage with its stakeholders throughout the year, including scheduled meetings, consultations, townhalls and Company notices. Thematic results from these interactions with stakeholders are periodically presented to the Directors, primarily by senior management who lead such engagements.

Clearing Member satisfaction, the delivery of cost-effective services and critical system availability are important measures of performance for the Company.

# **LME Clear Limited**

## **Strategic report (continued)**

### **Section 172 Companies Act 2006 (continued)**

#### Clearing Members

Ongoing Clearing Member engagement is integral to the Company's governance framework. The Company engages with its membership base through the EMIR Risk Committee which includes Clearing Member and client representatives and also through the Risk Advisory Group to which all Clearing Members are invited to send representatives. The Company also receives metal-specific feedback from advisory committees established by the LME which are consulted on the cleared contracts and underlying physical commodities. During 2024 the Risk Committees and LME advisory committees provided valued input and advice to Company Directors and senior management.

#### Suppliers and service providers

The Board takes the Company's relationships with its suppliers seriously. This continued to be a key area of focus during 2024.

The Board has reaffirmed the Company's commitment to ensuring that there is no modern slavery in its organisation or supply chains. A Board-approved Modern Slavery Policy is in place, and this reflects the Company's commitment to acting ethically and with integrity.

#### Regulators

The Company maintains a regular dialogue with the BoE as well as those regulators with which it has overseas licenses, engaging on relevant matters such as Board and management changes, capital requirements and proposed new products or services.

#### HKEX

The Company maintains close links with its ultimate parent company. A number of the Company's Directors hold directorships of HKEX or sit on the HKEX Management Committee and there is regular contact and interaction between HKEX management and staff and the Company's employees at all levels across the business.

### **Employee engagement**

The Board recognises that engagement with Company employees is fundamental to the Company's success. Engagement with employees is undertaken by senior management, through townhalls, a variety of employee forums and regular staff surveys.

The Company has continued to be active in implementing measures to maintain and drive engagement. Regular communication of the Company's strategy and performance has been shared with employees, promoting greater understanding of how individual activities contribute to achieving the Company's goals. There has also been significant sustained focus on the development of employees, with the launch of a new learning and development curriculum in February 2024 offering a range of courses aligned to identified organisational needs and skills gaps. In addition, the Company has provided several new programmes to deepen management and leadership capability throughout the organisation. The Company has also continued to provide employees with increased opportunities to have exposure to, and interact with, the Board and senior management, including through round table discussions with the Chair, Chief Executive and Executive Committee members.

The Company operates a discretionary bonus scheme which remunerates employees based on their performance together with the Company and HKEX Group's performance. Employees set annual objectives aligned to the Company's corporate scorecard and discretionary incentives are awarded taking into account their performance against those objectives. The bonus scheme therefore encourages employees to contribute to the Company's overall objectives and performance.



# **LME Clear Limited**

## **Strategic report (continued)**

### **Employee engagement (continued)**

The Company continued to support employee wellbeing this year through the provision of wellness weeks focusing on mental, physical, and financial wellbeing. Healthy breakfast options continue to be provided as well as complimentary access to an on-site gym at the London office.

From a people and culture perspective, diversity and inclusion has remained a focus in 2024. The Company has thriving employee networks raising awareness and engagement on this topic and continues to celebrate diversity through events such as International Women's Day, Pride Month and Black History Month.

The Company remains committed to the Women in Finance Charter, reinforcing its aim to increase gender diversity. The target is to increase female management representation to 40% by September 2025. The Company's gender diversity strategy consists of five key pillars: attraction, governance, benchmarking, retention and education. Internal initiatives within each of these pillars will support the Company in working towards its five-year target of growing its female representation in senior management positions. Annual progress updates are also published on the Company's website on a combined basis with LME reporting as the 'LME Group'. The latest report was published in September 2024 showing that 35% of senior management roles at LME Group were filled by women.

The Board believes that transparency around gender pay gap reporting continues to play an important role in understanding and addressing the gender-based inequality that persists in the wider society in which the Company operates. LME Group's gender pay gap report for 2023 was published in 2024 showing a reduction of 4.1% compared to the prior year, with the mean gender pay gap standing at 11.1%. The Company is pleased that progress has been made but acknowledges that there is still more to do.

Throughout 2025, the Board will continue to review and challenge how the Company can improve engagement with its employees and other stakeholders.

### **Equal opportunities**

The Company is an active equal opportunities employer, which promotes an environment free from discrimination, and where everyone receives equitable treatment and career development regardless of age, disability, sex, gender, gender reassignment, pregnancy, race (which includes colour, nationality and ethnic or national origins), sexual orientation, religion or belief, or because someone is married or in a civil partnership, among other diverse attributes. All decisions relating to employment practices are objective, free from bias and based on merit. The Company continues to build on its diversity and inclusion strategy and, as part of this, is committed to further enhancing its equal opportunities monitoring.

The Company gives full and fair consideration to applications for employment made by disabled people, and encourages and assists the recruitment, training, career development and promotion of disabled people. The Company also endeavours to retain employees who become disabled during the course of their employment. This includes a commitment to making reasonable adjustments to the employee's working environment where a physical feature or a provision, criterion or practice puts a disabled person at a substantial comparative disadvantage.

The arrangements outlined above are set out in a Company policy, which is subject to periodic review.

# **LME Clear Limited**

## **Strategic report (continued)**

### **Charitable activities**

The Company is committed to its charitable initiatives and engages with a variety of charitable causes at both a corporate and individual employee level. The Company's approach, priorities, and objectives in respect of charitable activities are primarily led by the joint LME and LME Clear Charity Committee.

Since 2022, employees have participated in volunteering programmes organised by the Company's corporate charity partner Inspire, an education business partnership. Inspire works with organisations and individuals across London to make a positive impact on local schools and young people's lives. Employees have volunteered in a number of ways – from assisting with basic numeracy and literacy skills in primary schools, to helping arm senior school students with the key skills required to enter the world of work.

During the year, the Company made charitable donations amounting to \$41,000 (2023: \$18,000).

The Strategic report was approved by the Board of Directors on 20 February 2025.

Signed by order of the Board of Directors by:



D R Hennessy  
Company Secretary  
20 February 2025  
LME Clear Limited  
Registration number 07611628

# **LME Clear Limited**

## **Directors' report**

The Directors submit their annual report to the sole shareholder together with the audited financial statements for the year ended 31 December 2024.

### **Incorporation**

The Company is a private company limited by shares. It was incorporated in the United Kingdom on 21 April 2011. It is domiciled in the UK and registered in England and Wales. It is a wholly owned subsidiary of HKEX Global Commodities Limited. HKEX Global Commodities Limited, previously HKEX Investment (UK) Limited, is a private company limited by shares.

### **Results and dividend**

The profit before tax for the year ended 31 December 2024 was \$58,539,000 (2023: \$37,684,000) and profit after tax was \$43,831,000 (2023: \$28,662,000).

The Directors do not propose the payment of a final dividend (2023: \$nil). The Company did not pay an interim dividend during the year (2023: \$nil)

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 1.

### **Directors' indemnity and insurance**

The Company's Articles of Association provide an indemnity (the Indemnity) for each Director of the Company. The Indemnity, which constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, was in force during the 2024 financial year and remains in force at the date of signing the financial statements. Directors' and officers' insurance cover is also maintained for Directors of the Company.

### **Anti-bribery and corruption policy**

The Company supports a culture of integrity, ethical conduct, fairness, honesty, and openness when doing business, and zero tolerance of bribery. Accordingly, the Company's policy expressly states that all staff are strictly prohibited from engaging in bribery and corruption.

### **The Modern Slavery Act 2015**

The Modern Slavery Act requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. Modern slavery is a serious global issue and represents one of the worst forms of human rights violation. The Company takes this very seriously and considers that its directors, management and staff all have a responsibility to be alert to the risks, however small, in the Company's operations and in the wider supply chain. Staff are expected to report concerns and management are expected to act upon them.

### **Future developments**

The Company will continue to invest in its core clearing and technology services to ensure it remains competitive and continues to offer innovative and cost-effective clearing services for Clearing Members. The Company is assessing its longer-term strategy and is considering opportunities to redevelop its clearing services in concert with commencing preparations for replacing its clearing platform later this decade.

# **LME Clear Limited**

## **Directors' report (continued)**

### **Financial risk management**

Information in respect of the Company's objectives, approach and exposure in respect of foreign exchange risk, price risk, cash flow and fair value interest rate risk, sovereign risk, credit risk and liquidity risk management is provided in note 16 to the financial statements.

### **Capital risk management**

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for the shareholder and benefits for other stakeholders;
- To support the Company's stability and growth;
- To provide capital for the purpose of strengthening the Company's risk management capability; and
- To ensure the Company complies with all regulatory requirements.

The Company holds capital resources in the form of share capital, retained earnings and reserves and actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future expected capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Company is regulated by the BoE as a Recognised Clearing House under the Financial Services and Markets Act 2000, and under UK EMIR.

The BoE's capital rules require that the Company must maintain liquid assets and net shareholders' funds in excess of its regulatory capital requirement. Liquid assets are represented by the Company's own cash and cash equivalents together with financial assets measured at amortised cost. Net shareholders' funds comprises total equity less intangible and fixed assets, trade and other receivables and any amounts due from group undertakings.

The Company's regulatory capital requirement amounts to \$155,100,000 as at 31 December 2024 (2023: \$152,400,000). This includes a contribution to the default fund of \$28,700,000 (2023: \$27,500,000). In addition, the Company's capital resources must be in the form of share capital, retained earnings and reserves, reduced by intangible assets and retained losses.

### **Employee engagement**

Disclosures regarding action taken by the Company to engage with its employees have been included in the Employee engagement section of the Strategic report.

### **Disabled persons disclosures**

A statement describing the company's policy on the hiring, continuing employment and career development of disabled persons has been included in the equal opportunities section of the Strategic report.

### **Charitable activities**

Disclosures regarding the Company's charitable activities have been included in the Charitable activities section of the Strategic report.

# LME Clear Limited

## Directors' report (continued)

### Streamlined energy and carbon reporting

In October 2022, the Company and the LME publicly announced their net-zero target (2040) and their intention to publish a further reduction roadmap in the future. The Company is referencing two initiatives to inform its commitments, impact, and progression reporting against this target – the Science-Based Targets initiative (SBTi) and the Task Force on Climate-Related Financial Disclosures (TCFD). Both the Company and its ultimate parent, HKEX, have committed to follow the principles of SBTi as part of its parent group Hong Kong Exchanges and Clearing (HKEX), and will deliver reporting and validation on a combined basis, with work ongoing throughout 2025. The Company is not required to report under the TCFD however it has opted to voluntarily disclose its adherence to the relevant provisions in the following sections.

The TCFD framework for disclosing climate-related financial information is designed to guide clear, comparable and consistent reporting about the risks and opportunities presented by climate change; with a focus on four pillars: governance, strategy, risk management, and metrics and targets.

The Company's emissions data, including the streamlined energy and carbon reporting, is included within the metrics and targets section.

#### Governance

The Board actively oversees the Company's sustainability strategy, including climate-related risks and opportunities. This oversight is integrated into regular Board governance processes, such as reviewing strategies, major action plans, risk management policies, business plans, and budgets. This topic is reported to the Board when notable updates occur, or at least on an annual basis ensuring alignment with the Company's long-term sustainability goals.

The Corporate Sustainability team, led by the Chief Sustainability Officer, is responsible for identifying climate-related risks, agreeing strategy and targets, implementing plans and monitoring and communicating progress against key ESG performance indicators. This includes setting climate strategies and goals, such as the net-zero carbon emissions target by 2040, and maintaining alignment with the Company's overall strategy. This structure facilitates the continuous monitoring and assessment of climate-related risks, enabling the Company to identify issues and adapt its strategy effectively.

Within the broader organisation, the Corporate Sustainability team runs an internal, cross-departmental group called the Green Working Group, that meets on a quarterly basis to review trends, updates, and progress on the Company's net-zero plan, focusing on driving sustainability initiatives and engagement across the organisation.

#### Strategy

The Company is in the process of implementing and embedding a comprehensive climate strategy guided by the TCFD framework to address climate-related risks and opportunities. The Company's analysis centres on two major categories of risk: physical and transitional. Physical risks consider the potential operational impacts from acute climate events such as severe weather, while transitional risks focus on shifts in market demand as the global economy increasingly prioritises sustainability.

To navigate these risks, the Company has employed scenario analysis based on three distinct climate pathways: a 1.5°C scenario aligned with global net-zero targets; a below 2°C scenario; and a 'business as usual' (BAU) scenario. These scenarios are informed by data from various sources, including the International Energy Agency and the Network for Greening the Financial System. By evaluating potential economic and regulatory changes under each scenario, the Company can better understand and prepare for the financial implications of different climate trajectories.

# LME Clear Limited

## Directors' report (continued)

### Streamlined energy and carbon (continued)

#### Strategy (continued)

In the broader sense and outside of the Company's internal sustainability agenda, the Company's strategic focus is to support the LME's efforts to enhance the sustainability of the global base metals market by improving transparency and implementing robust industry standards. This includes initiatives like LMEpassport, which facilitates access to sustainability data, and the integration of mandatory responsible sourcing requirements into the LME brand listing criteria. The strategy is also geared towards leveraging the growing demand for sustainable metal products and developing innovative financing solutions to facilitate this shift. It aims to offer products that appeal to climate-conscious market participants, such as futures contracts for metals integral to green technologies, including electric vehicle batteries and renewable energy systems.

The Company is also carefully evaluating potential cost implications from climate-related factors, such as carbon pricing, stricter regulatory compliance, and operational risks due to climate impacts. This dual approach not only aims to minimise financial risks but also positions the LME and LME Clear to capitalise on increasing market preferences for low-carbon and sustainably sourced products.

To achieve net-zero emissions by 2040, the Company's roadmap targets several critical areas. First, it is prioritising the adoption of 100% renewable energy across its operations to reduce scope two emissions. This transition is aligned with broader global sustainability goals and reflects the Company's commitment to minimising its direct carbon footprint. The Company also aims to decarbonise its supplier base, with a particular focus on reducing scope three emissions, which account for a significant proportion of its total emissions. Engaging suppliers - especially those with science-based targets - ensures that the Company will align its operations with decarbonisation efforts across its entire value chain.

Business travel - a notable source of emissions - is another focus area. The Company plans to reduce travel-related emissions where possible by promoting virtual meetings and prioritising lower-carbon travel options, such as rail or flights using sustainable aviation fuel.

Data centres - the Company is enhancing the energy efficiency of its data centres by optimising energy usage, leveraging renewable energy sources, and reducing waste, water usage, and refrigerant emissions.

Carbon neutrality - in 2023, HKEX (LME Clear's ultimate parent company) announced its commitment to carbon neutrality by the end of 2024. In addition to this, the Company is exploring various carbon offsetting strategies as a complementary measure to address residual emissions. This approach is in line with SBTi guidelines, which allows for offsetting up to 10% of total emissions. The Company's commitment to a structured and transparent offsetting strategy will help mitigate the remaining carbon footprint as it progresses towards its net-zero goal.

#### Risk management

The Company has integrated climate-related risks into its broader Enterprise Risk Management (ERM) framework. This integration allows climate risks to be assessed alongside other business risks, supporting a comprehensive risk management approach. As part of this process, the Company employs scenario analysis to evaluate potential impacts over short, medium, and long-term horizons, considering both physical risks (such as extreme weather events) and transition risks (including market shifts towards sustainable products).

As part of the Company's longer-term net-zero planning it plans to utilise the insights gained from scenario analysis to inform strategic decisions related to product development and overall business strategy. This ensures that potential risks are factored into long-term planning, allowing the Company to adjust proactively. Additionally, there is ongoing monitoring and reporting of climate-related key performance indicators by the Sustainability team, the Green Working Group and the Executive Risk Committee. Updates are provided to the Boards and Executive Committee, establishing a feedback loop that enables timely responses to emerging climate risks.

# LME Clear Limited

## Directors' report (continued)

### Streamlined energy and carbon reporting (continued)

#### Risk management (continued)

The Company's assessments also cover key financial impacts of climate-related risks. These include potential revenue shifts driven by increasing demand for sustainable financial products and services, expected rises in operational costs from carbon pricing and regulatory compliance, and the risk of asset impairments. The latter involves analysing assets, and those closely associated with the LME ecosystem, that could be at risk due to changing regulations or a market shift toward low-carbon alternatives. Through this holistic approach, the Company ensures that climate considerations are fully embedded within its risk management strategy, allowing for informed decision-making and enhancing the organisation's resilience against climate-related challenges.

#### Metrics and targets

The Company has calculated its annual carbon footprint in line with the Greenhouse Gas (GHG) Protocol Corporate Standard. The total emissions included a range of the Company's operations that included (but was not limited to):

- The Company's offices and apportioned facilities in London;
- Business travel by employees;
- Employee commuting and working from home; and
- Data centres and capital goods.

The three largest contributors to the Company's GHG emissions (by operational areas) in the 2024 base year were all within scope three and included goods and services (70% of total emissions), business travel (11%) and data centres (7%).

<b>UK greenhouse gas emissions and energy use</b>	<b>2024</b>	<b>2023</b>
<b>Total emissions in metric tonnes (carbon dioxide equivalent)</b>	<b>1,664</b>	<b>1,606</b>
<b>Emissions breakdown in metric tonnes (carbon dioxide equivalent)</b>		
Scope one (direct combustion of fuels)	6	46
Scope two (emissions from electricity purchased for own use)	1	47
Scope three (indirect emissions from goods and services, business travel and data centres)	1,657	1,513

In 2024, the Company emitted 2.3453 metric tonnes of carbon dioxide equivalent per metre squared of office space (2023: 2.2483 metric tonnes per metre squared).

Scope one emissions in 2023 were driven primarily by a refrigerant leak from an air conditioning unit and accordingly these reduced significantly in 2024.

Scope two emissions are based on a market-based calculation that tracks scope two emissions based on the specific emissions intensity of the electricity provider, rather than that of the local grid offering (also known as location-based).

Scope three emissions increased as a result of higher expenditure within the goods and services category.

# LME Clear Limited

## Directors' report (continued)

### Corporate governance

The Board affirms its commitment to high standard of corporate governance. As a CCP, the Company is required to meet statutory requirements.

The corporate governance structure adopted by the Company is summarised below.

#### The Board and Board composition

The Articles of Association of the Company prescribe the composition of the Board and the procedures for appointment to it. The Articles of Association provide that the total number of directors shall be ten, four of whom shall be independent non-executive directors.

#### Governance structure

The Board is the main decision-making body for the Company. To assist the Board to effectively discharge its roles and responsibilities, day-to-day management of the Company is delegated to the Chief Executive Officer. The scope of the Chief Executive Officer's role is set out in his or her remit of responsibility.

The UK's Senior Managers Regime (SMR) does not apply to the Company. However, the Board fully supports the SMR's aim of embedding a culture of personal responsibility and accountability at the heart of financial services which, in turn, should raise governance standards, increase individual accountability, and support consumer confidence. The Board therefore made the decision in 2021 to amend its governance structure so that it would be similar to that which would operate under the SMR. A key aspect of these changes was a shift towards clear individual accountability. The Board is aware of the legislative proposals to introduce a full Senior Manager Certification Regime for CCPs and look forward to working with policy makers to define the detail.

The Remit of Responsibility for the Chief Executive Officer permits the Chief Executive Officer to sub-delegate his or her responsibilities to accountable executives, and states that ultimate responsibility for any areas of responsibility delegated by the Chief Executive Officer will remain with the Chief executive Officer, while ultimate oversight of any sub-delegated responsibilities will remain with the Board.

The Executive Committee is the primary committee which assists and advises the Chief Executive Officer in the discharge of the duties delegated to them by the Board in his or her Remit of Responsibility. The Executive Committee represents all key roles and functions, representing the key functional areas of the organisation.

The Board is supported by sub-committees to which specific responsibilities are delegated, and advisory committees. During the year, the key committees included the Audit Committee, Nomination Committee, Remuneration Committee, EMIR Risk Committee and Board Risk Committee.

#### Gender metrics

As at 31 December 2024, the Board consisted of two women and eight men (20% female representation).

As at 31 December 2023, the Board consisted of two women and eight men (20% female representation).

The Company's Board Diversity and Recruitment Policy governs director recruitment and sets targets for Board diversity.



# **LME Clear Limited**

## **Directors' report (continued)**

### **Statement of directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; 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 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 also 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.

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

### **Directors' confirmations**

In the case of each Director in office at the date the Directors' report is approved:

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

### **Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed to the shareholder.

# **LME Clear Limited**

## **Directors' report (continued)**

### **Going concern**

In determining the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic report (see pages 2 to 9).

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company holds capital in excess of regulatory requirements and is forecast to be profitable and cash generating for the foreseeable future. Accordingly, the going concern basis for preparing the financial statements is considered appropriate.

The Directors' report was approved by the Board of Directors on 20 February 2025.

Signed by order of the Board by:



D R Hennessy  
Company Secretary  
20 February 2025  
LME Clear Limited

# **LME Clear Limited**

## **Independent auditors' report to the members of LME Clear Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, LME Clear Limited's financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the Annual Report), which comprise: the Statement of financial position as at 31 December 2024; the Statement of profit or loss and other comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

# **LME Clear Limited**

## **Independent auditors' report to the members of LME Clear Limited (continued)**

### **Report on the audit of the financial statements (continued)**

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has 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 did not identify any material misstatements in the Strategic report and Directors' report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the Directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

# **LME Clear Limited**

## **Independent auditors' report to the members of LME Clear Limited (continued)**

### **Report on the audit of the financial statements (continued)**

#### *Auditors' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Bank of England's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to manipulate financial performance, and management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, including internal audit, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of internal audit reports and minutes of meetings of the Board and other committees;
- Review of correspondence with, and reports to regulators;
- Identifying and testing journal entries meeting specific fraud criteria, including those posted to unusual account combinations, journals containing unusual words and those posted by unexpected users;
- Challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to the capitalisation of software and impairment assessments of intangible assets;
- Testing of information security controls relating to system access and change management; and
- Incorporating unpredictability into the nature, timing and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# **LME Clear Limited**

## **Independent auditors' report to the members of LME Clear Limited (continued)**

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Claire Sandford*

Claire Sandford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 February 2025

# LME Clear Limited

## Statement of profit or loss and other comprehensive income For the year ended 31 December 2024

	Note	2024 \$ 000's	2023 \$ 000's
Clearing and settlement fees		80,203	61,643
Other revenue		9,206	8,275
Interest income		542,007	574,852
Interest expense		(499,110)	(538,085)
Net interest income		42,897	36,767
<b>Revenue and other income</b>	<b>3</b>	<b>132,306</b>	<b>106,685</b>
Operating expenses	4	(73,501)	(68,781)
Other (losses) / gains		(266)	(220)
<b>Profit before tax</b>		<b>58,539</b>	<b>37,684</b>
Taxation	5	(14,708)	(9,022)
<b>Profit for the year</b>		<b>43,831</b>	<b>28,662</b>
Cash flow hedges		(1,470)	(173)
Changes in fair value of financial assets measured at fair value through other comprehensive income		(167)	1,756
Taxation		509	(379)
<b>Other comprehensive (expense) / income, net of tax<sup>1</sup></b>		<b>(1,128)</b>	<b>1,204</b>
<b>Total comprehensive income</b>		<b>42,703</b>	<b>29,866</b>

<sup>1</sup> Other comprehensive (expense) / income comprises only items that have been or subsequently will be reclassified to profit and loss.

No final dividend is proposed in respect of 2024 (2023: \$nil). The Company paid interim dividends of \$nil in the year (2023: \$nil).

All of the profits and comprehensive income included above are derived from continuing operations in the current year and the prior year.

The notes on pages 26 to 59 are an integral part of these financial statements.

# LME Clear Limited

## Statement of financial position As at 31 December 2024

	Note	2024 \$ 000's	2023 \$ 000's
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	29,369	25,275
Property, plant and equipment	7	47	149
Deferred tax asset	8	969	482
		<b>30,385</b>	<b>25,906</b>
<b>Current assets</b>			
Trade and other receivables	9	2,288	5,668
Cash and cash equivalents	10	8,165,411	8,964,261
Financial assets measured at fair value through other comprehensive income	12	1,774,331	1,101,817
Derivative financial assets	12	8,706,193	7,440,240
		<b>18,648,223</b>	<b>17,511,986</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	38,165	102,799
Derivative financial liabilities	12	8,707,561	7,440,138
Members' contribution to clearing house funds	12	1,123,542	1,000,734
Margin deposits from clearing participants	12	8,469,168	8,696,247
Current tax liabilities		17	587
Amounts due to fellow undertaking	18	6,987	6,860
		<b>18,345,440</b>	<b>17,247,365</b>
<b>Net current assets</b>		<b>302,783</b>	<b>264,621</b>
<b>Non-current liabilities</b>			
Deferred tax liability	8	-	79
<b>Net assets</b>		<b>333,168</b>	<b>290,448</b>
<b>Equity</b>			
Share capital	13	178,701	178,701
Foreign currency translation reserve		(1,363)	(1,363)
Hedging reserve		(1,026)	76
Revaluation reserve		(470)	(444)
Retained earnings		157,326	113,478
<b>Total equity</b>		<b>333,168</b>	<b>290,448</b>

The notes on pages 26 to 59 are an integral part of these financial statements.

These financial statements on pages 22 to 59 were approved by the Board of Directors and signed on its behalf by:



M Carty  
Director  
20 February 2025



# LME Clear Limited

## Statement of changes in equity For the year ended 31 December 2024

		Share capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
	Note	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>At 1 January 2024</b>		<b>178,701</b>	<b>(1,363)</b>	<b>76</b>	<b>(444)</b>	<b>113,478</b>	<b>290,448</b>
Profit for the year		-	-	-	-	43,831	43,831
Other comprehensive expense – cash flow hedge, revaluation reserve and tax credit		-	-	(1,102)	(26)	-	(1,128)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(1,102)</b>	<b>(26)</b>	<b>43,831</b>	<b>42,703</b>
Tax credit to equity reserves	5	-	-	-	-	17	17
<b>At 31 December 2024</b>		<b>178,701</b>	<b>(1,363)</b>	<b>(1,026)</b>	<b>(470)</b>	<b>157,326</b>	<b>333,168</b>

## For the year ended 31 December 2023

		Share capital	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
	Note	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>At 1 January 2023</b>		<b>178,701</b>	<b>(1,363)</b>	<b>206</b>	<b>(1,778)</b>	<b>84,816</b>	<b>260,582</b>
Profit for the year		-	-	-	-	28,662	28,662
Other comprehensive income – cash flow hedge, revaluation reserve and tax charge		-	-	(130)	1,334	-	1,204
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(130)</b>	<b>1,334</b>	<b>28,662</b>	<b>29,866</b>
Tax charge to equity reserves	5	-	-	-	-	-	-
<b>At 31 December 2023</b>		<b>178,701</b>	<b>(1,363)</b>	<b>76</b>	<b>(444)</b>	<b>113,478</b>	<b>290,448</b>

The notes pages 26 to 59 are an integral part of these financial statements.

# LME Clear Limited

## Statement of cash flows For the year ended 31 December 2024

	Note	2024 \$ 000's	2023 \$ 000's
<b>Cash flows from operating activities</b>			
Cash outflow from operating activities	14	(772,163)	(5,317,792)
Effects of foreign exchange movements		(149)	290
Tax paid		(15,343)	(8,711)
<b>Net cash outflow from operating activities</b>		<b>(787,655)</b>	<b>(5,326,213)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	6	(11,194)	(15,735)
Purchase of property, plant and equipment	7	(1)	-
<b>Net cash outflow from investing activities</b>		<b>(11,195)</b>	<b>(15,735)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(798,850)</b>	<b>(5,341,948)</b>
Cash and cash equivalents at the beginning of year		8,964,261	14,306,209
<b>Cash and cash equivalents at the end of year</b>	10	<b>8,165,411</b>	<b>8,964,261</b>

The notes on pages 26 to 59 are an integral part of these financial statements.

# LME Clear Limited

## Notes to the financial statements

### 1 Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated. There have been no significant changes in accounting policies during the year.

#### 1.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company's financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value, and on the basis of the principal accounting policies set out below.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### 1.2 New and amended standards adopted by the Company

In 2024, the Company adopted the following new/revised international accounting standards which were effective for accounting periods beginning on or after 1 January 2024. These amendments were adopted with effect from 1 January 2024 and have had no financial impact on the Company and no impact on the disclosures.

- i) Amendment to IAS 1 – 'Presentation of financial statements': Classification of liabilities as current or non-current and non-current liabilities with covenants
- ii) Amendments to IFRS 16 – 'Leases': Lease liability in sale and leaseback

#### 1.3 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2024 and not adopted early

The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2024 and therefore have not been applied in preparing these financial statements.

- i) IFRS 18 – 'Presentation and disclosure in financial statements' effective for annual periods beginning on or after 1 January 2027.
- ii) Amendments to IAS 21 – 'The effects of changes in foreign exchange rates': Lack of exchangeability, effective for annual periods beginning on or after 1 January 2025.
- iii) Amendments to IFRS 9 – 'Financial instruments' and IFRS 7 – 'Financial instruments: disclosures', effective for annual periods beginning on or after 1 January 2026.
- iv) Annual improvements to IFRS accounting standards – volume 11, effective for annual periods beginning on or after 1 January 2026.

The adoption of the amendments to IAS 21, IFRS 9 and IFRS 7 and the annual improvements to IFRS accounting standards volume 11 are not expected to have any significant impact on the Company.

# LME Clear Limited

## Notes to the financial statements

### 1 Material accounting policies (continued)

#### 1.3 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2024 and not adopted early (continued)

IFRS 18 will replace IAS 1 – ‘Presentation of financial statements’. Many aspects of financial statement presentation and disclosure will be affected, particularly the income statement. The Company is still in the process of assessing the impact of IFRS 18, particularly with respect to the categorisation of income and expenses in the Company’s income statement, and statement of cash flows, and the additional disclosure required for management-defined performance measures (MPMs).

Key new requirements in IFRS 18:

- i) Income and expenses in the income statement to be classified into three new defined categories, namely, operating, investing, and financing. It also requires two new subtotal which are ‘Operating profit or loss’ and ‘Profit or loss before financing and income tax’.
- ii) Disclosures about MPMs in the financial statements. MPMs are subtotals of income and expenses used in public communications to communicate management’s view of the company’s financial performance.
- iii) Disclosure of information based on enhanced general requirements on aggregation and disaggregation. In addition, specific requirements to disaggregate certain expenses, in the notes, will be required for companies that present operating expenses by function in the income statement.
- iv) Operating profit subtotal is required to use as the starting point for the statement of cash flows statement when presenting operating cash flows under the indirect method.

#### 1.4 Revenue and other income recognition

Revenue and other income excludes value added tax and other sales taxes, and is recognised in the Statement of profit or loss and other comprehensive income on the following basis:

- i) Fees for the clearing of trades between Clearing Members transacted on the London Metal Exchange (LME) are recognised in full on the trade match date, net of any applicable discounts or rebates.
- ii) Fees for settlement transactions are recognised upon completion of the settlement.
- iii) Other revenue comprises:
  - Membership fees are recognised on a straight-line basis over time as the performance obligation is satisfied.
  - Non-cash collateral fees are charged in connection with custody of non-cash collateral provided by clearing members and are included in other revenue. Recognition is on an accruals basis as the performance obligation is satisfied.
- iv) Net interest income comprises:
  - Interest income is income earned from short-term investments and interest charged to Clearing Members. Interest charged is based on the Company’s deposit rate. Interest income is recognised on a time apportionment basis using the effective interest rate method.
  - Interest expense is interest payable to Clearing Members. Interest payable is based on the Company’s deposit rate. Interest expense is recognised on a time apportionment basis using the effective interest rate method.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **1 Material accounting policies (continued)**

#### **1.5 Revenue and other income recognition (continued)**

Deferred revenue (the terminology 'contract liability' under IFRS 15 – 'Revenue from contracts with customers' is presented as deferred revenue) is recognised when the customers pay considerations before the Company transfers control of goods or satisfies a performance obligation. This represents the unsatisfied performance obligations at year end resulting from long-term contracts.

Accrued revenue (the terminology 'contract asset' under IFRS 15 – 'Revenue from contracts with customers' is presented as accrued income) is recognised when the Company transfers control of goods or satisfies a performance obligation to a customer and has a right to consideration arising therefrom.

#### **1.6 Staff costs and other expenses**

The Company awards shares under the HKEX Group Share Award Scheme (Share Award Scheme), under which the Company receives services from employees as consideration for share awards granted under the Share Award Scheme (Awarded Shares). The fair value of the employee services received in exchange for the Awarded Shares is recognised as employee share-based compensation expense.

The total amount to be expensed is determined by reference to the fair value of the Awarded Shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the vesting periods, with a corresponding credit to equity.

The corresponding credit is recorded as a capital contribution in the Company's financial statements and an increase to investment in subsidiaries in HKEX's financial statements, with a corresponding credit to employee share-based compensation reserve. Any reimbursement by the Company to HKEX is offset against the capital contribution.

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the year.

Other expenses are charged to the Statement of profit or loss and other comprehensive income as incurred.

# LME Clear Limited

## Notes to the financial statements (continued)

### 1 Material accounting policies (continued)

#### 1.7 Intangible assets

Intangible assets consist of computer software-related projects capitalised when the development stage of the project is completed and the asset can be put into use. Development costs that are directly attributable to the design and testing of identifiable and unique systems controlled by the Company are recognised as intangible assets when the following criteria are met:

- i) it is technically feasible to complete the system so that it will be available for use;
- ii) management intends to complete the system and use or sell it;
- iii) there is an ability to use or sell the system;
- iv) it can be demonstrated how the system will generate probable future economic benefits;
- v) adequate technical, financial and other resources to complete the development and to use or sell the system are available; and
- vi) the expenditure attributable to the system during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Costs incurred in configuring or customising software in a cloud computing arrangement can only be recognised as intangible assets if the activities create to an intangible asset that the Company controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, or, in certain circumstances, over the expected renewable terms of the cloud computing arrangement. Costs associated with maintaining computer systems are recognised as expenses as incurred. System development costs recognised as assets are amortised on a straight-line basis over the estimated useful lives, which do not exceed ten years.

In 2024, the estimated useful lives of software systems were revised from 'three to five years' to 'three to ten years' to better reflect the useful lives of these assets. The financial impact of such change in accounting estimate was no impact for the year ended 31 December 2024.

The Company selects its amortisation rates based on expected economic lives, taking into account the expected rate of technological developments, market requirements, obsolescence and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Company's circumstances. Residual values and economic lives are reviewed at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capitalised assets under development which are not yet ready for use are not amortised but are reviewed for impairment at each balance sheet date.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **1 Material accounting policies (continued)**

#### **1.8 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. They are depreciated when they are available for use at rates sufficient to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed at the balance sheet date.

Computer systems and equipment (hardware) - three to five years.

Furniture, fixtures and fittings - three to five years.

#### **1.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, current bank balances and other short-term highly liquid investments and reverse repurchase arrangements that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value with original maturities of three months or less.

Reverse repurchase agreements are recorded in the Statement of financial position as cash and cash equivalents, reflecting the nature of these arrangements as short-term highly liquid investments as defined in the previous paragraph. Securities purchased under these agreements and that are resold at a specified future date are not recognised in the Statement of financial position. Cash amounts received as collateral under these agreements are recognised in the Statement of financial position cash and cash equivalents and a collateral liability is recognised in trade and other payables.

#### **1.10 Hedge accounting**

The Company designates certain financial instruments as cash flow hedges in respect of highly probable forecast transactions such as payroll costs.

At the point of designation of each hedge, the Company documents the relationship between the hedging instrument and hedged item(s) as well as its risk management objectives and strategy for undertaking hedge accounting. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument is highly effective in offsetting changes in the cash flows of hedged items.

The instruments used for hedging purposes are set out at note 12. Movements on the hedging reserve in other comprehensive income are shown in note 12. All hedged items will be settled within 12 months and therefore hedged instruments are recorded as current assets.

The effective portion of changes in the fair value of financial instruments that are designated as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of profit or loss and other comprehensive income within other gains / (losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss and are recognised in the Statement of profit or loss and other comprehensive income within the relevant cost category or the Statement of financial position when the hedge item is a prepayment (trade and other receivables) or the purchase of intangible assets.

When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of profit or loss and other comprehensive income within other gains / (losses).

# LME Clear Limited

## Notes to the financial statements (continued)

### 1 Material accounting policies (continued)

#### 1.11 Financial assets

The Company classifies its financial instruments into the following categories:

- those measured at fair value through profit or loss; or
- those measured at fair value through other comprehensive income; and
- those measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies debt investments only in the event that its business model for managing those investments changes.

Financial assets are classified as current assets unless they are expected to mature or be disposed of after twelve months from the end of the reporting period, in which case they are included in non-current assets. Financial assets derived from margin deposits or Clearing Members' contributions to clearing house funds are classified as current assets as they will be liquidated whenever required.

##### i) Financial assets measured at fair value through profit or loss

Assets are classified as financial assets measured at fair value through profit or loss (FVPL) if they do not meet the conditions to be measured at fair value through other comprehensive income or amortised cost. Derivative financial instruments (see further detail in note 1.11) are classified as FVPL financial assets when their fair values are positive.

At initial recognition, the Company measures a FVPL financial asset at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### ii) Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

At initial recognition, the Company measures a FVOCI financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets measured at FVOCI are subsequently measured at fair value. Other changes in carrying amounts are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit and loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the Statement of profit or loss and other comprehensive income.

##### *Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its assets measured at fair value through other comprehensive income. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls.

In measuring expected credit losses, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.



# LME Clear Limited

## Notes to the financial statements (continued)

### 1 Material accounting policies (continued)

#### 1.11 Financial assets (continued)

##### ii) Financial assets measured at fair value through other comprehensive income (continued)

For financial assets measured at fair value through other comprehensive income, the Company recognises a provision for impairment losses equal to 12-month expected credit losses unless there has been a significant increase in the credit risk of the financial assets since initial recognition, in which case the provision for impairment losses is measured at an amount equal to lifetime expected credit losses.

Expected credit losses are measured at each reporting date to reflect changes in the financial asset's credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment loss or reversal of impairment loss in the Statement of profit or loss and other comprehensive income, with a corresponding adjustment to the carrying amount.

##### iii) Financial assets measured at amortised cost

Assets are classified under financial assets measured at amortised cost if they satisfy both of the following conditions:

- the assets are held within business model whose objective is to hold 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 within trade and other receivables and amounts due from group undertakings are also classified under this category.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. The amortised cost is reduced by loss allowance for expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Statement of profit or loss and other comprehensive income. Any gains and losses on de-recognition are recognised in the Statement of profit or loss and other comprehensive income.

##### *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost.

For receivables due from customers, the Company applies the simplified approach permitted by IFRS 9 – 'Financial instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected credit losses of receivables are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Expected credit losses are re-measured at each reporting date to reflect changes in the financial assets credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment loss or reversal of impairment loss in the Statement of profit or loss and other comprehensive income, with a corresponding adjustment to the carrying amount.

The gross carrying amount of a financial asset is written off (partially or in full) to the extent that there is no realistic prospect of recovery. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in the Statement of profit or loss and other comprehensive income in the period in which the recovery occurs.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **1 Material accounting policies (continued)**

#### **1.12 Derivative financial assets and liabilities**

Derivative financial instruments include forward, futures and options contracts, comprising the outstanding derivatives contracts between the Company and its Clearing Members, as the Company is the CCP to all contracts traded on the LME as well as forward foreign exchange contracts used to manage the Company's foreign exchange risk.

Futures contracts are margined under a realised variation margin basis and are cash settled to market on a daily basis.

Derivatives are initially recognised at fair value on the date contracts are entered into and are subsequently re-measured at their fair values. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Company designates forward foreign exchange contracts as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions and changes in the fair value of these derivatives are recognised in other comprehensive income to the extent that the hedges are effective.

Derivatives not designated as hedging instruments are categorised as held for trading with changes in fair value recognised in Statement of profit or loss and other comprehensive income. These derivatives outstanding on the reporting date are classified as financial assets measured at fair value through profit or loss when their fair values are positive and as financial liabilities at fair value through profit or loss when their fair values are negative. Since the asset and liability positions of the Company arising through its activities as a CCP are matched, the same amount is recorded for both the assets and liabilities with the fair value gain and losses recognised, but offset, in the Statement of profit or loss and other comprehensive income.

Derivative financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **1.13 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value, and subsequently measured at amortised cost.

#### **1.14 Members' contributions to clearing house funds**

Members' contributions to the clearing house funds (default funds) are included under current liabilities. Liabilities held in this category are initially recognised at fair value and subsequently re-measured at amortised cost using the effective interest rate method.

#### **1.15 Margin deposits and cash collateral from clearing members**

The Company receives margin deposits from its Clearing Members as collateral in connection with the outstanding derivatives contracts between the Company and its Clearing Members. The obligation to refund the margin deposits is disclosed as margin deposits from clearing members under current liabilities. Liabilities held in this category are initially recognised at fair value and subsequently re-measured at amortised cost using the effective interest rate method.

Non-cash collateral (i.e. securities) received from Clearing Members is not recognised on the Statement of financial position as they remain in the beneficial ownership of the Clearing Members.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **1 Material accounting policies (continued)**

#### **1.16 Current and deferred tax**

Tax charge for the year comprises current and deferred tax. Tax is recognised in the Statement of profit or loss and other comprehensive income.

##### **i) Current tax**

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the United Kingdom. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **ii) Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or the current tax losses can be utilised.

The Company has made a determination that recognised deferred tax asset will be recoverable using the estimated future taxable income based on the Company's approved budget which forecasts continued taxable income.

#### **1.17 Foreign currencies**

The financial statements are presented in US dollars (USD), which is the Company's presentation and functional currency.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into USD at the rates of exchange ruling on the Statement of financial position date. Transactions in foreign currencies are recorded at the prevailing foreign exchange rates at the date of the transaction. Exchange differences are recorded in other gains / (losses) in the Statement of profit or loss and other comprehensive income.

#### **1.18 Provisions and contingencies**

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is more likely than not that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the financial statements but are disclosed, if material, unless the possibility of an outflow of economic resources is considered remote.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only future events not wholly within the control of the Company. Contingent assets are not recognised in the financial statements but are disclosed only when an inflow of economic benefits is probable. A contingent asset is not recognised until the future event occurs and confirms the asset's existence, or when it becomes virtually certain that the future event will occur and the asset will be realised.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **1 Material accounting policies (continued)**

#### **1.19 Equity**

##### **i) Share capital**

Ordinary shares are classified as equity.

##### **ii) Foreign currency translation reserve**

The Company changed its presentation currency from British pounds sterling (GBP) to US dollars in 2014. In doing so, the 2013 comparative financial results were restated in US dollars, resulting in the recognition of a foreign currency translation reserve.

##### **iii) Hedging reserve**

The hedging reserve arises from the effective portion of fair value gains and losses on hedging instruments prior to the recognition of the related hedged item, and the associated deferred taxation. Further details of hedging are set out in note 1.9.

##### **iv) Revaluation reserve**

The revaluation reserve arises from fair value gains and losses on financial assets at FVOCI, and the associated deferred taxation. Further details are set out in note 1.10 (ii).

##### **v) Retained earnings**

Retained earnings includes all current and prior period retained profits, taxation recognised directly in equity and transactions with the Company's shareholder, such as dividends paid.

#### **1.20 Dividends**

The dividend distribution to the Company's sole shareholder is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholder.

### **2 Critical accounting estimates and assumptions**

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

In connection with the preparation of the financial statements, management has made assumptions and estimates about future events and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience and other factors that management believes to be relevant at the time the financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgements to ensure that the financial statements are presented fairly and in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

#### **Intangible assets**

As described in notes 1.6 and 6, the Company incurs significant expenditure on the development of software and implementation of systems. The judgements regarding capitalisation and impairment, and the estimation of the useful life of the assets have a material impact on these financial statements.

The Company follows the accounting policy described in note 1.6.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **2 Critical accounting estimates and assumptions (continued)**

#### **Intangible assets (continued)**

The Company has carefully considered the following judgements:

- i) whether costs meet the capitalisation criteria under IAS 38 'Intangible Assets'; and
- ii) whether the asset is impaired.

The Company estimates the useful life of its software to be five to ten years for trading systems and three to five years for non-trading systems based on the expected technical obsolescence of the asset. However the actual useful life may be shorter or longer. If the actual useful life is determined to be shorter, the amortisation charged to the Statement of profit or loss and other comprehensive income will be adjusted.

#### **Contingent liabilities**

As described in note 17, the Company has been named as a defendant in two judicial review claims filed in the English High Court.

The Company follows the accounting policy described in note 1.17.

The Company has carefully considered the following judgements:

- i) whether there is a present obligation, whether legal or constructive, as a result of a past event for which it is more likely than not that a transfer of economic benefits will be required to settle the obligation; and
- ii) if a present obligation exists, whether a reliable estimate can be made of the amount of the obligation.

On 29 November 2023, the Court gave judgment in the LME and LME Clear's favour on all grounds and ordered the claimants to pay the LME and LME Clear's costs of the JR Proceedings, which are to be assessed by the Court if not agreed with the claimants.

One of the claimants (Elliott) sought and was granted permission to appeal to the Court of Appeal (the Appeal). The Appeal was heard by the Court of Appeal in July 2024, and judgment in respect of the Appeal was handed down by the Court of Appeal on 7 October 2024, in which the Court of Appeal found in the LME and LME Clear's favour and dismissed the Appeal. The Court of Appeal further ordered Elliott to pay the LME and LME Clear's costs of the Appeal, which are to be assessed by the Court if not agreed between the parties. Elliott has made an interim payment of £1,060,000 in respect of the Appeal costs.

On 29 January 2025, the Supreme Court refused permission for Elliott to appeal the Appeal outcome to the Supreme Court and ordered Elliott to pay the LME and LME Clear's costs of opposing Elliott's permission application. This effectively brings an end to the JR proceedings, aside from dealing with consequential matters in relation to costs.

In light of the judgments of the High Court and the Court of Appeal, and now that all rights of appeal are exhausted, no liability will arise for the LME or LME Clear in relation to the JR Proceedings, the Company is of the view that a present obligation does not exist. Accordingly no provision has been made in these financial statements but a contingent liability has been disclosed as set out in note 17.

# LME Clear Limited

## Notes to the financial statements (continued)

### 3 Revenue and other income

Timing of revenue recognition	2024 \$ 000's	2023 \$ 000's
At a point in time	124,209	99,398
Over time	8,097	7,287
	<b>132,306</b>	<b>106,685</b>

### 4 Operating expenses

Operating expenses comprise the following:

	2024 \$ 000's	2023 \$ 000's
Wages and salaries	29,652	24,240
Social security costs	2,345	1,959
Other pension costs	1,025	919
Share-based payments	1,042	1,452
Legal and professional fees	2,262	5,960
Depreciation	103	103
Amortisation	7,100	5,634
Technology costs	8,559	7,590
Other costs	21,413	20,924
<b>Total</b>	<b>73,501</b>	<b>68,781</b>

During the year the Company obtained the following services from the Company's external auditors at costs as detailed below:

	2024 \$ 000's	2023 \$ 000's
Statutory audit of the Company's financial statements	322	295
Audit related assurance services	15	250
	<b>337</b>	<b>545</b>

The number of employees (excluding directors) was:

	2024	2023
At 31 December	72	74
Monthly average for the year	75	71

# LME Clear Limited

## Notes to the financial statements (continued)

### 5 Taxation

		2024 \$ 000's	2023 \$ 000's
	Note		
<b>Income tax</b>			
Current year		14,658	9,081
Adjustments in respect of prior years		(10)	17
Foreign exchange		87	(5)
<b>Total current tax</b>		<b>14,735</b>	<b>9,093</b>
<b>Deferred tax</b>			
Deferred tax for the current year		(23)	(49)
Adjustments in respect of prior years		(4)	(9)
Change in tax rate		-	(13)
<b>Total deferred tax</b>	8	<b>(27)</b>	<b>(71)</b>
<b>Taxation charge</b>		<b>14,708</b>	<b>9,022</b>

### Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 25% (2023: 23.52%) and the taxation charge for the year are explained below:

	2024 \$ 000's	2023 \$ 000's
<b>Profit before tax</b>	<b>58,539</b>	<b>37,684</b>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 25% (2023: 23.52%)	14,635	8,863
Foreign exchange	87	(5)
Taxation on share schemes	(13)	155
Expenses not deductible / income not taxable	13	14
Adjustments in respect of prior years	(14)	8
Change in tax rate	-	(13)
<b>Taxation charge</b>	<b>14,708</b>	<b>9,022</b>

	2024 \$ 000's	2023 \$ 000's
<b>Tax (credited) / charged to equity:</b>		
Deferred tax - share options	(16)	(2)
Deferred tax - prior year	(1)	2
<b>Taxation credit</b>	<b>(17)</b>	<b>-</b>

# LME Clear Limited

## Notes to the financial statements (continued)

### 6 Intangible assets

For the year ended 31 December 2024	Capitalised software in use	Capitalised software under development	Total
	\$ 000's	\$ 000's	\$ 000's
<b>Costs</b>			
At 1 January 2024	83,978	11,024	95,002
Additions	-	11,194	11,194
Disposals	(296)	-	(296)
Transfer	14,789	(14,789)	-
<b>At 31 December 2024</b>	<b>98,471</b>	<b>7,429</b>	<b>105,900</b>
<b>Accumulated amortisation</b>			
At 1 January 2024	(69,727)	-	(69,727)
Charge for the year	(7,100)	-	(7,100)
Write back on disposal	296	-	296
<b>At 31 December 2024</b>	<b>(76,531)</b>	<b>-</b>	<b>(76,531)</b>
<b>For the year ended 31 December 2023</b>			
<b>Costs</b>			
At 1 January 2023	69,517	9,750	79,267
Additions	5,932	9,803	15,735
Disposals	-	-	-
Transfer	8,529	(8,529)	-
<b>At 31 December 2023</b>	<b>83,978</b>	<b>11,024</b>	<b>95,002</b>
<b>Accumulated amortisation</b>			
At 1 January 2023	(64,093)	-	(64,093)
Charge for the year	(5,634)	-	(5,634)
Write back on disposal	-	-	-
<b>At 31 December 2023</b>	<b>(69,727)</b>	<b>-</b>	<b>(69,727)</b>
<b>Net book value</b>			
<b>At 31 December 2024</b>	<b>21,940</b>	<b>7,429</b>	<b>29,369</b>
<b>At 31 December 2023</b>	<b>14,251</b>	<b>11,024</b>	<b>25,275</b>

Amortisation of intangibles is recognised in operating expenses in the Statement of profit or loss and other comprehensive income.



# LME Clear Limited

## Notes to the financial statements (continued)

### 7 Property, plant and equipment

For the year ended 31 December 2024	Computer hardware	Furniture, fixture and fittings	Total
	\$ 000's	\$ 000's	\$ 000's
<b>Costs</b>			
At 1 January 2024	2,255	6	2,261
Additions	1	-	1
Disposals	(1,267)	(2)	(1,269)
<b>At 31 December 2024</b>	<b>989</b>	<b>4</b>	<b>993</b>
<b>Accumulated depreciation</b>			
At 1 January 2024	(2,106)	(6)	(2,112)
Charge for the year	(103)	-	(103)
Written back on disposal	1,267	2	1,269
<b>At 31 December 2024</b>	<b>(942)</b>	<b>(4)</b>	<b>(946)</b>
<b>For the year ended 31 December 2023</b>			
<b>Costs</b>			
At 1 January 2023	2,255	6	2,261
Additions	-	-	-
<b>At 31 December 2023</b>	<b>2,255</b>	<b>6</b>	<b>2,261</b>
<b>Accumulated depreciation</b>			
At 1 January 2023	(2,003)	(6)	(2,009)
Charge for the year	(103)	-	(103)
<b>At 31 December 2023</b>	<b>(2,106)</b>	<b>(6)</b>	<b>(2,112)</b>
<b>Net book value</b>			
<b>At 31 December 2024</b>	<b>47</b>	<b>-</b>	<b>47</b>
At 31 December 2023	149	-	149

Depreciation of property, plant and equipment is recognised in operating expenses in the Statement of profit or loss and other comprehensive income.

# LME Clear Limited

## Notes to the financial statements (continued)

### 8 Deferred tax asset / (liability)

The movements in the deferred tax asset during the year are shown below:

	Fixed and intangible assets \$ 000's	Employee benefits \$ 000's	Share options \$ 000's	Cash flow hedge \$ 000's	Revaluation reserve \$ 000's	IFRS 9 transitional adjustment \$ 000's	Total \$ 000's
<b>At 1 January 2023</b>	<b>62</b>	<b>-</b>	<b>199</b>	<b>(69)</b>	<b>571</b>	<b>(66)</b>	<b>697</b>
Adjustments in respect of prior years credited							
- to profit or loss	8	1	-	-	-	-	9
-to equity	-	-	2	-	-	-	2
Effects of changes in tax rates credited /(charged)							
- to profit or loss	3	-	10	-	-	-	13
- to other comprehensive income	-	-	-	3	(8)	(1)	(6)
Other credits /(charges)							
- to profit or loss	36	(1)	14	-	-	-	49
- to other comprehensive income	-	-	-	41	(413)	13	(359)
- to equity	-	-	(2)	-	-	-	(2)
<b>At 31 December 2023</b>	<b>109</b>	<b>-</b>	<b>223</b>	<b>(25)</b>	<b>150</b>	<b>(54)</b>	<b>403</b>
Adjustments in respect of prior years credited							
- to profit or loss	-	4	-	-	-	-	4
- to equity	-	-	1	-	-	-	1
Other credits / (charges)							
- to profit or loss	-	(4)	27	-	-	-	23
- to other comprehensive income	-	-	-	367	141	14	522
- to equity	-	-	16	-	-	-	16
<b>At 31 December 2024</b>	<b>109</b>	<b>-</b>	<b>267</b>	<b>342</b>	<b>291</b>	<b>(40)</b>	<b>969</b>

Deferred taxation is calculated in full on temporary differences under the liability method.

The deferred tax assets and liabilities have arisen as a consequence of movements in fixed assets, movements in revaluation reserve, adoption of IFRS 9, movement in cash flow hedges and share options.

	Current \$ 000's	2024 Non- current \$ 000's	Total \$ 000's	Current \$ 000's	2023 Non- current \$ 000's	Total \$ 000's
Deferred tax asset	688	321	<b>1,009</b>	191	291	<b>482</b>
Deferred tax liability	(13)	(27)	<b>(40)</b>	(39)	(40)	<b>(79)</b>
<b>Net deferred tax asset</b>	<b>675</b>	<b>294</b>	<b>969</b>	<b>152</b>	<b>251</b>	<b>403</b>

# LME Clear Limited

## Notes to the financial statements (continued)

### 8 Deferred tax asset / (liability) (continued)

#### Factors that may affect future tax charges

The Company will receive tax relief on the same basis as amortisation of intangible assets.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

#### Current tax and deferred tax

The UK corporation tax rate applicable to the Company increased from 19% to 25% effective 1 April 2023.

Legislation in respect of Pillar Two income taxes was enacted in the UK on 11 July 2023 and is effective for accounting periods commencing on or after 1 January 2024. The UK legislation enacted includes a Qualified Domestic Minimum Top Up Tax rule, and an Income Inclusion Rule. The UK government has also announced plans to implement an Undertaxed Profits Rule, but this rule was not enacted into UK legislation as at the balance sheet date.

The Company is a subsidiary of a group of companies, that are in scope of the enacted legislation. However, the Company has performed an assessment of its potential exposure to Pillar II income taxes, and it is anticipated that the Company will be able to take advantage of the Country-by-Country Reporting Transitional Safe Harbours available for the transitioning period stemming FY2024 to FY2026, given that the UK entities are subject to tax at a rate greater than 15%. The Company does therefore not anticipate a material exposure to Pillar II income taxes during the Pillar II transitioning period, and no current tax charge has been recognised in relation to Pillar II income taxes within these accounts.

The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

### 9 Trade and other receivables

	2024 \$ 000's	2023 \$ 000's
Accrued income	1,939	5,034
Prepayments	346	632
Other receivables	3	2
	<b>2,288</b>	<b>5,668</b>

The maximum exposure to credit risk at the reporting date is the book value of the accrued income and other receivable balances above. The Company holds cash and non-cash collateral as security as described further in note 10.

As at 31 December 2024 expected lifetime losses were \$nil (2023: \$nil).

The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of customers to settle receivables. There has been no history of default since launch in 2014.

In respect of forward-looking information, the Company takes into account the results of its regular credit assessments of its Clearing Members and it has default mechanisms which allow it to reclaim any outstanding trade and other receivables. Accordingly, taking these factors into account, the loss provision is \$nil (2023: \$nil).

# LME Clear Limited

## Notes to the financial statements (continued)

### 10 Cash and cash equivalents

The cash and cash equivalents represent cash at bank and short-term investments.

	2024 \$ 000's	2023 \$ 000's
Cash at bank	33,490	110,855
Short-term investments		
- reverse repurchase agreements	8,131,921	8,853,406
	<b>8,165,411</b>	<b>8,964,261</b>

\$8,131,921,000 (2023: \$8,793,998,000) of short-term investments are fully collateralised by or are comprised of sovereign and investment grade corporate securities in accordance with eligibility criteria approved by the Company's Clearing Risk Committee.

\$nil (2023: \$59,408,000) of short-term investments are fully collateralised by cash amounts that are included in cash at bank and a collateral liability has been recognised in trade and other payables.

A significant component of cash and cash equivalents comprise amounts initially received from Clearing Members in cash as initial and variation margin, and as contributions to the default funds. In compliance with the UK EMIR, these amounts are held in accounts separate from the Company's own resources.

The Company's own cash and cash equivalents comprise \$347,032,000 (2023: \$369,097,000) of cash and cash equivalents, of which \$28,700,000 (2023: \$27,500,000) is restricted as the Company's own resources to be used in the default waterfall.

### 11 Trade and other payables

	2024 \$ 000's	2023 \$ 000's
Social security and other taxes	3,217	2,996
Other payables	2,532	431
Cash collateral received on reverse repurchase agreements	-	59,408
Accrued interest payable	26,722	34,738
Accruals and deferred income	5,694	5,226
	<b>38,165</b>	<b>102,799</b>

Trade and other payables totalling \$38,165,000 have contractual payment terms of less than three months (2023: \$102,799,000).

# LME Clear Limited

## Notes to the financial statements (continued)

### 12 Financial instruments and hedge accounting

#### Fair value measurements

The following table presents the carrying value of financial assets and financial liabilities measured at fair values according to the levels of the fair value hierarchy defined in IFRS 13: Fair value measurement, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

	At 31 Dec 2024		
	Level 1 \$ 000's	Level 2 \$ 000's	Total \$ 000's
<b>Financial assets measured at fair value through profit or loss:</b>			
Base metal futures and options derivative contracts	-	8,706,193	8,706,193
	-	<b>8,706,193</b>	<b>8,706,193</b>
<b>Financial assets measured at fair value through other comprehensive income:</b>			
Debt securities	1,774,331	-	1,774,331
	<b>1,774,331</b>	-	<b>1,774,331</b>
<b>Financial liabilities measured at fair value through profit or loss:</b>			
Base metal futures and options derivative contracts	-	8,706,193	8,706,193
Forward foreign exchange contracts	-	1,368	1,368
	-	<b>8,707,561</b>	<b>8,707,561</b>
<b>Net financial assets</b>	<b>1,774,331</b>	<b>(1,368)</b>	<b>1,772,963</b>

# LME Clear Limited

## Notes to the financial statements (continued)

### 12 Financial instruments and hedge accounting (continued)

#### Fair value measurements (continued)

	At 31 Dec 2023		
	Level 1 \$ 000's	Level 2 \$ 000's	Total \$ 000's
<b>Financial assets measured at fair value through profit or loss:</b>			
Base metal futures and options derivative contracts	-	7,440,138	7,440,138
Forward foreign exchange contracts	-	102	102
	-	<b>7,440,240</b>	<b>7,440,240</b>
<b>Financial assets measured at fair value through other comprehensive income:</b>			
Debt securities	1,101,817	-	1,101,817
	<b>1,101,817</b>	-	<b>1,101,817</b>
<b>Financial liabilities measured at fair value through profit or loss:</b>			
Base metal futures and options derivative contracts	-	7,440,138	7,440,138
	-	<b>7,440,138</b>	<b>7,440,138</b>
<b>Net financial assets</b>	<b>1,101,817</b>	<b>102</b>	<b>1,101,919</b>

During 2024 and 2023, no financial assets or financial liabilities were classified under Level 3 and there were no transfers of instruments between Levels 1 and 2.

The value of level 2 instruments is derived from the spot prices of underlying contracts or similar.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

#### Fair value of financial assets and financial liabilities not reported at fair values

The carrying amounts of short-term receivables (i.e. trade and other receivables, cash and cash equivalent and amounts due from group undertakings) and short-term payables (e.g. trade and other payables, members' contribution to the clearing house funds, margin deposits from clearing participants and amounts due to group companies) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

#### Impairment

No provision for impairment loss was made at 31 December 2024 (2023: \$nil) as the financial assets were considered to be of low credit risk and the expected credit loss was minimal.

Debt securities held were of investment grade and had a weighted average credit rating of AAA. They had no history of default and there was no unfavourable current and forecast general economic conditions as at the reporting dates.

# LME Clear Limited

## Notes to the financial statements (continued)

### 12 Financial instruments and hedge accounting (continued)

#### Offsetting financial assets and financial liabilities

The Company reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Company applies offsetting by settlement date and by Clearing Member account to its open derivative contracts as at each reporting date.

As a CCP, the Company sits in the middle of Clearing Members' transactions and holds initial and variation margin amounts as a collateral against the default of a Clearing Member. A further amount of cash collateral is held comprising the default funds. Whilst these amounts are not available for offset on the Statement of financial position, in the event of default these balances would reduce the Company's exposure further under the Rules of the clearing house. Default funds of \$1,123,542,000 (2023: \$1,000,734,000) and margin funds of \$8,469,168,000 (2023: \$8,696,247,000) are held by the Company and have maturities of less than three months.

The following table shows the impact of netting arrangements on all financial assets and liabilities subject to master netting agreements that are reported net on the balance sheet.

As at 31 December 2024				Related amounts not offset in the Statement of financial position		
	Gross amounts recognised	Gross amounts offset	Net amount presented in the Statement of financial position	Financial (liabilities) / assets other than cash collateral	Cash collateral received	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Derivative financial						
- assets	191,509,720	182,803,527	8,706,193	(5,921,782)	(2,784,411)	-
- liabilities	(191,509,720)	(182,803,527)	(8,706,193)	5,921,782	-	(2,784,411)

As at 31 December 2023				Related amounts not offset in the Statement of financial position		
	Gross amounts recognised	Gross amounts offset	Net amount presented in the Statement of financial position	Financial (liabilities) / assets other than cash collateral	Cash collateral received	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Derivative financial						
- assets	152,323,670	144,883,532	7,440,138	(5,728,296)	(1,711,842)	-
- liabilities	(152,323,670)	(144,883,532)	(7,440,138)	5,728,296	-	(1,711,842)

As at 31 December 2024 the Company held \$8,128,013,000 (2023: \$8,853,406,000) in reverse repurchase agreements of which \$8,128,013,000 (2023: \$8,793,998,000) are fully collateralised with non-cash collateral and \$nil (2023: \$59,408,000 ) are fully collateralised with cash collateral.

# LME Clear Limited

## Notes to the financial statements (continued)

### 12 Financial instruments and hedge accounting (continued)

#### Hedge accounting

The Company's forward foreign exchange contracts have been designated as a cash flow hedge of foreign exchange risks associated with the cash flows of highly probable forecast transactions relating to the Company's staff costs and related expenses, technology costs, legal expenses and intangible assets.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of future purchases in sterling, the Company enters into hedge relationships where the critical terms of the hedging instrument (amount, currency and maturity dates) match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness.

If changes in circumstances affect the terms of the hedged item, such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness. In hedges of future purchases in sterling, ineffectiveness might arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the UK or the derivative counterparty.

Further details of the hedging instruments that have been designated as cash flow hedges of the Company's highly probable forecast transactions and the hedged items at the end of the reporting period are as follows:

	2024	2023
	\$ 000's	\$ 000's
<b>Forward foreign exchange contracts</b>		
Carrying amount	(1,368)	102
Notional amount	30,299	24,077
Maturity date	0 - 12 months	0 - 12 months
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since inception of the hedge	(1,368)	102
Change in value of hedged item used to determine hedge ineffectiveness	(1,368)	102
Weighted average hedged rate for outstanding hedging instruments (including forward points) USD:GBP	1.30939	1.26854

The hedging instruments are denominated in the same currency as the hedged items so the hedge ratio is 1:1.



# LME Clear Limited

## Notes to the financial statements (continued)

### 12 Financial instruments and hedge accounting (continued)

#### Hedge accounting (continued)

Movements in the hedging reserve during the year are shown below:

	<b>2024</b>	<b>2023</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
At 1 January	76	206
(Loss) / gain on hedging instruments recognised in other comprehensive income	(1,300)	585
Reclassified to profit or loss:		
- Wages and salaries	(92)	(430)
- Legal and professional fees	(10)	(42)
- Other costs	(12)	(39)
- Other losses	(1)	(10)
Reclassified to Statement of financial position		
- Intangible assets	(54)	(238)
Deferred tax credit to other comprehensive income	367	44
<b>At 31 December</b>	<b>(1,026)</b>	<b>76</b>

During the year \$1,000 of hedge ineffectiveness was recognised (2023: \$10,000).

### 13 Share capital

	<b>2024</b>	<b>2023</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Total share capital	178,701	178,701

The Company has 107,500,001 (2023:107,500,001) ordinary shares in issue, each with a nominal value of £1. There is no restriction on the number of shares to be issued.

### 14 Cash outflow from operating activities

Reconciliation of profit before tax to net cash (outflow) / inflow from operating activities:

	<b>2024</b>	<b>2023</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Profit before tax	58,539	37,684
Adjustments for:		
Depreciation and amortisation	7,203	5,737
Increase / (decrease) in intercompany payable	127	(418)
Effects of foreign exchange movements	149	(290)
Decrease in financial assets measured at amortised cost	-	64,449
Increase in financial assets measured at fair value through profit and loss or other comprehensive income	(672,681)	(235,478)
Other non-cash movements	24	(1)
Decrease in accounts receivable	3,380	30,233
(Decrease) / increase in accounts payable, accruals and other liabilities	(64,633)	49,882
Decrease in margin deposits and default fund	(104,271)	(5,269,590)
<b>Cash outflow from operating activities</b>	<b>(772,163)</b>	<b>(5,317,792)</b>

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **15 Dividends paid to shareholder**

The Company did not pay an interim dividend during the year (2023: \$nil).

### **16 Financial risk management**

The Company's activities expose it to some financial risks: market risk (including foreign exchange risk, interest rate risk, and market price risk), sovereign risk, liquidity risk and credit risk. The Company's overall risk management framework is designed to consider these risks and mitigate them through its structures and controls.

#### **a) Market risk**

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, commodity prices and interest rates. The Company is exposed to market risk primarily through its financial assets and financial liabilities.

The Company's investment policy is to prudently invest all funds managed by the Company in a manner which will satisfy liquidity requirements, safeguard financial assets, and manage risks while optimising return on investments.

The Company's Investment Policy is approved by the Board and reviewed annually. Investment restrictions and guidelines form an integral part of risk control. The Company's investment policy is designed to ensure diversification of investments across a range of highly rated financial institutions and to minimise risk using a carefully considered limit framework. The majority of investments take the form of short dated reverse repurchase agreements against high quality sovereign securities to also minimise liquidity risk. No investments are made for speculative purposes. The limit framework and risk structures are designed to control liquidity, credit, counterparty concentration, maturity and interest rate risks of the investments.

#### **(i) Foreign exchange risk management**

Foreign exchange risk is the risk that the value or cash flows of an asset, liability or highly probable forecast transaction denominated in foreign currency (i.e. a currency other than the functional currency of the Company) will fluctuate because of changes in foreign exchange rates. The Company may invest in non-USD securities from time to time.

The Company is exposed to foreign currency risk arising from payments of various expenditures (predominately in GBP, a significant component of which is staff costs) and investments and bank deposits denominated in foreign currencies (mainly EUR). Its risk management policy is to forecast the amount of GBP expenditures for each forthcoming year and to enter into forward currency contracts to cover a high proportion of its forecast costs. The Company also forecasts its GBP payments and ensures it holds sufficient GBP bank deposits to cover future payments or converts from USD to GBP as soon as deemed appropriate.

The Company primarily receives margin from Clearing Members in USD, but also holds margin in other currencies – EUR, GBP, JPY, and CNH. Cash margin received from Clearing Members is invested primarily through reverse repurchase arrangements against high quality government securities. Where the securities or cash are not denominated in USD the Company requires an additional haircut to cover the notional foreign exchange risk that would arise in the event of the non-return of the USD cash.

The Company's derivative asset and liability positions are denominated in the Company's core clearing currencies – which are equal and opposite positions and as a result there is no net foreign exchange exposure for the Company on these positions.

# LME Clear Limited

## Notes to the financial statements (continued)

### 16 Financial risk management (continued)

#### a) Market risk (continued)

##### (i) Foreign exchange risk management (continued)

The tables below summarise the Company's financial assets and financial liabilities denominated in foreign currencies:

	At 31 December 2024						
	\$ 000's EUR	\$ 000's HKD	\$ 000's GBP	\$ 000's JPY	\$ 000's CNH	\$ 000's CAD	\$ 000's Total
Cash and cash equivalents	311,288	-	564,507	26,956	78	-	902,829
Trade and other receivables	49	-	145	2	-	-	196
<b>Total assets</b>	<b>311,337</b>	<b>-</b>	<b>564,652</b>	<b>26,958</b>	<b>78</b>	<b>-</b>	<b>903,025</b>
Trade and other payables	(717)	-	(5,971)	-	-	-	(6,688)
Amounts due to related parties	-	(241)	(6,402)	-	-	-	(6,643)
Margin deposits and default fund	(307,311)	-	(550,100)	(26,854)	(8)	-	(884,273)
<b>Total liabilities</b>	<b>(308,028)</b>	<b>(241)</b>	<b>(562,473)</b>	<b>(26,854)</b>	<b>(8)</b>	<b>-</b>	<b>(897,604)</b>
<b>Total assets / (liabilities)</b>	<b>3,309</b>	<b>(241)</b>	<b>2,179</b>	<b>104</b>	<b>70</b>	<b>-</b>	<b>5,421</b>
<b>Notional effect if exchange rates change by +/- 10%</b>	<b>+/-331</b>	<b>+/-24</b>	<b>+/-218</b>	<b>+/-10</b>	<b>+/-7</b>	<b>+/-0</b>	<b>+/-542</b>

	At 31 December 2023						
	\$ 000's EUR	\$ 000's HKD	\$ 000's GBP	\$ 000's JPY	\$ 000's CNH	\$ 000's CAD	\$ 000's Total
Cash and cash equivalents	252,475	-	353,331	45,488	80	-	651,374
Trade and other receivables	101	-	188	12	-	-	301
<b>Total assets</b>	<b>252,576</b>	<b>-</b>	<b>353,519</b>	<b>45,500</b>	<b>80</b>	<b>-</b>	<b>651,675</b>
Trade and other payables	(775)	(32)	(20,499)	-	-	(64)	(21,370)
Amounts due to related parties	-	(348)	(6,137)	-	-	-	(6,485)
Margin deposits and default fund	(249,727)	-	(328,517)	(45,397)	-	-	(623,641)
<b>Total liabilities</b>	<b>(250,502)</b>	<b>(380)</b>	<b>(355,153)</b>	<b>(45,397)</b>	<b>-</b>	<b>(64)</b>	<b>(651,496)</b>
<b>Total assets / (liabilities)</b>	<b>2,074</b>	<b>(380)</b>	<b>(1,634)</b>	<b>103</b>	<b>80</b>	<b>(64)</b>	<b>179</b>
<b>Notional effect if exchange rates change by +/- 10%</b>	<b>+/-207</b>	<b>+/-38</b>	<b>+/-163</b>	<b>+/-10</b>	<b>+/-8</b>	<b>+/-6</b>	<b>+/-18</b>

# LME Clear Limited

## Notes to the financial statements (continued)

### 16 Financial risk management (continued)

#### a) Market risk (continued)

##### (ii) Interest rate risk management

The Company is exposed to interest rate risk arising from the cash and investment balances it maintains, versus the margin and default fund balances it receives from Clearing Members. The Company determines the returns paid on Clearing Member liabilities with reference to a spread against external overnight benchmark rates, as such the investment risk relates to the difference between the rate received on its investments and the amount it determines is payable to Clearing Members with reference to the overnight benchmark rates. The Company retains the ability to adjust the spread in the event of its investment activity departing from the benchmark rates.

The following table shows the average interest rates for the year applicable to each relevant category of interest-bearing financial instrument held at the Statement of financial position date:

Financial assets / (liabilities)	Amount (USD)	Average contractual interest rate receivable by / (payable) from the Company	Notional effect if interest rates change by +/- 10%
At 31 December 2024	\$ 000's	%	\$ 000's
Short-term deposits (reverse repurchase agreements)			
- USD (own funds)	317,143	4.42%	1,402
- GBP (own funds)	13,370	4.80%	64
- EUR (own funds)	3,908	2.40%	9
- USD (margin deposits and default fund)	6,940,089	4.44%	30,786
- GBP	550,100	4.75%	2,615
- EUR	307,311	2.51%	771
Financial assets measured at fair value through other comprehensive income (USD)	1,774,331	4.69%	8,326
Margin deposits and default fund			
- USD	8,708,445	(4.09)%	35,618
- GBP	550,100	(4.30)%	2,365
- EUR	307,311	(2.44)%	748
- JPY	26,854	0.07%	(2)
At 31 December 2023	\$ 000's	%	\$ 000's
Short-term deposits (reverse repurchase agreements)			
- USD (own funds)	286,695	5.32%	1,526
- GBP (own funds)	11,729	5.19%	61
- USD (margin deposits and default fund)	7,971,524	5.33%	42,490
- GBP	328,517	5.18%	1,700
- EUR	249,727	3.57%	891
Financial assets measured at fair value through other comprehensive income (USD)	1,101,817	5.41%	5,966
Margin deposits and default fund			
- USD	(9,073,341)	(5.08)%	46,093
- GBP	(328,517)	(4.79)%	1,573
- EUR	(249,727)	(3.42)%	854
- JPY	(45,397)	0.32%	(14)

# LME Clear Limited

## Notes to the financial statements (continued)

### 16 Financial risk management (continued)

#### a) Market risk (continued)

##### (iii) Market price risk management

As a CCP the Company has a balanced position in all cleared contracts and runs no significant market price risk unless a Clearing Member defaults as described at the 'Clearing and settlement-related risk management' section below. The Company has limited exposure to market price risk arising from fluctuations in the value of market-traded securities; all purchased securities are debt securities and are held to collect the contractual cashflows and therefore the Company's business model minimises market price risk.

#### b) Sovereign risk

Distress amongst sovereigns through market concerns over the level of government debt and the ability of certain governments to service their debts over time could have adverse effects on the Company's cleared products, margin, collateral, investments, clearing membership and the financial industry as a whole.

The Company generally only accepts or invests in high quality collateral to limit the overall sovereign risk it faces and additionally has risk frameworks to control wrong way risk and sovereign exposure from less well rated counterparts. Regular sovereign and counterpart ratings and credit monitoring are carried out to ensure risks are identified and ratings corrected where relevant.

#### c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, and it results from amount and maturity mismatches of assets and liabilities. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Company to ensure that all liabilities due and known funding requirements could be met.

Surplus cash of the Company is invested in high quality short-term investments, and the investments of the Company are kept sufficiently liquid to meet the operating needs and possible liquidity requirements of the clearing house funds and Clearing Members' margin. Other than certain derivative financial assets and liabilities and certain floating rate notes, all financial instruments of the Company have contractual maturities of less than three months.

As a result of the Company's position as the central counterparty to each cleared trade the maturity of derivative assets will perfectly match the maturity of derivative liabilities and as a result the Company has minimal liquidity risk from derivatives. In the event of a counterparty default the Company may require significant liquid resources to manage consequent cashflows until it has returned to a matched book. It therefore undertakes thorough daily liquidity stress testing to ensure it is sufficiently prepared and has rule based powers to require its members to provide it with increased USD if its forecasting or stress testing identifies potential risks.

#### d) Credit risk management

##### (i) Investment and accounts receivable-related risk management

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Company's derivative financial assets and accounts receivables. Impairment provisions are made for losses that have been incurred at the end of the reporting period. The Company limits its exposure to credit risk by rigorously selecting the counterparties (i.e., deposit-takers, bond issuers and debtors) and by diversification.

# LME Clear Limited

## Notes to the financial statements (continued)

### 16 Financial risk management (continued)

#### d) Credit risk management (continued)

##### (i) Investment and accounts receivable-related risk management (continued)

At 31 December 2024, the cash and cash equivalents held for Clearing Members' margin, the clearing house funds and corporate funds held were all held only with banks with a minimum rating of Baa1 (Moody's). All investments are subject to concentration limits for counterparty, sovereign and maturity approved by the Board as part of the Investment Policy.

The Company mitigates its exposure to risks relating to accounts receivable from its Clearing Members by requiring the Clearing Members to meet the Company's established financial requirements and criteria for admission as Clearing Members. The Company is obliged to return this non-cash collateral upon request when the Clearing Members' collateral obligations have been substituted with cash collateral or otherwise discharged. The Company is permitted to sell or pledge such collateral in the event of the default of a Clearing Member. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

In addition, the Company holds non-cash collateral in the form of debt securities and gold bullion in respect of initial and variation margin posted by clearing participants. The fair value of this collateral was \$2,781,765,000 as at 31 December 2024 (2023: \$3,748,446,000).

The Company also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the investment counterparties at maturity of the reverse repurchase agreements. The reverse repurchase agreements are subject to master netting agreements. The fair value of this collateral was \$7,928,115,000 as at 31 December 2024 (2023: \$9,095,149,000). The collateral held was not recorded on the Statement of financial position as at 31 December 2024. The collateral held, together with certain on-balance sheet debt securities amounting to \$1,774,331,000 as at 31 December 2024 (2023: \$1,101,817,000) have been pledged to the Company's investment agent and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

At 31 December 2024 the Company also held cash as collateral totalling \$nil (2023: \$59,408,000) for its investments in reverse repurchase agreements where cash has been provided as collateral instead of securities. These amounts are included in cash at bank and a collateral liability has been recognised in trade and other payables.

##### (ii) Clearing and settlement-related risk management

In the normal course of business, the Company will offer to act as the buying and selling counterparty to trades between participants, on acceptance of the Company's offer by each party two cleared contracts are formed, one between the Company and the buyer and between the Company and the seller. As a result, the Company has credit risk since the Clearing Members' ability to honour their obligations in respect of their trades may be adversely impacted by economic conditions affecting the commodities markets. If the Clearing Members default on their obligations on settlement, the Company could be exposed to potential risks not otherwise accounted for in these financial statements.

The Company mitigates its exposure to risks described above by requiring the Clearing Members to meet the Company's established financial requirements and operational and other criteria for admission as a Clearing Member. All Clearing Members are required to deposit initial margin to cover the positions that they hold, to regularly post variation margin to cover any mark-to-market losses and also to contribute to the default fund set up by the Company to cover extreme but plausible losses in excess of initial margin. The Company has an obligation to contribute \$28,700,000 of capital as a 'skin-in-the-game' amount which must be fully utilised in the event of a clearing member default before it can draw on the default fund contributions from the non-defaulting Clearing Members. If these loss-absorbing resources were fully utilised the Company then has the right to call upon surviving Clearing Members to contribute up to a further three

# LME Clear Limited

## Notes to the financial statements (continued)

### 16 Financial risk management (continued)

#### d) Credit risk management (continued)

##### (ii) Clearing and settlement-related risk management (continued)

replenishments of the default fund for additional defaults. For each additional replenishment the Company is obliged to also contribute a further amount equal to the \$28,700,000 'skin-in-the-game'.

If a Clearing Member were to default, the Company has arrangements and resources in place to ensure that it can respond in an orderly and efficient way. Firstly, the Company would seek to transfer (port) client positions of a Clearing Member and hedge or liquidate the remaining positions of the defaulting Clearing Member through hedging activities in the market or a default auction that remaining clearing members are mandated to bid in. This will return the Company to a matched book.

The Company is able to draw upon the defaulting Clearing Member's initial margin and other assets including the defaulting party's contribution to the Default fund held in order to cover the costs of returning to a matched book of contracts. Due to the Company's margin policies the probability of the amounts owed by a defaulting Clearing Member exceeding the amount of margin held is statistically very small. However, if the collateral posted by the defaulter was insufficient to meet the amount owed, the Company can then draw upon the remaining resources in the default waterfall process including its own capital contribution (skin-in-the-game), the remaining Default Fund and rights of replenishment.

##### (iii) Exposure to credit risk

At 31 December, the maximum exposure to credit risk of the financial assets of the Company were equal to their carrying amounts.

##### (iv) Fair values of financial assets and financial liabilities not reported at fair values

The carrying value of trade receivables and payables approximates their fair values due to their short-term nature. Please refer to note 12 for more details.

### 17 Provisions and contingencies

#### Contingent liabilities

At 31 December 2024, the Company's contingent liabilities arose from ongoing litigation in which the Company is a defendant.

On 8 March 2022, the LME, in consultation with LME Clear, suspended trading in all nickel contracts with effect from 08:15 UK time and took steps to ensure that no trading activity that had taken place on the LME's nickel market on or after 00:00 UK time on 8 March 2022 should result in a binding contract under the LME's rules.

The LME and LME Clear were named as defendants in two judicial review claims filed in the English High Court in 2022 (the JR Proceedings) and three related claims filed in the English High Court in 2023 (HRA Claims). The total claims amounted to approximately \$600,000,000.

The JR Proceedings sought to challenge the LME's decision to ensure that no trading activity that had taken place on the LME's nickel market after 00:00 UK time on 8 March 2022 should result in a binding contract under the LME's rules (the Decision). The claimants have alleged that this Decision was unlawful on public law grounds and/or constituted a violation of their human rights.

On 29 November 2023, the Court gave judgment in the LME's favour on all grounds and ordered the claimants to pay the LME and LME Clear's costs of the JR Proceedings, which are to be assessed by the Court if they are not agreed with the claimants.

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **17 Provisions and contingencies (continued)**

#### Contingent liabilities (continued)

One of the claimants (Elliott Associates L.P. and Elliott International L.P.) sought and was granted permission to appeal to the Court of Appeal (the Appeal). The Appeal was heard by the Court of Appeal in July 2024. Judgment in respect of the Appeal was handed down by the Court of Appeal on 7 October 2024, in which the Court of Appeal found in the LME and LME Clear's favour and dismissed the Appeal. The Court of Appeal further ordered Elliott to pay the LME and LME Clear's costs of the Appeal, which are to be assessed by the Court if not agreed between the parties.

On 29 January 2025, the Supreme Court refused permission for Elliott to appeal the Appeal outcome to the Supreme Court and ordered Elliott to pay the LME and LME Clear's costs of opposing Elliott's permission application. This effectively brings an end to the JR proceedings, aside from dealing with consequential matters in relation to costs.

The HRA Claims were stayed pending the final determination of the JR Proceedings. The Supreme Court refused to give Elliott permission to appeal on 29 January 2025. The stays of the HRA claims were released on 11 February 2025, and the HRA Claimants now have the option of proceeding or discontinuing their claims. The limitation period for similar damages claims under the Human Rights Act has now expired.

In light of the judgments of the Court and the Court of Appeal, all rights of appeal against which have now been exhausted, no provision has been made in the financial statements.

#### Contingent assets

The claimants made an interim payment of £1,650,000 to LME Clear to cover part of their costs of the JR Proceedings in Q2 2024, and Elliott has made an interim payment of £347,000 in respect of LME Clear's costs of the Appeal in October 2024. The final amount with respect to recovery of costs of the Proceedings and the Appeal will be assessed by the Court if not agreed with the claimants in respect of the Proceedings and Elliott in respect of the Appeal.

The Company has not recognised any further recovery of costs of the JR Proceedings in the financial statements or as a contingent asset as the final amount is still subject to negotiation with the claimants.

### **18 Transactions with related parties**

#### **Directors**

During the financial year, no contracts were entered into by the Company in which any of the Directors had a material interest.

There are no other related party transactions other than those disclosed in these financial statements.

#### **Pension fund**

The Company is a participating employer in the London Metal Exchange 1989 Pension Scheme, a trust-based defined contribution pension scheme. The principal funds are those managed in the UK.

The contributions in respect of the Company's pension scheme are disclosed in note 4.



# LME Clear Limited

## Notes to the financial statements (continued)

### 18 Transactions with related parties (continued)

#### Parent and group subsidiaries

During the year, the Company undertook the following transactions with other related parties:

	2024	2023
	\$ 000's	\$ 000's
Intra group licensing fee	(10,000)	(10,000)
Payroll costs for Company employees paid by LME	(19,879)	(15,847)
Shared services – staff-related	(9,481)	(7,058)
Legal fees	1,377	(6,983)
IT related services	(3,993)	(3,546)
Facilities costs	(749)	(671)
Other costs	(3,389)	(1,236)
	<b>(46,114)</b>	<b>(45,341)</b>

Total monies collected by the Company as agent and paid to LME in 2024 were \$238,414,000 (2023: \$179,209,000).

Hong Kong Exchanges and Clearing Limited	2024	2023
	\$ 000's	\$ 000's
Expenses in relation to share-based payments	(1,251)	(1,265)
Other costs	(245)	(84)
IT related services	-	(127)
	<b>(1,496)</b>	<b>(1,476)</b>

HKEX Technology (Shenzhen) Limited (previously Gangsheng Technology Services (Shenzhen) Limited)	2024	2023
	\$ 000's	\$ 000's
IT related staff costs	(328)	(314)

As at 31 December 2024 and 31 December 2023 the balances with other related parties were as follows:

	2024		2023	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
	Owed by:	Owed to:	Owed by:	Owed to:
The London Metal Exchange	-	6,730	-	6,513
Hong Kong Exchanges and Clearing Limited	-	214	-	320
HKEX Technology (Shenzhen) Limited (previously Gangsheng Technology Services (Shenzhen) Limited)	-	43	-	27
	-	<b>6,987</b>	-	<b>6,860</b>

No amounts due from related parties were past due or impaired. Amounts due to related parties have contractual payment terms of less than three months (2023: less than three months).

# LME Clear Limited

## Notes to the financial statements (continued)

### 19 Key management compensation

Compensation for directors (included within the relevant costs in note 4) of the Company and the members of the executive committee, regarded as the key personnel who have authority for planning, directing, and controlling the Company:

	2024 \$ 000's	2023 \$ 000's
Salaries and other short-term employee benefits	3,862	3,677
Deferred bonus and other long-term employee benefits	388	-
Share-based payments	839	824
Pensions	197	159
Aggregate emoluments for key management personnel	<b>5,286</b>	<b>4,660</b>

### 20 Directors' emoluments

Directors' emoluments for the year included in staff costs are as follows:

	2024 \$ 000's	2023 \$ 000's
Aggregate emoluments	2,541	1,626
Company contributions paid to defined contribution pension scheme	8	-
	<b>2,549</b>	<b>1,626</b>

There are no retirement benefits accruing to directors under the defined contribution scheme (2023: \$nil).

#### Remuneration of highest paid director

	2024 \$ 000's	2023 \$ 000's
Aggregate emoluments	1,381	594
Company contributions paid to defined contribution pension scheme	8	-
	<b>1,389</b>	<b>594</b>

Aggregate emoluments include shares received or receivable under the Company's long-term incentive plan. There are no retirement benefits accruing under the defined contribution scheme (2023: \$nil).

### 21 Long-term incentive plan

Employees of the Company are eligible to receive share awards under the Company's HKEXs Share Award Scheme (the Scheme). Following the decision to award an award sum (Awarded Sum) for the purchase of Awarded Shares to eligible employees and/or selected senior executives, the Awarded Shares are either purchased from the market or are awarded by re-granting the forfeited or unallocated shares held by the Company's Share Award Scheme. Before vesting the Awarded Shares are held in a trust set up by the Scheme.

# LME Clear Limited

## Notes to the financial statements (continued)

### 21 Long-term incentive plan (continued)

Further shares are derived from dividends payable on the Awarded Shares held in the Scheme from scrip shares received under the scrip dividend scheme (dividend shares) and are allocated to the awardees on a pro rata basis and have the same vesting periods as the related Awarded Shares.

Employee Share Awards vest progressively over the vesting period after the shares are granted, provided that the relevant awardees (i) remain employed by the Company (ii) are made redundant or (iii) are deemed to be 'good leavers'. Effective 1 January 2023, the scheme rules relating to the vesting of shares have been amended, with any share awards granted on or after 1 January 2023 vesting in accordance with the original vesting schedule, instead of vesting immediately on the date of retirement of the awardees. Unless otherwise determined by the HKEX Board, the HKEX Remuneration Committee or the Chief Executive, the vesting period of Employee Share Awards granted was three years, and the shares would be vested in two equal tranches from the second to the third year after the shares are granted.

For awardees who do not meet the vesting criteria, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Scheme who may award such shares to the awardees, taking into consideration recommendations of the HKEX Board.

For Awarded Shares granted to the employees of the Company, the fair value of the employees' services received, measured by reference to the grant date fair value, is recognised over the projected vesting period, being the period for which the services from the employees are received and is charged to staff costs and related expenses. The corresponding credit is recorded as a capital contribution in the Company's financial statements and an increase to investment in subsidiaries in HKEX's financial statements, with a corresponding credit to employee share-based compensation reserve. Fair values of awarded shares are derived from quoted market prices on the date of purchase. Any reimbursement by the Company to HKEX is offset against the capital contribution.

During 2024, Awarded Sums amounting to \$1,429,000 (2023: \$1,030,000) were granted to selected employees. At 31 December 2024, the allocation of shares had not yet been completed.

Details of the awarded shares vesting in part or in full in 2024:

Date of award	Number of shares awarded	Average fair value per share \$	Reference sum award \$ 000's	Vesting period
31-Dec-21	34,265	58.48	-	7 Dec 2021 – 7 Dec 2024
31-Dec-22	25,639	42.24	-	8 Dec 2022 – 8 Dec 2025
31-Dec-23	32,100	32.19	-	8 Dec 2023 – 8 Dec 2026
31-Dec-23	-	-	1,429	11 Dec 20214 – 11 Dec 2027

Movement in the number of awarded shares outstanding:

	2024	2023
Outstanding at 1 January	27,354	36,059
Awarded	32,100	25,639
Vested	(16,312)	(22,938)
Forfeited	(278)	(782)
Good leavers	(8,222)	(10,624)
<b>Outstanding at 31 December</b>	<b>34,642</b>	<b>27,354</b>

# **LME Clear Limited**

## **Notes to the financial statements (continued)**

### **22 Immediate and ultimate controlling entity**

HKEX Global Commodities Limited (previously HKEX Investment (UK) Limited), a company incorporated in England and Wales, is the Company's immediate parent company. The registered address of HKEX Global Commodities Limited is 10 Finsbury Square, London, EC2A 1AJ.

Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong, is the ultimate controlling entity and is the largest and smallest group to consolidate these financial statements. The registered address of Hong Kong Exchanges and Clearing Limited is 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

### **23 Events after the reporting date**

The Board approved an interim dividend of \$59,500,000 (2023: \$nil) at its meeting in February 2025, to be paid in March 2025.