(Registered Number: 07611628)

LME Clear Limited

Directors' report and financial statements

31 December 2014

LME Clear Limited

Directors and auditors

Directors
The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

Directors	**Appointed**
G D Greiner	7 February 2013
J B Harrison	4 December 2013
M Humphery	4 December 2013
G P Jones	30 September 2013
R Lamba	4 December 2013
N B le Roux	4 December 2013
T W Spanner	7 February 2013
M Strimer	4 December 2013
R Thornhill (Chairman)	4 December 2013

Registered office

LME Clear Limited
56 Leadenhall Street, London, United Kingdom, EC3A 2DX

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside, London, SE1 2RT

LME Clear Limited

Strategic report

The Directors present their Strategic report on the Company for the year ended 31 December 2014. The business review should be read in conjunction with the Directors' report on pages 4 to 5.

Strategic report

The results show a pre-tax loss of $0.3m (2013: $13.4m loss) for the year, and after accounting for taxation was $0.1m profit (2013: $11.2m loss).

No final dividend is proposed in respect of 2014 (2013: $nil).

2014 saw the completion of the build of the clearing house and the launch of its clearing service for the London Metal Exchange market on 22 September 2014. Prior to launch the Company invested in developing its core clearing and risk technology and incurred associated costs.

Business environment

The Company is a Clearing House authorised under the European Market Infrastructure Regulation (EMIR). The Company acts as a central counterparty (CCP) for exchange contracts traded on The London Metal Exchange (LME). The clearing service principally provides counterparty risk mitigation services for its clearing members.

The Company operates in a highly regulated, competitive and technology-intensive environment. Against this background, the Company will continue to seek to offer robust and resilient clearing services and improve its offering to its members.

Strategy

The Company's strategy continues to focus on clearing the existing contracts traded on The London Metal Exchange. In addition, the Company will also seek to clear any new products developed by The London Metal Exchange and diversify its clearing services to existing and prospective members.

The Company will seek to assist the ultimate parent company, Hong Kong Exchanges and Clearing Limited (HKEx)'s vision to build a leading global multi asset class exchange, and capitalise on new opportunities arising from the further development of China's financial markets.

Strategic report (continued)

Principal risks and uncertainties

As a CCP the Company sits in the middle of trades 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. 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 organisations obligations, which ensure that the party on the other side of the trade is not negatively impacted by the default. During the life of a trade the Company processes all cash flows and marks the trade to market, calling variation and initial margin in relation to the risk of the portfolio, this process is called clearing.

The Company's activities as a CCP expose it to a number of risks, including market risk, credit risk and liquidity risk. The Company manages these risks through various control mechanisms and its approach is provided in more detail in note 18. Central to the CCP's risk process is its ability to collect quality collateral from its members as support for their positions.

The management views the principal risks and uncertainties that face the Company as those relating to the management of the clearing services.

Competition

The Company operates in a highly competitive environment, and works closely with market users to understand their needs. Through this inclusive and consultative approach, combined with a focus on offering cost-effective solutions, the Company seeks to ensure its clearing offering remains competitive.

The Company utilises leading edge real-time risk management technology to provide resilient, innovative and cost-effective clearing house services which meet the needs of market users.

Regulation and compliance

The Company closely monitors regulatory developments, arising from the European Union or overseas, that could impact its business. It places a high emphasis on regulatory compliance in all jurisdictions in which it operates, and seeks to promote active and co-operative relationships with its lead regulators.

Operational and system resilience

The Company acknowledges the need to promote and maintain high degrees of operational and system efficiency and resilience. Therefore the Company continues to make significant investments in this area.

Directors' report

The Directors submit their annual report to the sole shareholder together with the audited financial statements for the year ended 31 December 2014.

Incorporation

The Company was incorporated in England and Wales on 21 April 2011. It is domiciled in the United Kingdom (UK) and registered in England and Wales.

In 2013, the Company shortened its accounting reference date from 30 April 2014 to 31 December 2014 to coincide with the year end of the ultimate parent company.

Results and dividend

The loss before taxation for the year ended 31 December 2014 was $0.3m (2013: loss of $13.4m), and after accounting for taxation was $0.1m profit (2013: loss of $11.2m).

The Directors do not propose the payment of a final dividend (2013: $nil). No dividend was paid during the year (2013: $nil).

Charitable donations

The Company did not make any charitable donations during the year.

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.

The Company maintains directors' and officers' liability insurance which provides insurance cover for Directors of the Company.

Future developments

The Company will invest in its core clearing and technology services to ensure it remains competitive and continues to offer innovative and cost-effective clearing services for members of the clearing house.

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, credit risk, liquidity risk and capital risk management is provided in note 18 to the financial statements.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

Directors' report (continued)

- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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.

Disclosure of information to auditors

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

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) each Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent auditors

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

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Strategic report and Directors' report were approved by the Board of Directors and signed on their behalf by:

M.Castro FCIS
Company Secretary
27 February 2015
LME Clear Limited
Registration number 07611628

Independent auditors' report to the member of LME Clear Limited

Report on the financial statements

Our opinion

In our opinion, LME Clear Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

LME Clear Limited's financial statements comprise:

- the statement of financial position as at 31 December 2014;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the member of LME Clear Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paolo Taurae (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2015

LME Clear Limited

Statement of comprehensive income

	Note	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Revenue			
Clearing and settlement fees		24,094	-
Other revenue		732	-
Net investment income		1,964	-
Interest income		3,015	-
Interest expense		(874)	-
Net interest income		2,141	-
Revenue and other income		28,931	**-**
Staff costs	5	(17,584)	(9,386)
Legal and professional fees	5	(3,308)	(1,832)
Other operating expenses	5	(8,328)	(2,217)
Operating expenses		(29,220)	(13,435)
Loss before tax	4	(289)	(13,435)
Taxation	6	436	2,238
Profit / (loss) for the year		147	(11,197)
Other comprehensive income[1]		224	2,430
Total comprehensive income attributable to the shareholder		**371**	**(8,767)**

* *Restated. Refer to note 2 (a)*

[1] *Other comprehensive income comprises only items that will not subsequently be reclassified to profit and loss*

Dividends proposed in respect of the year ended 31 December 2014 are $nil (2013: $nil).

The results for both periods are derived from continuing operations.

The notes on pages 12 to 37 are an integral part of these financial statements.

LME Clear Limited

Statement of financial position

		At 31 December 2014			At 31 December 2013*			At 1 May 2013*		
		Current	Non-current	**Total**	Current	Non-current	Total	Current	Non-current	Total
	Note	$'000	$'000	**$'000**	$'000	$'000	$'000	$'000	$'000	$'000
Assets										
Intangible assets	7	-	33,010	**33,010**	-	18,398	18,398	-	8,155	8,155
Property, plant and equipment	8	-	615	**615**	-	854	854	-	988	988
Trade and other receivables	10	11,963	-	**11,963**	473	-	473	-	-	-
Cash and cash equivalents	11	9,796,859	-	**9,796,859**	14,217	-	14,217	38,599	-	38,599
Taxation recoverable		5,795	-	**5,795**	-	-	-	-	-	-
Deferred tax asset	9	-	641	**641**	-	6,010	6,010	-	3,427	3,427
Derivative financial asset	13	7,695,744		**7,695,744**	-	-	-	-	-	-
Amount due from fellow undertaking	19	-	-	**-**	7,498	-	7,498	-	-	-
Total assets		17,510,361	34,266	**17,544,627**	22,188	25,262	47,450	38,599	12,570	51,169
Liabilities										
Trade and other payables	12	11,064	-	**11,064**	8,296	-	8,296	3,118	-	3,118
Derivative financial liabilities	13	7,695,744	**-**	**7,695,744**	-	-	-	-	-	-
Clearing Member's contributions to Default Fund		570,758	**-**	**570,758**	-	-	-	-	-	-
Margin deposits from Clearing Members		9,109,791	**-**	**9,109,791**	-	-	-	-	-	-
Amount due to fellow undertaking	19	2,457	**-**	**2,457**	253	-	253	383	-	383
Total liabilities		17,389,814	-	**17,389,814**	8,549	-	8,549	3,501	-	3,501
Equity										
Share capital	14			**178,701**			62,937			59,143
Foreign currency translation reserve				**(1,363)**			(1,364)			-
Accumulated losses				**(22,525)**			(22,672)			(11,475)
Total equity				**154,813**			38,901			47,668
Total liabilities and equity				**17,544,627**			47,450			51,169
Net current assets				**120,547**			13,639			35,098
Total assets less current liabilities				**154,813**			38,901			47,668

** Restated. Refer to note 2 (a)*

The notes on pages 12 to 37 are an integral part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 February 2015 and signed on its behalf by:

T W Spanner
Director

LME Clear Limited

Statement of changes in equity

For the year ended 31 December 2014	**Share capital (note 14)**	**Foreign currency translation reserve**	**Accumulated losses**	**Total equity**
	$'000	$'000	$'000	$'000
At 1 January 2014*	62,937	(1,364)	(22,672)	38,901
Profit attributable to the shareholder	-	-	147	147
Other comprehensive income	-	224	-	224
Total comprehensive income	-	224	147	371
Share capital issued	115,541	-	-	115,541
Transactions with shareholders	115,541	-	-	115,541
Currency translations recognised directly in equity	223	(223)	-	-
At 31 December 2014	**178,701**	**(1,363)**	**(22,525)**	**154,813**

For the year ended 31 December 2013	**Share capital (note 14)**	**Foreign currency translation reserve**	**Accumulated losses**	**Total equity**
	$'000	$'000	$'000	$'000
At 1 May 2013*	59,143	-	(11,475)	47,668
Loss attributable to the shareholder	-	-	(11,197)	(11,197)
Other comprehensive income	-	2,430	-	2,430
Total comprehensive income	-	2,430	(11,197)	(8,767)
Share capital issued	-	-	-	-
Transactions with shareholders	-	-	-	-
Currency translations recognised directly in equity	3,794	(3,794)	-	-
At 31 December 2013*	**62,937**	**(1,364)**	**(22,672)**	**38,901**

** Restated. Refer to note 2 (a)*

The notes on pages 12 to 37 are an integral part of these financial statements.

LME Clear Limited

Statement of cash flows

	Note	**Year ended 31 December 2014 $'000**	Period ended 31 December 2013* $'000
Cash flows from operating activities			
Net cash inflow from operating activities	15	**9,683,425**	(16,118)
Cash flows from investing activities			
Purchase of intangible assets	7	(16,251)	(9,720)
Purchase of tangible assets	8	(236)	(57)
Net cash outflow from investing activities		**(16,487)**	(9,777)
Cash flows from financing activities			
Issue share capital	14	115,541	-
Net cash inflow from financing activities		**115,541**	-
Net effect of foreign currency translation		163	1,513
Net (decrease) / increase in cash and cash equivalents		**9,782,479**	(25,895)
Cash and cash equivalents at the beginning of year/period		**14,217**	38,599
Cash and cash equivalents at 31 December		**9,796,859**	14,217

** Restated. Refer to note 2 (a)*

The notes on pages 12 to 37 are an integral part of these financial statements.

1. General information

LME Clear Limited (the Company), is a wholly-owned subsidiary of HKEx Investment (UK) Limited and an indirect wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx).

The Company is a limited company incorporated and domiciled in England and Wales. The address of its registered office is 56 Leadenhall Street, London, United Kingdom, EC3A 2DX.

2. Principal 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.

The Company's financial statements have been prepared on a going concern basis, in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 3.

The financial statements are presented in thousands of United States dollars (USD) except where otherwise indicated; this is a change from the prior year, see note 2 (a).

New and amended standards adopted by the Company

In 2014, the Company has adopted the following new/revised IFRSs which were effective for accounting periods beginning on or after 1 January 2014:

- IFRIC Interpretation 21 'Levies'
- Amendments to IAS 32 - Financial instruments: Presentation – offsetting Financial assets and financial liabilities
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- IAS 27 (revised) - 'Separate financial statements'
- IAS 28 (revised) - 'Associates and joint ventures'
- IFRS 10 – 'Consolidated financial statements'
- IFRS 11 – 'Joint arrangements'
- IFRS 12 – 'Disclosure of interests in other entities'

IFRIC Interpretation 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not significant. The Company has applied the amendments retrospectively.

Amendments to IAS 32 clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The adoption of the amendments to IAS 32 does not have any financial impact to the Company. The Company has applied the amendments retrospectively.

The Annual Improvements to IFRSs 2010-2012 cycle include a number of amendments to various IFRSs. Of these, the amendments to IFRS 2 'Share-based payment' - definition of vesting condition are effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The amendments clarify the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'. The adoption of the amendments to IFRS 2 does not have any financial impact to the Company as it already complies with the requirements of the amendments. The Company has applied the amendments prospectively.

Amendments to IAS 27 and 28, and to IFRS 10-12 have been applied retrospectively but have had no impact on the Company's results or disclosures as they already are in compliance with the relevant requirements of the amendments.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not adopted early

A number of new standards and amendments to standards and interpretations relevant to the Company's operations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the financial statements of the Company. The impact of these new standards and interpretations will be stated in the financial statements when they become effective and, if relevant, are adopted by the Company.

- Annual Improvements to IFRSs 2010 – 2012 Cycle: Amendments to IAS 24 - Related party disclosures – key management personnel
- Amendments to IFRS 8 – Operating Segments
- Amendments to IAS 27 – Equity method in separate financial statements
- IFRS 9 (2014) – 'Financial instruments'
- IFRS 15 – 'Revenue from contracts with customers'

The adoption of the amendments to IAS 27, 24 and IFRS 8 are not expected to have any material impact on the Company as it already complies with the relevant requirements of the amendments. The Company is in the process of making an assessment on the impact of IFRS 9 (2014) and IFRS 15.

(a) Change in functional and presentational currency

Change in functional currency

In prior periods, British pounds sterling (GBP) was the functional currency of the company. Following commencement of clearing activities in September 2014, the major business transactions in terms of operating, investing and financing activities are now primarily in United States dollars (USD). As such, effective from 1 September 2014, the Company has changed its functional currency from GBP to USD.

The change in functional currency of the Company was applied prospectively from date of change in accordance with the requirements set out in IAS 21 'The effects of changes in foreign exchange rates'. On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and profit and loss account items were translated into USD at the exchange rate on that date.

Change in presentation currency

USD has also been adopted as the presentation currency of the Company's financial statements. The change in presentation currency has been applied retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors', and the comparative figures have also been restated to USD accordingly.

The change in presentation currency has impacted the 2013 comparatives. As a result, a foreign currency reserve arises.

The changes in functional and presentational currency have no other significant impact on the financial position of the Company.

The 2013 opening and closing comparatives, the associated notes and the results for the period up to the date of change have been retranslated from GBP to USD using the procedures outlined below:

- The changes in functional and presentational currency have no other significant impact on the financial position of the Company. Assets and liabilities were translated into USD at closing rates of exchange;
- Income and expenses were translated into USD at average rates of exchange as they are a suitable proxy for the prevailing rates at the date of transactions;
- Differences resulting from the retranslation on the opening net assets and the results for the period have been recognised in other comprehensive income; and
- Share capital was translated into USD at closing rates of exchange and differences resulting from the retranslation were recognised directly in equity.

The exchange rates used were:

	Period ended 31 August 2014 £1:$	Period ended 31 December 2013 £1:$	Period beginning 01 May 2013 £1:$
Average rate	1.67387	1.56829	N/A
Closing rate	1.66211	1.65625	1.55640

The above stated procedures resulted in a foreign currency translation reserve of $1.4m as at 31 August 2014 (31 December 2013: $1.4m; 1 May 2013: $0.0m).

(b) Revenue and other income recognition

Revenue and other income is recognised in the statement of comprehensive income on the following basis:

i) Clearing and settlement fees for the clearing and settlement of trades between members transacted on the London Metal Exchange (LME) are recognised in full on the trade date (or trade match date, if later). Fees for other settlement transactions are recognised upon completion of the settlement.

ii) Trade reporting fees in respect of LMEWire are recognised when the related services are rendered.

iii) 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 service is provided.

iv) Other revenue comprises:

- membership fees; recognised on an accruals basis over the membership period;
- trade reporting fees; recognised when the related services are rendered.

v) Net interest income represents the interest paid/charged on cash deposits from Clearing Members. Interest payable/chargeable is determined based on the LME Clear Deposit rate for each currency deposited and is recorded using the effective interest rate method.

(c) Net investment income

Net investment income comprises interest income earned from short term investments and is recognised on the effective interest rate method. In addition it comprises the net fair value gains/losses on financial assets and financial liabilities.

(d) Staff costs and related expenses

i) The Company awards shares under the Group's HKEx Share Award Scheme (Share Award Scheme), under which the Group 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 corresponding credit is recorded as a capital contribution in the Company's accounts 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 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.

ii) 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 reporting period.

(e) Operating leases

Rental costs for operating leases are charged to the statement of comprehensive income on a straight line basis.

(f) Intangible assets

Intangible assets consist of computer software systems. These are capitalised when the development stage of the project is reached. 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:

- it is technically feasible to complete the system so that it will be available for use;
- management intends to complete the system and use or sell it;
- there is an ability to use or sell the system;
- it can be demonstrated how the system will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the system are available; and
- 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 associated with maintaining computer systems are recognised as expenses as incurred. Qualifying software system development costs capitalised as assets are amortised when they are available for use. They are amortised at rates sufficient to write off their costs net of residual values over their estimated useful lives on a straight line basis, which do not exceed five years.

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.

(g) 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.

The Company selects its depreciation 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.

Leasehold properties and improvements are depreciated over the shorter of the period of the lease or the economic life of the asset.

Computer and clearing systems are depreciated to residual value on a straight line basis over five years.

Furniture, fixtures, fittings and equipment are depreciated to residual value on a straight line basis over the estimated useful lives of the assets, which are three years.

(h) Financial instruments

The Company classifies its financial instruments into the following categories: cash and cash equivalents, loans and receivables, trade and other payables, and derivative financial instruments.

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 within cash equivalents, reflecting the nature of these arrangements as short-term high 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.

Derivative financial assets and liabilities

Derivative financial instruments include forward, futures and options contracts, comprising the outstanding derivatives contracts between the Company and its members, as the Company is the central counterparty (CCP) to all metal contracts traded on the LME.

Derivatives are initially recognised at fair value on the date contracts are entered into and are subsequently re-measured at their fair values. Derivatives are categorised as held for trading with changes in fair value recognised in statement of comprehensive income. All 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 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.

Loans and receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are regularly assessed as collectible or uncollectible. When a trade receivable is determined to be uncollectible, it is written off, being recognised in the statement of comprehensive income within expenses. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets. These are classified as 'trade and other receivables' in the balance sheet (also see note 10). Receivables are initially recognised at fair value and subsequently measured at amortised cost.

<u>Trade and other payables</u>

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

<u>Margin deposits and cash collateral from Clearing Members</u>

The Company receives margin deposits from its Clearing Members in connection with the outstanding derivatives contracts between the Company and its Members. The obligation to refund the margin deposits and cash collateral is disclosed as Margin deposits from Clearing Members under current liabilities. Liabilities held in this category are initially recognised at fair value and subsequently remeasured at amortised cost.

<u>Members' contributions to Clearing House Default Fund</u>

Members' contributions to the Clearing House Default Fund are included under current liabilities. Liabilities held in this category are initially recognised at fair value and subsequently remeasured at amortised cost.

Non-cash collateral (i.e. securities) received from Clearing Members is not recognised on the statement of financial position.

(i) Current and deferred tax

Tax charge for the year comprises current and deferred tax. Tax is recognised in the statement of 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.

(j) Foreign currencies

The financial statements are presented in US dollars, which is the Company's presentation and functional currency. Refer also to note 2 (a).

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 the statement of comprehensive income.

(k) Provisions

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.

(l) Share capital

Ordinary shares are classified as equity.

(m) Dividends

Dividend distributions to the Company's ordinary shareholder are recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's ordinary shareholder.

3. Critical accounting estimates and assumptions

Judgments 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 judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgments 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 judgments to ensure that the financial statements are presented fairly and in accordance with IFRS as adopted by the European Union and IFRIC Interpretations.

Software development

As described in notes 2(f) and 7, the Company incurs significant expenditure on the development of software and implementation of systems. The judgments regarding capitalisation, 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 2(f).

4. Operating loss

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Operating loss is stated after charging:		
- Auditors' remuneration	232	33

* *Restated. Refer to note 2 (a)*

Services provided by the Company's auditors and network firms

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

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Audit of the Company's financial statements	232	33
Other assurance services	117	-
Tax advisory services	52	-
Tax compliance services	33	-
	434	33

** Restated*

5. Operating expenses

Operating expenses comprise the following:

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Wages and salaries	15,445	8,319
Social security	1,323	684
Other pension costs	816	383
Depreciation and amortisation	2,185	240
Legal and professional fees	3,308	1,832
Technology costs	3,812	1,072
Other costs	2,331	905
Total	29,220	13,435

** Restated*

The monthly average number of employees within the Company was 35 (2013: 20).

6. Taxation

	Note	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Taxation charged / (credited) to the statement of comprehensive income			
Income tax			
Current year		5,795	-
Total current tax		5,795	-
Deferred tax			
Deferred tax for the current year		(5,807)	3,124
Adjustment in relation in respect of prior year		31	(886)
Change in tax rate		417	-
Total deferred tax	9	(5,359)	2,238
Taxation credit		436	2,238

** Restated*

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with HM Revenue & Customs.

Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%) and the taxation charge for the year are explained below:

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Loss before taxation	(289)	(13,435)
Loss multiplied by the standard rate of corporation tax in the UK of 21.5% (23.25%)	62	3,124
Expenses not deductible/income not taxable	(74)	-
Net adjustments in respect of prior years	31	(886)
Change in tax rate	417	-
Taxation credit	436	2,238

** Restated*

7. Intangible assets

	Capitalised software in use	Capitalised software under development	Total
	$'000	$'000	$'000
At 31 December 2014			
Costs			
At 1 January 2014	-	18,398	18,398
Currency Translation Differences	-	65	65
Additions	1,248	15,003	16,251
Transfer	33,148	(33,148)	-
At 31 December 2014	34,396	318	34,714
Accumulated amortisation and impairment			
At 1 January 2014	-	-	-
Charge for the year	(1,704)	-	(1,704)
At 31 December 2014	(1,704)	-	(1,704)
At 31 December 2013			
Costs			
At 1 May 2013*	-	8,155	8,155
Currency Translation Differences	-	523	523
Additions	-	9,720	9,720
At 31 December 2013*	-	18,398	18,398
Accumulated amortisation and impairment			
At 1 May 2013*	-	-	-
Charge for the year	-	-	-
At 31 December 2013*	-	-	-
Net book value			
At 31 December 2014	**32,692**	**318**	**33,010**
At 31 December 2013*	-	18,398	18,398

** Restated*

8. Property, plant and equipment

	Equipment	Furniture, fixture and fittings	Total
	$'000	$'000	$'000
At 31 December 2014			
Costs			
At 1 January 2014	1,038	194	1,232
Currency Translation Differences	4	1	5
Additions	236	-	236
At 31 December 2014	**1,278**	**195**	**1,473**
Accumulated depreciation			
At 1 January 2014	(306)	(72)	(378)
Currency Translation Differences	1	-	1
Charge for the year	(480)	(1)	(481)
At 31 December 2014	**(785)**	**(73)**	**(858)**
At 31 December 2013			
Costs			
At 1 May 2013*	923	186	1,109
Currency Translation Differences	58	8	66
Additions	57	-	57
At 31 December 2013*	1,038	194	1,232
Accumulated depreciation			
At 1 May 2013*	(101)	(19)	(120)
Currency Translation Differences	(15)	(3)	(18)
Charge for the year	(190)	(50)	(240)
At 31 December 2013*	(306)	(72)	(378)
Net book value			
At 31 December 2014	**493**	**122**	**615**
At 31 December 2013*	732	122	854

** Restated*

9. Deferred tax asset

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

	Note	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Start of the year/period		6,010	3,427
Currency translation differences		(10)	345
Deferred tax (charge) / credit	6	(5,359)	2,238
End of the year/period		641	6,010

** Restated*

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

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Company had recognised tax losses of $0.6m at 31 December 2014 that may be carried forward for offsetting against future taxable income indefinitely.

Factors that may affect future tax charges

The Company will receive tax relief on the same basis of amortisation for 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 in place at the balance sheet date.

Current and deferred tax

The Finance Bill 2012 reduced the main rate of corporation tax from 24% to 23% from April 2013. The Finance Bill 2013 reduced the main rate of corporation tax from 1 April 2014 to 21% and from 1 April 2015 to 20%.

10. Trade and other receivables

	Note	At 31 December 2014 $'000	At 31 December 2013* $'000
Accruals and deferred income		11,442	-
Prepayments		487	473
Other receivables		34	-
		11,963	473

** Restated*

As of 31 December 2014, trade receivables of $0.2m (2013: $0.0m) were past due up to three months, but are not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Directors expect the amounts past due but not impaired to be recovered in full.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The Company holds cash and non-cash collateral as security as described further in note 13.

11. Cash and cash equivalents

The cash and cash equivalents represent cash on hand and short term investments.

	At 31 December 2014 $'000	At 31 December 2013* $'000
Cash at bank	17,580	14,217
Short term investments		
- reverse repurchase agreements	9,189,295	-
- government bonds	589,984	-
	9,796,859	14,217

** Restated*

$9,779.3m 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 Risk Committee.

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

Own cash comprises $116.3m of cash and cash equivalents. $17.5m of this amount is restricted as the Company's own resources to be used in the default waterfall.

12. Trade and other payables

	Note	At 31 December 2014 $'000	At 31 December 2013* $'000
Social security and other taxes		63	230
Other payables		297	4,722
Accruals and deferred income		10,704	3,344
		11,064	8,296

** Restated*

Trade and other payables all have contractual payment terms of less than three months (2013: less than three months).

13. Financial instruments

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 2014		
	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Derivative financial assets measured at fair value through profit or loss:			
- base metal futures and options contracts	-	7,695,744	-
	-	7,695,744	-
Financial liabilities			
Derivative financial liabilities measured at fair value through profit or loss:			
- base metal futures and options contracts	-	7,695,744	-
	-	7,695,744	-

As at 31 December 2013 and 1 May 2013 the Company held no assets or liabilities that were measured at fair value.

During 2014 and 2013, no financial assets or financial liabilities were classified under Level 3 and there were no transfers between instruments in Level 1 and Level 2.

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, and amounts due to group companies) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

At 31 December 2013, no non-financial assets or liabilities were carried at fair value.

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 member account to its open derivative contracts as at each reporting date.

As a CCP, the Company sits in the middle of members' transactions and holds initial and variation margin amounts as a contingency 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 $570.8m and margin of $9,109.8m is held by the Company.

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

As at 31 December 2014				Related amounts not set off 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	$'000	$'000	$'000	$'000	$'000
Derivative financial						
- assets	157,277,484	(149,581,740)	7,695,744	(5,516,798)	(2,178,946)	-
- liabilities	(157,277,484)	149,581,740	(7,695,744)	5,516,798	-	(2,178,946)

At 31 December 2013 and 1 May 2013, no financial assets and financial liabilities were offset in the Company's statement of financial position.

14. Share capital

	Year ended 31 December 2014 $'000	Period ended 31 December 2013 $'000
Total share capital as at end of year/period	178,701	62,937

** Restated*

The Company was incorporated on 21 April 2011 with an issued share capital of £1 comprising 1 ordinary share of £1, issued at par as capital of the Company. There is no restriction on the number of shares to be issued.

On 23 April 2014 the Company issued 69,500,000 ordinary shares of £1 each. The Company's functional and presentational currency changed from GBP to USD with effect from 1 September 2014, resulting in the retranslation of the share capital from GBP to USD. Refer to note 2 (a) for further detail.

15. Notes to the statement of cash flows

Reconciliation of loss for the year/period to net cash outflow from operating activities:

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Profit/(Loss) before tax for the period	(289)	(13,435)
Adjustments for:		
Depreciation and amortisation	2,185	240
Increase / (decrease) in intercompany payable	2,204	(130)
Increase in intercompany receivables	7,498	(7,498)
Increase in accounts receivable	(11,490)	(473)
Increase in accounts payable, accruals and other liabilities	2,768	5,178
Increase in margin deposits and default fund	9,680,549	-
Net cash inflow from operating activities	9,683,425	(16,118)

** Restated*

16. Dividends

No dividend was paid in 2014 (2013: $nil).

17. Capital 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 shareholders 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 that entity 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 Bank of England as a Recognised Clearing House under the Financial Services and Markets Act 2000, and under EMIR. In line with EMIR regulation the Company's capital is determined with reference to the potential costs arising from the following scenarios and risks:

- Winding up of the business;
- Operational risk;

- Credit, counterparty credit and market risk;
- Business risk; and
- Losses resulting from defaulting members

The Company's regulatory capital requirement amounts to $94.3m and must be maintained in cash or highly liquid financial instruments with minimal market and credit risk. This is composed of a base requirement of $69.8m, together with a 10 per cent minimum reporting threshold of $7.0m and $17.5m contribution to the default fund. 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.

The Company has been fully compliant with the capital adequacy regulations since the launch of clearing operations on 22 September 2014.

18. Financial risk management

The Company's activities expose it to some financial risks: market risk (foreign exchange risk, interest rate risk, market price risk), sovereign risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's performance.

<u>Market risk</u>

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity 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.

Investment and fund management is governed by the Company's Investment Policy, Restrictions and Guidelines, which is approved by the Board and reviewed regularly. Investment restrictions and guidelines form an integral part of risk control. Investments are diversified to minimise risks and no investments are made for speculative purposes. In addition, specific limits are set for each fund to control risks (e.g. liquidity, credit requirement, 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 (ie, 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) and investments and bank deposits denominated in foreign currencies (mainly GBP and EUR). Its risk management policy is to forecast the amount of GBP payments and to retain some GBP bank deposits or convert from USD to GBP as soon as deemed appropriate.

The table below summarises the Company's financial assets and financial liabilities denominated in foreign currencies.

	At 31 December 2014				
	$'000	$'000	$'000	$'000	$'000
	EUR	HKD	GBP	JPY	Total
Cash and cash equivalents	48,409	-	182,035	2,043	232,487
Trade and other receivables	-	-	591	-	591
Derivative financial assets	61,825	-	4,467	70,563	136,855
Total assets	110,234	-	187,093	72,606	369,933
Trade and other payables	-	-	(10,845)	-	(10,845)
Amounts due to parent / fellow subsidiaries	-	(1,202)	(1,254)	-	(2,456)
Derivative financial liabilities	(61,824)	-	(4,467)	(70,564)	(136,855)
Margin deposits and default fund	(48,319)	-	(178,605)	(2,030)	(228,954)
Total liabilities	(110,143)	(1,202)	(195,171)	(72,594)	(379,110)
Total liabilities	**91**	**(1,202)**	**(8,078)**	**12**	**(9,177)**
Notional effect if interest rates change by +/- 10%	**+/-9**	**+/-120**	**+/-808**	**+/-1**	

	At 31 December 2013*				
	$'000	$'000	$'000	$'000	$'000
	EUR	HKD	GBP	JPY	Total
Cash and cash equivalents	-	-	38,599	-	38,599
Trade and other receivables	-	-	473	-	473
Derivative financial assets	-	-	-	-	-
Total assets	-	-	39,072	-	39,072
Trade and other payables	-	-	(8,296)	-	(8,296)
Amounts due to parent / fellow subsidiaries	-	(253)	(7,498)	-	(7,751)
Derivative financial liabilities	-	-	-	-	-
Margin deposits and default fund	-	-	-	-	-
Total liabilities	-	(253)	(15,794)	-	(16,047)
Total liabilities	**-**	**(253)**	**23,278**	**-**	**23,025**
Notional effect if interest rates change by +/- 10%	**-**	**+/-25**	**+/-2,328**	**-**	

** Restated*

(ii) Interest rate risk management

The Company is exposed to interest rate risk arising from the cash and investment balances it maintains, the initial margin and default fund balances it holds from clearing members and the loans it has issued.

The Company aims to minimise its exposure to interest rate fluctuations. Any exposure is predominately due to the mismatch between the Company's interest bearing assets and interest bearing member liabilities. Since the return paid on member liabilities is generally reset to prevailing market interest rates on an overnight basis the Company is only exposed for the time it takes to reset the interest rates on its investments. The maximum fixed exposure on any asset in the treasury portfolio is 3 months.

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

Financial assets/ (liabilities)	Amount (USD)	Contractual interest rate receivable by / (payable) from the Company	Notional effect if interest rates change by +/- 10%
	$'000	%	$'000
Short term deposits (reverse repurchase agreements)			
- USD (own funds)	110,886	0.07%	8
- USD (margin deposits and default fund)	8,751,778	0.03%	263
- GBP	178,605	0.05%	9
- EUR	48,317	-0.17%	8
Short term deposits			
- USD government bonds	589,984	0.00%	-
Margin deposits and default fund			-
- USD	9,352	0.14%	1,309
- GBP	178,605	-0.06%	11
- EUR	48,319	0.21%	10
- JPY	2,030	0.23%	-

(iii) Market price risk management

As a CCP the Company has a balanced position in all cleared contracts and runs no significant market 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 risk arising from fluctuations in the value of market-traded securities as it does not generally hold assets other than interest-bearing cash and cash equivalents.

Sovereign risk

Distress amongst sovereigns through market concerns over the level of government debt and the ability of certain 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 has specific risk frameworks that manage sovereign risk for both clearing and margin collateral, and all clearing members are monitored regularly against a suite of stress scenarios. In addition, investment limits and both counterparty and clearing membership monitoring frameworks are sensitive to changes in ratings and other financial market indicators, to ensure the Company is able to measure, monitor and mitigate exposure to sovereign risk and respond quickly to anticipated changes.

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 Default Fund and Members' Margin. Other than derivative financial assets and liabilities, all financial instruments of the company have contractual maturities of less than three months.

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. At 31 December 2014, the cash and cash equivalents held for members' margin, the Clearing House Default Funds and corporate funds held were all held only with banks with a minimum rating of F1 (Fitch). All investments are subject to a maximum concentration limit approved by the Board and there was no significant concentration risk to a single counterparty.

The Company mitigates its exposure to risks relating to accounts receivable from its members by requiring the members to meet the Company's established financial requirements and criteria for admission as members.

In addition, the Company holds non-cash collateral in the form of debt securities in respect of initial and variation margin posted by clearing participants. The fair value of this collateral was $935m as at 31 December 2014 (2013: $nil).

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 fair value of this collateral was $9,316m as at 31 December 2014 (2013: $nil).

The collateral held, together with certain short term debt securities accounted for as cash and cash equivalents amounting to $590m as at 31 December 2014 (2013: $nil) have been repledged to its investment agents and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of the Company. The collateral held by was not recorded on the statement of financial position as at 31 December 2014.

(ii) Clearing and settlement-related risk management

In the normal course of business, the Company acts as the counterparty to eligible trades concluded on the LME through the novation of the obligations of the buyers and sellers. As a result, the Company has considerable market risk and credit risk since the members' ability to honour their obligations in respect of their trades may be adversely impacted by economic conditions affecting the commodities markets. If the 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 members to meet the Company's established financial requirements and criteria for admission as members, monitoring compliance with risk management measures such as position limits established by the Company and requiring clearing members to deposit margins and contribute to the Clearing House Default Fund set up by the Company. The Company also holds a capital requirement of $17.5m as its 'skin in the game' contribution to default funds available for utilisation in the event of a Clearing Member's default.

Position limits are imposed by the Company to regulate or limit the maximum number or value of gross and net positions which can be held or controlled by the members based on their liquid capital.

If a 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 find a new counterparty to take on the positions of the defaulting member to return the Company to a matched book of contracts. If this was not possible the Company can utilise the default waterfall process. Firstly, the Company is able to draw upon the defaulting member's initial margin. Due to the Company's margin policies the probability of the amounts owed by a defaulting member exceeding the amount of margin held is small. However, if the collateral posted by the defaulter was insufficient to meet the amount owed, the Company can then draw upon the defaulting party's contribution to the Default fund. If this was still insufficient to meet the amounts owed then the Company will utilise its own contribution to the default funds towards meeting the loss. If this was fully utilised it could mutualise any outstanding loss amongst all other non-defaulting members. The Company can draw upon the default fund contributions from the non-defaulting members and if these loss-absorbing resources were fully utilised the Company then has the right to call upon surviving members to contribute a further amount up to a pre-determined limit.

(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) Financial assets that were past due but not impaired

At 31 December 2014 there were no assets that were past due but not impaired (2013: $nil).

(v) 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.

19. Transactions with related parties

Directors

During the financial year, no contracts of significance 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 has one defined contribution pension scheme covering its employees. The principal funds are those managed in the UK.

The contributions in respect of the Company's pension scheme are disclosed in note 5.

Parent and group subsidiaries

During the year the amounts due from the Company to the London Metal Exchange and Hong Kong Exchanges and Clearing Limited were $16.3m and $1.7m respectively, relate to expenses incurred by fellow group companies on the Company's behalf that have subsequently been recharged. At the year-end date, the amounts due to Hong Kong Exchanges and Clearing Limited and the London Metal Exchange were $1.2m and $1.3m respectively, which have been recharged at cost.

20. Key management compensation

Compensation for directors 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:

	Year ended 31 December 2014 $'000's	Period ended 31 December 2013* $'000's
Salaries and other short term benefits	4,071	2,989
Share based payments	1,216	261
Pensions	312	132
	5,599	3,382

** Restated*

21. Directors' emoluments

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

	Year ended 31 December 2014 $'000	Period ended 31 December 2013* $'000
Aggregate emoluments	2,057	1,117
Company contributions paid to defined contribution pension scheme	80	50
	2,137	**1,167**

** Restated*

Retirement benefits are accruing to one director under a defined contribution scheme (Period ended 31 December 2013: one).

Benefits accrued under the scheme 2014: $0.1m (2013: $0.1m).

Remuneration of highest paid director

	Year ended 31 December 2014 $'000's	Period ended 31 December 2013* $'000's
Aggregate emoluments	1,451	1,037
Company contributions paid to defined contribution pension scheme	80	50
	1,531	**1,087**

** Restated*

Benefits accrued under the scheme 2014: $0.1m (2013: $0.1m).

22. Share award scheme

Employees of the Company are eligible to receive share awards under the Groups' HKEx Share Award 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 Group's Share Award Scheme. Before vesting the Awarded Shares are held in a trust set up by the Scheme.

Further shares are derived from dividends payable on the Awarded Shares held in the Scheme from reinvesting the dividends or scrip shares received under the scrip dividend scheme (dividend shares), and the amount is debited to Shares held for Share Award Scheme. The dividend shares 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 (of three years) after the shares are granted, provided that the relevant awardee remained employed by the Group or retired on reaching normal retirement age. For awardees that cease employment with the Group before vesting, 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 Group 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 accounts 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.

Details of the Awarded Shares during 2014:

Date of award	Number of shares awarded	Average fair value per share $	Vesting period
03-Dec-14	4,530	23.02	15 April 2015 -15 April 2016
03-Dec-14	16,019	23.02	25 April 2015 -25 April 2016
03-Dec-14	54,144	23.02	1 May 2015 -1 May 2016
03-Dec-14	51,567	23.02	9 Dec 2015 -9 Dec 2016
02-Jan-15	124,271	22.17	20 Jan 2016 - 20 Jan 2017

During the year there were no vested shares or dividend shares were awarded and no shares were forfeited.

Movement in the number of Awarded Shares awarded:

	Number of Awarded shares
Outstanding at 1 January	-
Awarded	126,260
Forfeited	-
Outstanding at 31 December 2014	126,260

Subsequent to 31 December 2014 on 2 January 2015, 124,271 shares were awarded to employees at average fair value of $22.17 per share.

23. Immediate and ultimate controlling entity

HKEx Investment (UK) Limited, a company incorporated in England and Wales, is the Company's immediate parent company. The registered address of HKEx Investment (UK) Limited is 56 Leadenhall Street, London, EC3A 2DX

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 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.