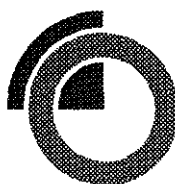


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LONDON METAL EXCHANGE

FINANCIAL STATEMENTS

31 DECEMBER 2000



LONDON METAL EXCHANGE



The London Metal Exchange Limited 56 Leadenhall Street London EC3A 2DX
Telephone +44 (0)20 7264 5555 Fax +44 (0)20 7680 0505 info@lme.co.uk
www.lme.co.uk
A company limited by guarantee. Registered in England no 2128666. Registered office as above.

LONDON METAL EXCHANGE

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LONDON METAL EXCHANGE

DIRECTORS AND ADVISERS

DIRECTORS

The Lord Bagri CBE (Chairman) ♦	
DE King (chief executive) ♦	(Resigned 30 June 2001)
SJN Heale (chief executive)	(Appointed 2 July 2001)
PCF Crowson *	(Retired 31 May 2000)
KC Davies	(Resigned 31 December 2000)
VJ Davies	(Resigned 30 March 2000)
The Lord Fraser of Carmyllie QC * ♦ ∇	
M Frawley	(Appointed 1 January 2001)
KH Gaunt	(Resigned 31 December 2000)
AW Gooch ♦	
B Jones	(Resigned 31 December 2000)
Sir Timothy Lankester KCB *	
AR Miele *	
B Östgren ♦	
DG Over ♦ ∇	(Appointed 12 July 2000)
M Overlander	(Appointed 20 April 2000, Resigned 31 December 2000)
GJ Pizzey *	
DE Ratcliffe	(Resigned 28 March 2000)
LJ Scott	(Appointed 20 April 2000, Resigned 31 December 2000)
PG Sellars	(Resigned 22 March 2000)
MA Slade ♦	
MF Tyler	(Appointed 20 April 2000, Resigned 3 July 2000)
SB Underhill ♦ ∇	
TR Wilson	(Appointed 1 January 2001)

* Invited (non-executive) Directors

♦ These directors resigned on 31 December 2000 and were subsequently re-appointed on 1 January 2001, as a consequence of their appointment to the board of LME Holdings Limited.

∇ Current members of the audit committee.

AUDITORS

PricewaterhouseCoopers, Chartered Accountants,
Southwark Towers, 32 London Bridge Street,
London SE1 9SY

SOLICITORS

Linklaters & Paines,
One Silk Street,
London EC2Y 8HQ

BANKERS

Lloyds TSB Bank plc,
Fenchurch Street Branch,
72 Fenchurch Street,
London EC3P 3EH

CHAIRMAN'S STATEMENT

In many ways I am certain that the last year will be seen as the most significant and important in the history of the London Metal Exchange.

The Exchange is no stranger to change or the active management of the change process to ensure that it stays at the forefront of its business. Change of the scale brought about in 2000 is, nonetheless, impressive and challenging to all involved.

DEMUTUALISATION

As I noted in last year's report, the LME needs to be able to adapt swiftly to changing circumstances, and it was imperative that we examined the structure of the company and made changes where appropriate. The board set up a working group of practitioners to advise it, and on 12 June 2000 the LME issued a consultation document setting out details of a proposed restructuring and the transfer of ownership of the LME to a new holding company, LME Holdings Limited. The practitioners provided invaluable insights and made an outstanding contribution to this process.

The intention behind the detail of the restructuring was to make the LME a shareholder-owned entity, and to give it the flexibility to enter into new business areas in the future. This was to be achieved by maintaining the entity The London Metal Exchange Limited which would continue as the body to conduct business as the Recognised Investment Exchange, of which LME Holdings Limited would become the sole member. The holding company provides a vehicle to explore other opportunities, should they be appropriate.

These proposals were put to an Extraordinary General Meeting on 14 September, where they were accepted unanimously.

In line with the proposals, shares in LME Holdings Limited were offered to existing member firms, with a cash alternative available to those which did not wish to take them up.

The administrative work to bring about these changes was expedited and the new company structure was established on 1 January 2001.

One of the most important parts of the change related to the rebalancing of the representation of the board. I should like to put on record again my thanks to, and profound respect for, those from the ring dealing community who agreed to a reduction

LONDON METAL EXCHANGE

CHAIRMAN'S STATEMENT

in their representation at board level. The ring dealing community plays a central part in the LME, and the statesmanlike attitude they took reflects great credit on them and their concern to keep the LME at the forefront of the non-ferrous metals world.

The changes to our structure have been carefully designed to enable the board to primarily concentrate on strategic issues and challenges while devolving the administrative work and implementation responsibility to the Executive. It is intended that this will facilitate much swifter decision taking when the Exchange needs to make changes. This is imperative given the fast moving, highly competitive financial and commercial environment within which the Exchange operates.

NEW TECHNOLOGY

In conjunction with our consideration of demutualisation, the Exchange also had to take far reaching decisions about the extent to which it adopted the new technology available. In our case this meant going beyond systems such as SWORD, our electronic warrant depository system and the market data system - MDS - which sends a vast array of LME data to market users through information vendors.

The decision the LME had to take was whether or not to introduce its own screen trading capability to operate alongside the ring and the telephone market. The board had made clear on a number of occasions that the liquidity and transparency that make the ring such a reliable forum for establishing the world reference price will remain as long as there is clear evidence that LME's members and customers wish to conduct a significant amount of business through it.

It is not for the Exchange to determine how its members should conduct their business; but only to ensure its members are well placed to cater for different demands and meet all challenges.

After intensive discussion and deliberation the board decided on 14 September that it should develop a screen based trading system - LME Select. The work was undertaken by the Swedish technology company OM Gruppen. I am grateful to the many market practitioners who gave up a great deal of their time to advise the board and executive on the best way forward. The preparatory work put into analysing the market for technology and its suppliers meant that we were able to put implementation on a fast track. In fact the first release of LME Select became operational just five months later on 9 February 2001. This will be

LONDON METAL EXCHANGE

CHAIRMAN'S STATEMENT

superseded by Release 2 in September 2001. The market place will then have available to it a screen trading system that can provide for anything that can be achieved in the ring or through the telephone market.

The implementation of LME Select has been speedy and efficient, reflecting great credit on both the LME staff involved and the staff of firms participating in the project. They have worked tirelessly on a project of enormous complexity, and my board colleagues, and I congratulate their professionalism and dedication.

LME PERFORMANCE

While a great deal of effort has been devoted to demutualisation and LME Select, the core business of the Exchange has been managed as efficiently as ever, and 2000 became the record trading year for the LME with over 66 million lots being traded.

The economic situation across the world in 2001 is uncertain and challenging. This prospect has been carefully factored into the Exchange's financial projections, and prudence remains the hallmark of our budgetary plans. Members and users of the market will appreciate that the Exchange has used its resources carefully, indeed to the extent that the financing of LME Select has been undertaken without the need to make a call on the membership. That financial rigour will be maintained.

CHIEF EXECUTIVE

After 11 years as the chief executive of the LME, David King stood down at the end of June 2001 to pursue other interests. David played an important part in identifying and implementing Exchange strategy over many years to ensure the LME's continuing success in the face of increasing competition. The board and I extend our good wishes to him, and were pleased to confer on him in June 2001 Honorary Membership of the Exchange.

In succession to him the board appointed Simon Heale with effect from 2 July 2001. Simon has spent a large part of his career working outside the UK and was until January 2001 the chief operating officer of Jardine Fleming Ltd, Hong Kong. He has an outstanding track record of success in businesses in

LONDON METAL EXCHANGE

CHAIRMAN'S STATEMENT

Japan, the United States and Hong Kong. He is used to working in complex multinational enterprises, and has demonstrated that he is innovative as well as having well-honed financial and analytical skills.

Simon has impressed all of those involved in the selection process with his strength of character, his appreciation of the importance of evolutionary change in the metals business, and his keenness to tackle a new area of endeavour.

There are great opportunities ahead for the LME, building on the very strong core business that makes us a world leader in our field. Simon Heale will help us to develop our strategy for the future and implement it in the most professional way, providing more business opportunities for our shareholders and members.

THE FUTURE

The LME is a robust organisation that has never been afraid to change; rather it positively welcomes the challenge of the new. Having taken several major decisions in the past year the LME is now in an outstanding position to build on its core strength and to serve even better its members, shareholders and users of the world's leading non-ferrous metals futures and traded options market.

LONDON METAL EXCHANGE

CHIEF EXECUTIVE'S STATEMENT

I am delighted to have this early opportunity to put on record my pleasure about joining the LME as its chief executive. It is a great honour and I am very much looking forward to working with the board, the executive team and our shareholders to ensure that we build on the current strong foundations. I should also like to thank David King for the professional and courteous way in which he handed over the day to day operational reins of the LME.

The LME is a remarkable and unique company and one that will take me some time to completely understand. It is therefore too early yet to have fully formed views about the ways in which the Exchange will grow and develop in the next few years – although I have no doubt that it will. It is essential however that we continue to focus on what we do best, namely run the exchange. This will be my primary goal. We can also, by virtue of our new corporate structure, look for new opportunities to earn profits. This will be a matter to which we will pay increasing attention in the future.

The accounts demonstrate that the Exchange is in a very strong financial position and I would like to assure shareholders that there will be no changes to the prudent and tightly controlled way in which we run the LME. I am a firm believer that while a clear strategic direction is vital in any organisation, it must be underpinned by good day to day operational controls and business focus. The LME must deliver value for money to its shareholders, members and users of the market.

LME SELECT

The key priority for the Exchange at present is to make certain that LME Select is the screen trading choice of the market for whatever business our members decide to conduct in that way. While it is no competitor to the ring, it is important that the users take advantage of the system that the Exchange has developed on their behalf.

The take up of Release 1 has been measured, as is to be expected with any new trading mechanism, but the pace has quickened, particularly as we have started to

CHIEF EXECUTIVE'S STATEMENT

demonstrate the quite extraordinary capabilities of Release 2 of LME Select. I would like to add my congratulations to those of the chairman for the implementation work by the LME executive staff. I have witnessed a number of IT projects, but none as complex as this and none brought to fruition so quickly and efficiently.

The successful introduction of Release 2 will only be the start. LME Select is a system that we will have for a number of years and it is an immensely powerful tool. The LME will consider in the months ahead how best it can be used to add further value and flexibility to the market.

CORPORATE STRUCTURE

As mentioned in the Chairman's Statement, the new corporate structure means that the LME executive must take on a different role to the one followed in the past when we were a membership organisation. In a shareholder structure, the board must focus on strategic challenges and delegate to the Executive greater responsibility for the implementation of strategy and for the day to day running of the business. Various steps are being undertaken to implement this strategy as a matter of urgency.

I would like to reassure market participants that we fully recognise that the LME benefits greatly from the involvement of the metals trade and industry and our member firms in its deliberations on practical market matters. These relationships are crucial and will continue. The LME will continue to make every effort to remain very close to the world of physical metals and be aware of its concerns and interests.

THE NEXT STEPS

The world economy is presently slowing down and the challenge of competition across world markets is greater today than ever. Whilst the LME is used to being at the top of its market, we have no right to remain there

LONDON METAL EXCHANGE

CHIEF EXECUTIVE'S STATEMENT

unless we continue to demonstrate that we deserve to be the non ferrous metals futures and traded options exchange of choice. I know that we have that capability. In the short time I have been here, I have been impressed by the energy of the LME. The culture is confident and positive. I intend to do everything I can to make sure that we continue to be the market leader and move further ahead of anyone who seeks to challenge us.

LONDON METAL EXCHANGE

DIRECTORS' REPORT

The directors submit their annual report to the members together with the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

The company's main activity is the provision of administrative and other services to the members of the London Metal Exchange and the maintenance of proper standards in accordance with its rules and regulations and with Schedule IV to the Financial Services Act 1986 as regards to business conducted on the Exchange.

RESULTS

The profit for the year ended 31 December 2000 before taxation was £6,072,693 (1999: £5,094,942) and after accounting for taxation was £4,461,751 (1999: £3,218,362).

The directors do not recommend the payment of a dividend (1999: £Nil). Other information concerning the events of the year is contained in the Chairman's Statement and the chief executive's Statement.

DIRECTORS

The directors of the company who served during the year are listed on page 4.

No member of the board is due to retire at the AGM. The six shareholder representative directors hold office by virtue of their election to the board of LME Holdings Limited, of which the company is a wholly owned subsidiary.

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

FIXED ASSETS

Movements in intangible and tangible fixed assets are shown in Notes 8, 9 & 10 to the financial statements.

CHARITABLE DONATIONS

The company made charitable donations during the year totalling £6,453 (1999: £35,047).

FUTURE DEVELOPMENTS

Future developments are outlined in the Chairman's Statement and the Chief Executive's Statement.

LONDON METAL EXCHANGE

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors will be put to the members at the Annual General Meeting.

By Order of the Board.



P. Needham
Secretary

26 July 2001

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Following the restructuring review of the Exchange last year and the subsequent appointment of a new board of directors, the board has confirmed its commitment to the company adopting high standards of corporate governance.

As a Recognised Investment Exchange under the terms of the Financial Services Act 1986 (to be replaced by the Financial Services and Markets Act 2000) the company is required to meet statutory recognition requirements. Consequently, the board has decided it is no longer necessary for the company to seek to comply on a voluntary basis with the requirements of the Combined Code and the recommendations of the Turnbull committee which are aimed principally at companies listed on the London Stock Exchange.

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

THE BOARD AND BOARD COMPOSITION

The Articles of Association of the London Metal Exchange Limited prescribe the composition of the board and the procedures for appointment to it. These were amended by Special Resolution on 14 September 2000, to take effect from 1 January 2001.

Prior to 1 January 2001, the board consisted of up to eighteen directors. Eight directors were elected by ring-dealing members of the Exchange; two were elected by non-ring-dealing broker members of the Exchange; and one was elected by the trade members of the Exchange. The balance of the board was made up by the chief executive and six invited directors appointed by the board. The chairman was elected by the directors from amongst their number.

Since 1 January 2001, the board has consisted of up to fourteen directors. Six directors are automatically members of the board by virtue of having been elected to the board of LME Holdings Limited. One director was elected by the trade members of the Exchange. Up to five invited directors can be appointed by the board; four have been appointed to date. The chief executive is an ex-officio member of the board. Under the Articles of Association, The Lord Bagri CBE is chairman and a member of the board until 31 December 2002. After that date, the number of directors will drop to thirteen and the chairman will be elected by the directors from amongst their number.

The board meets monthly and is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its responsibilities.

DIRECTORS' REMUNERATION

Remuneration is paid only to the chief executive and to invited directors. The pay of the chief executive is determined by the chairman of the board. The authority

CORPORATE GOVERNANCE STATEMENT

for determining the remuneration of invited directors is delegated by the board to the chairman of the board. Further information concerning directors' remuneration is set out in Note 6 to the financial statements.

INTERNAL FINANCIAL CONTROL

The directors are responsible for the company's system of internal financial control which aims to safeguard the company's assets, ensure proper accounting records are maintained and that the financial information used within the business for publication is reliable. Any system of internal financial control, can, however, only provide reasonable, but not absolute, assurance against material misstatement and loss.

Key features of the system of internal financial control are currently as follows:

- Organisation and culture – the board seeks to emphasise a culture of integrity, competence, fairness and responsibility. It meets regularly, focusing on strategic and operational issues and financial performance. The board determines how the company operates within a framework of delegated authorities and reserved powers.
- Financial Reporting – there is a comprehensive planning system with an annual budget approved by the board. Results are reported monthly and compared to the budget.
- Business Controls – the company operates within a control framework, which is communicated throughout the company by means of a Policy and Procedures manual. The manual, reviewed by the auditors and approved by the board, lays down the accounting policies and financial control procedures, in addition to controls of a more operational nature.

Following the restructuring, the composition of the audit committee was reviewed and currently comprises of three directors, one of whom is an invited director. The chief executive attends these meetings by invitation. The chairman of the audit committee is the invited director. Its terms of reference include the detailed review of the financial statements prior to their consideration by the board and review of the scope and cost effectiveness of the work performed by external auditors.

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.

LONDON METAL EXCHANGE

AUDITORS' REPORT TO THE MEMBERS OF THE LONDON METAL EXCHANGE LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London
26 July 2001

- Notes:** (a) The maintenance and integrity of The London Metal Exchange website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LONDON METAL EXCHANGE

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000 £000's	1999 £000's
INCOME (Note 1(b),	15,195	10,097
Exceptional Item (Note 3)	3,650	6,500
Administrative expenses	<u>(13,788)</u>	<u>(12,149)</u>
OPERATING PROFIT (Note 4)	5,057	4,448
Interest receivable	1,018	646
Interest payable	<u>(2)</u>	<u>(0)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6,073	5,094
Tax on profit on ordinary activities (Note 7)	<u>(1,611)</u>	<u>(1,876)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	4,462	3,218
Retained profit brought forward	10,876	7,658
Capital payments	<u>(315)*</u>	<u>-</u>
RETAINED PROFIT CARRIED FORWARD	<u><u>15,023</u></u>	<u><u>10,876</u></u>

The company has no recognised gains or losses other than those shown in the profit and loss account above. All gains and losses recognised are based on historical cost and arise from continuing operations. As a consequence no Statement of Recognised Gains and Losses has been presented.

* These represent one-off amounts paid to members of the Exchange who did not wish to participate in the restructuring proposals that were approved at an extraordinary general meeting of the company on 14th September 2000.

The notes on pages 20 to 27 form part of these financial statements.

LONDON METAL EXCHANGE

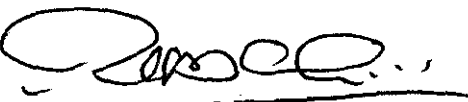
BALANCE SHEET AS AT 31 DECEMBER 2000

	2000	1999
£000's	£000's	£000's
FIXED ASSETS		
Intangible assets (Note 8)	1,238	-
Tangible assets (Note 9)	4,152	3,356
Investments (Note 10)	2,725	2,725
CURRENT ASSETS		
Debtors (Note 11)	3,800	2,550
Cash at bank and in hand	14,567	16,750
	<u>18,367</u>	<u>19,300</u>
CREDITORS -		
Amounts falling due within one year (Note 12)	(8,802)	(11,795)
NET CURRENT ASSETS	<u>9,565</u>	<u>7,505</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	17,680	13,586
CREDITORS -		
Amounts falling due after one year (Note 13)	(157)	(210)
Provisions for liabilities (Note 14)	<u>(2,500)</u>	<u>(2,500)</u>
	<u>(2,657)</u>	<u>(2,710)</u>
TOTAL NET ASSETS	<u>15,023</u>	<u>10,876</u>
RESERVES		
Profit and loss account	<u>15,023</u>	<u>10,876</u>

These financial statements were approved by the board of directors on 26 July 2001

The Lord Bagri CBE
The Lord Fraser of Carmyllie QC

} Directors


Peter L. Fraser

The notes on pages 20 to 27 form part of these financial statements.

LONDON METAL EXCHANGE

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000 £000's	1999 £000's
NET CASH INFLOW		
FROM OPERATING ACTIVITIES (Note 20a)	1,803	9,866
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received	972	598
Interest paid	(2)	-
TAXATION		
Corporation tax paid	(1,744)	(879)
CAPITAL EXPENDITURE		
Purchase of tangible fixed assets	(1,659)	(184)
Purchase of intangible fixed assets	(1,238)	-
Capital payments	(315)	-
(DECREASE)/INCREASE IN CASH (Note 20b)	<u>(2,183)</u>	<u>9,401</u>

The notes on pages 20 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

1 PRINCIPAL ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, in the United Kingdom.

(b) Income

Income represents fees, subscriptions, registration and exchange fees receivable in respect of the vendor feed system and sundry receipts which have been shown in the profit and loss account exclusive of value added tax.

Included in income are contract levies which are shown after deducting a rebate for the year of £3,368,927 (1999 : £6,000,000).

Registration and Exchange fees receivable in respect of the vendor feed system are shown after deduction of £1,000,881 in respect of the allocation of the vendor feed surplus to contributing members (1999 : £1,550,084).

(c) Intangible Assets

Intangible fixed assets are stated at cost less provision for amortisation. Amortisation is calculated to write off the cost of the intangible assets in equal annual installments over their expected useful lives.

(d) Depreciation

Depreciation of tangible fixed assets is calculated to write off the cost of each asset over the term of its estimated useful life at the following annual straight line rates:

Short leaseholds and leasehold improvements	-	over ten years
Furniture, fixtures and equipment	-	33 1/3 %
Equipment attributed to LME Select	-	in equal instalments over the three year contract term

(e) Deferred Taxation

Deferred taxation is provided in respect of all differences in timing between the accounting and tax treatments of income and expenses, to the extent that liability is expected to crystallise in the foreseeable future. Such taxation is provided at the rate of taxation expected to be ruling when the differences reverse.

(f) Leasing and Rental Agreements

Payments under non-property leasing agreements are charged against profit in the period in which they become due. The inducement payment and rent free periods arising on the lease of 56 Leadenhall Street have been accounted for such that they are spread over the estimated life of the lease.

(g) Pensions

The company operates a money purchase scheme. Contribution rates are set in accordance with the Scheme rules and the contributions payable are charged against profit in the period in which they become due.

(h) Software Consultancy and Development Costs

Payments in respect of software consultancy and development costs are charged against profit in the period in which they are incurred, except in certain circumstances when it is considered more appropriate to capitalise these costs and depreciate them over the estimated useful life of the hardware with which they are associated.

LONDON METAL EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

(i) Foreign Currency Translations

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction except where covered by a foreign exchange contract in which case the rate specified in the contract is used.

2 SEGMENTAL ANALYSIS

In the opinion of the directors, the Exchange has one class of business, provision of services for the members of the London Metal Exchange. In addition, during the year it had no significant activities outside the United Kingdom. Accordingly no segmental analysis by class of business or geographical location is provided.

3 EXCEPTIONAL ITEM

The exceptional item of £3,650,000 (1999: £6,500,000), arises from fines received by the LME during the year ended 31 December 2000.

4 OPERATING PROFIT

Operating profit is stated after charging:

	2000 £000's	1999 £000's
Depreciation on tangible fixed assets	864	959
Auditors' remuneration - audit fee	23	23
- non audit fees	667	464
Operating lease charges	500	596
FSA levy	<u>421</u>	<u>341</u>

5 STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year, in administration, was 71 (1999: 67).

The aggregate payroll cost of these persons was as follows:

	2000 £000's	1999 £000's
Wages and salaries	4,414	3,670
Social security costs	394	349
Other pension costs	<u>409</u>	<u>382</u>
	<u><u>5,217</u></u>	<u><u>4,401</u></u>

LONDON METAL EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

6 DIRECTORS' EMOLUMENTS

Directors' emoluments for 2000 included in staff costs are as follows :

	2000 £000's	1999 £000's
Aggregate emoluments	424	457
Compensation for loss of office	515	-
Company contributions paid to money purchase pension scheme	40	39
	<u>979</u>	<u>496</u>

Retirement benefits are accruing to one director under a money purchase scheme.

Remuneration of Highest Paid Director

	2000 £000's	1999 £000's
Aggregate emoluments	294	276
Compensation for loss of office	515	-
Company contributions paid to money purchase pension scheme	40	39

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge is based on the profit for the year and comprises:

	2000 £000's	1999 £000's
UK corporation tax at 30% (1999 - 30.25%)	1,767	1,876
Prior year over provision	(156)	-
	<u>1,611</u>	<u>1,876</u>

8 INTANGIBLE FIXED ASSETS

	Licence Fee £000's
Net Book Value at 1 January 2000	-
Additions	1,238
Amortisation	-
Net Book Value at 31 December 2000	<u>1,238</u>

No amortisation has been charged for the year ended 31 December 2000, since in the opinion of the directors no benefit has been derived from the licence.

LONDON METAL EXCHANGE

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2000**

9 TANGIBLE FIXED ASSETS

	Assets in course of construction £000's	Short leaseholds and leasehold improvements £000's	Equipment £000's	Furniture, fixtures and fittings £000's	Total £000's
Cost					
At 1 January 2000	-	6,117	2,584	787	9,488
Additions	1,411	-	223	25	1,659
Disposals	-	-	(96)	-	(96)
At 31 December 2000	<u>1,411</u>	<u>6,117</u>	<u>2,711</u>	<u>812</u>	<u>11,051</u>
Depreciation					
At 1 January 2000	-	3,106	2,327	698	6,131
Charge for year	-	645	164	55	864
Eliminated on disposal	-	-	(96)	-	(96)
At 31 December 2000	<u>-</u>	<u>3,751</u>	<u>2,395</u>	<u>753</u>	<u>6,899</u>
Net book amount					
At 31 December 2000	<u>1,411</u>	<u>2,366</u>	<u>316</u>	<u>59</u>	<u>4,152</u>
At 31 December 1999	<u>-</u>	<u>3,011</u>	<u>257</u>	<u>88</u>	<u>3,356</u>

Assets in the course of construction relate to the implementation of the LME Select system. No depreciation has been charged for the year ended 31 December 2000, since in the opinion of the directors no benefit has been derived from this asset.

LONDON METAL EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

10 FIXED ASSET INVESTMENTS

On 10 October 1996, 5.45% of the share capital of the London Clearing House Limited (LCH) was acquired for £2,725,000 as an investment.

The London Metal Exchange Limited has rights to require its shares to be redeemed at the original subscription price if it terminates its clearing agreement with the LCH.

This investment is stated at cost in the balance sheet at the year end.

11 DEBTORS

	2000 £000's	1999 £000's
Contract Levy receivable	1,034	1,053
Other debtors	405	260
Prepayments and accrued income under 1 year	1,445	1,237
Prepayments and accrued income over 1 year	916	-
	<u>3,800</u>	<u>2,550</u>

Prepayments and accrued income over one year is an advance payment relating to the contract with OM Technology for implementation of the LME Select system

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £000's	1999 £000's
Corporation tax	1,603	1,736
Taxation and social security	293	272
Other creditors	2,198	1,826
Accruals	4,656	7,909
Deferred income	52	52
	<u>8,802</u>	<u>11,795</u>

LONDON METAL EXCHANGE

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2000**

13 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	2000 £000's	1999 £000's
Reverse Premium	<u>157</u>	<u>210</u>

14 PROVISION FOR LIABILITIES - AMOUNTS FALLING DUE AFTER ONE YEAR

	2000 £000's	1999 £000's
Provision for leasehold reinstatement	<u>2,500</u>	<u>2,500</u>

15 FINANCIAL COMMITMENTS

	2000 £000's	1999 £000's
Commitments under OM contract		
- within one year or less	1,696	-
- between two and five years	<u>3,931</u>	<u>-</u>
	<u>5,627</u>	<u>-</u>

The London Metal Exchange is committed to paying these quarterly payments for provision, maintenance and support of an electronic trading system, as part of the contract with OM Technology for implementation of the LME Select system.

16 CONTINGENT LIABILITIES

	2000 £000's	1999 £000's
OM deferred consideration	2,424	-

During 2000 LME entered into a contract with OM Technology for the supply of an Automated Trading System. As part of the contract there is a deferred consideration element of 33,750,000 SEK which becomes payable if the contract is renewed after 3 years.

LONDON METAL EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

17 OPERATING LEASES

The company had the following annual commitments under non-cancellable operating leases in respect of leasehold premises analysed by date of termination of the lease as follows:

	2000 £000's	1999 £000's
Operating leases which expire:		
- within one year	-	-
- within two to five years	825	825

The company's premises were subject to an upwards only rent review, with effect from 24 June 1999. The rent negotiations were not completed until after the 1999 financial statements had been signed, hence no disclosure was made of such commitments in the 1999 financial statements.

18 DEFERRED TAXATION

No recognition has been made in the financial statements of a deferred tax asset calculated at 30% as follows:

	2000 £000's	1999 £000's
Accelerated capital allowances	65	324
	<u>65</u>	<u>324</u>

19 ULTIMATE HOLDING COMPANY

In the opinion of the director's the ultimate holding company is LME Holdings Limited, which is incorporated in the United Kingdom.

LONDON METAL EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

20 CASH FLOW

(a) Net Cash Inflow From Operating Activities

	2000 £000's	1999 £000's
Profit before interest and tax	5,057	4,448
Depreciation	864	959
(Increase) in debtors	(1,205)	(497)
(Decrease)/Increase in creditors	(2,913)	4,956
	<u>1,803</u>	<u>9,866</u>

(b) Reconciliation of net cash flow movement in net debt (Note 20c)

	2000 £000's	1999 £000's
(Decrease)/Increase in cash in period	(2,183)	9,401
Net funds at 1 January 2000	<u>16,750</u>	<u>7,349</u>
Net funds at 31 December 2000	<u>14,567</u>	<u>16,750</u>

(c) Analysis of Changes in Net Debt

	At 1 Jan 2000 £000's	Cash Flows £000's	At 31 Dec 2000 £000's
Cash at bank and in hand	<u>16,750</u>	<u>(2,183)</u>	<u>14,567</u>
Total	<u>16,750</u>	<u>(2,183)</u>	<u>14,567</u>

21 MEMBERS

At 31 December 2000 the number of members of the company by category was as follows:

Category	Number of Members at 31 December	
	2000	1999
(a) Ring Dealing	12	14
(b) Associate Broker Clearing	25	29
(c) Associate Trade Clearing	3	4
(d) Associate Broker	6	6
(e) Associate Trade	44	49
(f) Individual	16	18

The extent of the guarantee by each member amounts to £100.

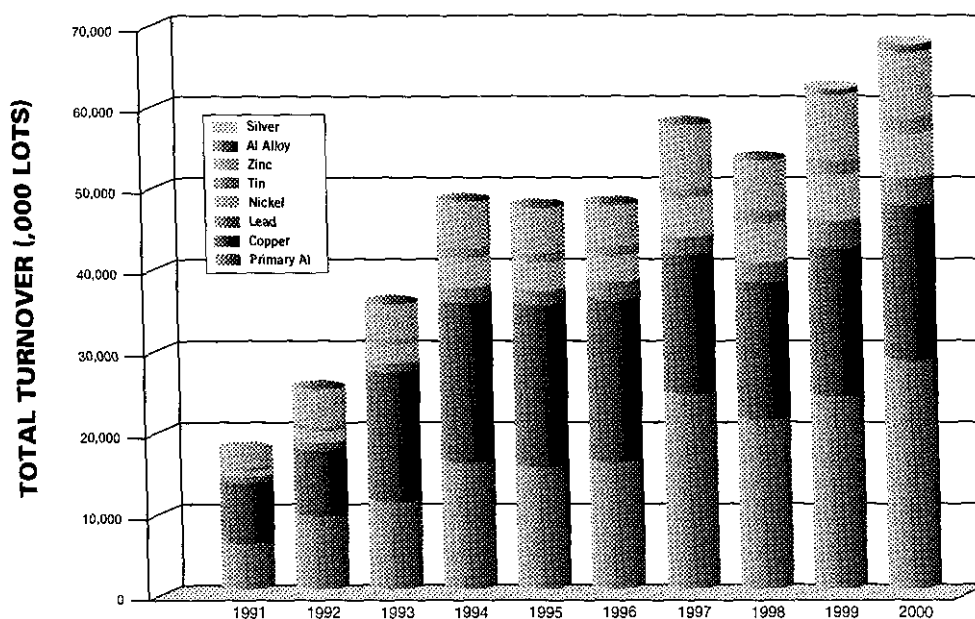
LONDON METAL EXCHANGE

OFFICIAL TURNOVER, FUTURES AND OPTIONS, 1991 - 2000

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Alloy	Silver	LMEX
1991	5,732	7,385	707	732	360	2,022	-	-	-
1992	9,257	7,945	986	1,485	534	4,528	7	-	-
1993	10,984	16,012	1,038	2,189	625	4,331	111	-	-
1994	15,836	19,392	1,988	3,547	1,219	5,557	149	-	-
1995	15,302	19,743	1,781	3,403	1,291	5,419	211	-	-
1996	15,584	20,108	2,234	3,159	1,131	4,979	293	-	-
1997	24,191	16,906	2,387	4,689	1,133	7,676	390	-	-
1998	21,117	16,767	2,458	4,796	1,490	5,947	500	-	-
1999	24,013	17,988	3,425	5,647	1,918	7,863	742	2	-
2000	28,133	18,784	3,299	5,542	1,918	8,106	647	.02	15

All figures above are in 000s of lots. Aluminium alloy lots are of 20 tonnes, Nickel lots of 6 tonnes and tin lots of 5 tonnes. Silver is in lots of 5,000 troy ounces. For all other metals, lots are of 25 tonnes. The LME index contract - LMEX - commenced trading April 2000.

OFFICIAL TURNOVER, FUTURES AND OPTIONS, 1991 - 2000



*This graph excludes the LME index contract - LMEX.

LONDON METAL EXCHANGE

AVERAGE OFFICIAL AND SETTLEMENT PRICES US\$/TONNE (US Cents/fine troy ounce Silver) FOR THE YEAR 2000

	Primary Aluminium (dollars)	Aluminium Alloy (dollars)	Copper Grade A (dollars)	Standard Lead (dollars)	Primary Nickel (dollars)	Tin (dollars)	Special High Grade Zinc (dollars)	Silver (cents)
Cash buyer	1,548.65	1,215.22	1,813.46	453.49	8,633.06	5,428.31	1,127.30	489.10
Cash seller & settlement	1,549.46	1,218.23	1,814.26	454.22	8,641.43	5,434.76	1,128.11	494.49
Cash mean	1,549.06	1,216.73	1,813.86	453.86	8,637.24	5,431.54	1,127.71	491.79
3-months buyer	1,566.45	1,254.88	1,840.09	467.28	8,442.86	5,458.57	1,136.57	495.38
3-months seller	1,567.20	1,257.92	1,840.93	468.07	8,451.09	5,464.84	1,137.34	500.78
3-months mean	1,566.83	1,256.40	1,840.51	467.68	8,446.97	5,461.71	1,136.96	498.08
15-months buyer	1,555.03	1,351.79	1,853.13	495.66	7,304.05	5,520.50	1,130.29	495.38
15-months seller	1,560.03	1,361.79	1,858.97	500.66	7,354.09	5,530.54	1,135.29	500.78
15-months mean	1,557.53	1,356.79	1,856.05	498.16	7,329.07	5,525.52	1,132.79	498.08
27-months buyer	1,538.87		1,842.08		6,546.45		1,112.37	495.38
27-months seller	1,543.87		1,847.91		6,614.33		1,117.37	500.78
27-months mean	1,541.37		1,844.99		6,580.39		1,114.87	498.08

The following sterling equivalents have been calculated, on the basis of daily conversions:

Copper Cash seller & settlement:	£1,201.03
Copper 3-months seller:	£1,217.13
Lead Cash seller & settlement:	£ 300.68
Lead 3-months seller:	£ 309.42

Settlement Conversion Exchange Rates

STG/\$	1.5150
\$/DM	2.1243
\$/FY	107.78
Euro	0.9234

LONDON METAL EXCHANGE

HIGHEST OFFICIAL AND SETTLEMENT PRICES US\$/TONNE (US Cents/fine troy ounce Silver) FOR THE YEAR 2000

	Primary Aluminium (dollars)	Aluminium Alloy (dollars)	Copper Grade A (dollars)	Standard Lead (dollars)	Primary Nickel (dollars)	Tin (dollars)	Special High Grade Zinc (dollars)	Silver (cents)
Cash buyer	26 Jan 1,744.00	19 Jan 1,433.00	14 Sep 2,008.00	26 Sep 518.00	07 Mar 10,640.00	06 Jan 6,085.00	13 Sep 1,276.00	07 Feb 532.00
Cash seller & settlement	26 Jan 1,745.00	19 Jan 1,438.00	14 Sep 2,009.00	26 Sep 518.50	07 Mar 10,660.00	06 Jan 6,090.00	13 Sep 1,277.00	07 Feb 537.00
Cash mean	26 Jan 1,744.50	19 Jan 1,435.50	14 Sep 2,008.50	26 Sep 518.25	07 Mar 10,650.00	06 Jan 6,087.50	13 Sep 1,276.50	07 Feb 534.50
3-months buyer	19 Jan 1,739.00	19 Jan 1,478.00	14 Sep 2,034.00	26 Sep 514.00	10 Mar 10,375.00	07 Jan 6,095.00	04 Jan 1,225.00	07 Feb 542.00
3-months seller	19 Jan 1,739.50	19 Jan 1,480.00	14 Sep 2,035.00	26 Sep 515.00	07 Mar/10 Mar 10,380.00	07 Jan 6,100.00	04 Jan 1,226.00	07 Feb 547.00
3-months mean	19 Jan 1,739.25	19 Jan 1,479.00	14 Sep 2,034.50	26 Sep 514.50	10 Mar 10,377.50	07 Jan 6,097.50	04 Jan 1,225.50	07 Feb 544.50
15-months buyer	19 Jan 1,677.00	19 Jan 1,560.00	14 Sep 1,993.00	10 Jan 540.00	24 Feb 8,605.00	21 Jan 6,025.00	19 Jan 1,203.00	07 Feb 542.00
15-months seller	19 Jan 1,682.00	19 Jan 1,570.00	14 Sep 2,000.00	10 Jan 545.00	24 Feb 8,655.00	21 Jan 6,035.00	19 Jan 1,208.00	07 Feb 547.00
15-months mean	19 Jan 1,679.50	19 Jan 1,565.00	14 Sep 1,995.50	10 Jan 542.50	24 Feb 8,630.00	21 Jan 6,030.00	19 Jan 1,205.50	07 Feb 544.50
27-months buyer	17 Jan 1,628.00		20 Jan 2,005.00		22 May/23 May 7,490.00		19 Jan 1,175.00	07 Feb 542.00
27-months seller	17 Jan 1,633.00		20 Jan 2,015.00		22 May/23 May 7,540.00		19 Jan 1,180.00	07 Feb 547.00
27-months mean	17 Jan 1,630.50		20 Jan 2,010.00		22 May/23 May 7,515.00		19 Jan 1,177.50	07 Feb 544.50

LONDON METAL EXCHANGE

LOWEST OFFICIAL AND SETTLEMENT PRICES US\$/TONNE (US Cents/fine troy ounce Silver) FOR THE YEAR 2000

	Primary Aluminium (dollars)	Aluminium Alloy (dollars)	Copper Grade A (dollars)	Standard Lead (dollars)	Primary Nickel (dollars)	Tin (dollars)	Special High Grade Zinc (dollars)	Silver (cents)
Cash buyer	17 Apr 1,396.00	30 Oct 1,080.00	17 Apr 1,606.50	27 Apr 398.00	27 Oct 7,020.00	29 Dec 5,115.00	29 Dec 1,020.00	19 Dec/20 Dec 452.00
Cash seller & settlement	17 Apr 1,397.00	30 Oct 1,082.00	17 Apr 1,607.00	27 Apr 399.00	27 Oct 7,030.00	29 Dec 5,125.00	29 Dec 1,021.00	19 Dec/20 Dec 457.00
Cash mean	17 Apr 1,396.50	30 Oct 1,081.00	17 Apr 1,606.75	27 Apr 398.50	27 Oct 7,025.00	29 Dec 5,120.00	29 Dec 1,020.50	19 Dec/20 Dec 454.50
3-months buyer	17 Apr 1,427.00	30 Oct 1,115.00	17 Apr 1,639.50	27 Apr 418.00	27 Dec 6,720.00	27 Oct/29 Dec 5,175.00	29 Dec 1,041.00	19 Dec/20 Dec 457.00
3-months seller	17 Apr 1,428.00	30 Oct 1,120.00	17 Apr 1,640.50	27 Apr 419.00	27 Dec 6,730.00	27 Oct/29 Dec 5,180.00	29 Dec 1,042.00	19 Dec/20 Dec 462.00
3-months mean	17 Apr 1,427.50	30 Oct 1,117.50	17 Apr 1,640.00	27 Apr 418.50	27 Dec 6,725.00	27 Oct/29 Dec 5,177.50	29 Dec 1,041.50	19 Dec/20 Dec 459.50
15-months buyer	05 Jun 1,478.00	30 Oct 1,215.00	17 Apr 1,705.00	1 Jun/5 Jun 458.00	27 Oct 6,210.00	29 Dec 5,275.00	27 Dec 1,073.00	19 Dec/20 Dec 457.00
15-months seller	05 Jun 1,483.00	30 Oct 1,225.00	17 Apr 1,710.00	1 Jun/5 Jun 463.00	27 Oct 6,260.00	29 Dec 5,285.00	27 Dec 1,078.00	19 Dec/20 Dec 462.00
15-months mean	05 Jun 1,480.50	30 Oct 1,220.00	17 Apr 1,707.50	1 Jun/5 Jun 460.50	27 Oct 6,235.00	29 Dec 5,280.00	27 Dec 1,075.50	19 Dec/20 Dec 459.50
27-months buyer	17 Apr 1,493.00		17 Apr 1,728.00		20 Jun 5,715.00		17 Oct 1,080.00	19 Dec/20 Dec 457.00
27-months seller	17 Apr 1,498.00		17 Apr 1,733.00		20 Jun 5,765.00		17 Oct 1,085.00	19 Dec/20 Dec 462.00
27-months mean	17 Apr 1,495.50		17 Apr 1,730.50		20 Jun 5,740.00		17 Oct 1,082.50	19 Dec/20 Dec 459.50

LONDON METAL EXCHANGE

WAREHOUSE STOCK MOVEMENT FOR THE YEAR 2000

	Copper Grade A	Tin	Standard Lead	Special High Grade Zinc
3 January 2000	790,225	9,155	176,425	278,850
In	257,175	28,560	134,350	127,775
Out	(690,175)	(24,830)	(180,125)	(211,850)
29 December 2000	<u>357,225</u>	<u>12,885</u>	<u>130,650</u>	<u>194,775</u>

	Primary Aluminium	Aluminium Alloy	Primary Nickel	Silver
3 January 2000	774,500	77,960	46,962	145,000
In	262,525	51,700	14,592	0
Out	(715,175)	(41,480)	(51,876)	(145,000)
29 December 2000	<u>321,850</u>	<u>88,180</u>	<u>9,678</u>	<u>0</u>

All metal stocks are expressed in tonnes except silver, which is in fine troy ounces.

