(Registered Number: 2128666)

The London Metal Exchange

Directors' report and financial statements

31 December 2015

The London Metal Exchange

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:

Sir B G Bender KCB (Chairman)
G P Jones (Chief Executive)
Sir C K Chow
D Graham
J B Harrison
E N Harwerth
R Lamba (resigned 1 January 2016)
N B le Roux
C X Li
T W Spanner (appointed 1 January 2016)

Registered office

10 Finsbury Square, London EC2A 1AJ.

Independent auditors

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

The London Metal Exchange

Strategic report

The Business Review should be read in conjunction with the Directors' report on pages 5 - 7.

Strategic report

The results show a profit before tax of $137,511,000 (2014: $51,863,000 profit) for the year, and after accounting for taxation was $108,571,000 profit (2014: $41,825,000 profit). The 2015 profit included a gain in respect of the sale of the company's holding in LCH Clearnet.

No final dividend is proposed in respect of 2015 (2014: $nil). The Company paid an interim dividend of $50,000,000 in the year (2014: $25,000,000).

2015 saw volumes traded on the Exchange exceed 169 million lots (2014: 177 million), which represents a decrease of 4.5% in volumes traded compared to 2014.

Business environment

The Exchange operates in an ever increasing competitive and dynamic environment. Against this background, the Exchange continues to be the world centre for industrial metals trading.

Strategy

The Exchange's strategy continues to focus on sustaining its premier status in price discovery for base metals futures and options and leveraging from this strength to new areas of opportunity in ferrous and off-exchange trading.

The Exchange continues to work with its ultimate parent company, Hong Kong Exchanges and Clearing Limited (HKEX) to build a leading global vertically-integrated multi asset class exchange and capitalise on new opportunities arising from the further development of China's financial markets.

The Exchange's fellow group subsidiary, LME Clear Limited, a European Markets Infrastructure Regulation (EMIR) authorised central counterparty (CCP) provides clearing services for the exchange contracts of the LME.

The London Metal Exchange

Strategic report (continued)

Principal risks and uncertainties

The management views the following areas as the principal risks and uncertainties that face the Exchange.

Downturn in market activity

The key risk facing the Exchange is a downturn in global commodity markets and a consequent fall in the LME's trading volumes and revenues. In order to mitigate this risk the Exchange remains close to its members and users of the market and is also actively seeking to develop alternative revenue streams through diversification into ferrous and off-exchange products as well as seeking to enhance its existing product offerings.

Competition

The global exchange landscape continues to evolve and become more competitive with a risk that other exchanges and new market entrants will seek to attract liquidity away from the Exchange. To mitigate this risk the Exchange will continue to be receptive to the views and needs of the market users and provide its products and services in a cost effective manner. It will also seek to apply technology in generating further efficiencies.

Regulation and compliance

Whilst the Exchange believes that a well-regulated market is an important and necessary feature to market users, there is a need to ensure that inappropriate regulation and compliance is not imposed on the Exchange as this could have a detrimental impact on operations and, as a consequence, on the users of the market.

The Exchange will continue to promote and build on the relationship that it has established with its lead regulator, The Financial Conduct Authority, and also retain an active interest and involvement where appropriate in regulatory matters arising from the European Union and other global locations.

Operational and system resilience

With the ever increasing reliance placed on technology, the Exchange is aware of the need to maintain high degrees of operational and system resilience. To this end the Exchange continues to make significant technology investments including a new network infrastructure and upgrades to the LMEselect trading platform and its matching platform. To assist it in maintaining high levels of operational and systems resilience, the Exchange maintains a dual data centre approach and also retains a permanent remote trading floor facility which can be operated within four hours.

Key performance indicators

In terms of trading volumes the Exchange has performed well in the light of the current economic environment. Member satisfaction and the delivery of cost effective services remain important measures of performance for the Exchange. Management employs commercial key performance indicators (KPIs) including transaction volume, new brands and warehouse listings, breadth of member participation in newly launched contracts and the size of open interest in the contracts traded.

The London Metal Exchange

Directors' report

The Directors submit their annual report to the sole shareholder together with the audited financial statements for the year ended 31 December 2015.

Incorporation

The Company is registered in England and Wales. It is domiciled in the United Kingdom. It was originally registered as a company limited by guarantee; on 13 December 2012 it was re-registered as an unlimited Company under the name of The London Metal Exchange with a share capital of £100. The Company's parent, LME Holdings Limited, is the sole shareholder.

Registered Office

On 31 January 2016, the Company changed its registered office from 56 Leadenhall Street, London EC3A 2DX to 10 Finsbury Square, London EC2A 1AJ.

Principal 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 regulations made under the Financial Services and Markets Act 2000 as regards to business conducted on the Exchange.

Results

The profit before tax for the year ended 31 December 2015 was \$137,511,000 (2014: \$51,863,000 profit) and after accounting for taxation was \$108,571,000 profit (2014: \$41,825,000 profit).

No final dividend is proposed in respect of 2015 (2014: \$nil), being \$nil per share (2014: \$nil). The company paid an interim dividend of \$50,000,000 in the year (2014: \$25,000,000).

Fixed assets

Movements in intangible assets and property, plant and equipment are shown in notes 7 and 8 to the financial statements.

Charitable donations

The Company made charitable donations during the year totalling \$151,407 (2014: \$101,000).

Directors

The Directors of the Company who served during the year are listed on page 2.

Directors' and officers' liability insurance is maintained which provides insurance cover for Directors of the Company.

Directors' report (continued)

Financial risk management

Information in respect of the Company's objectives, approach and exposure in respect of foreign exchange risk, price risk, cash flow and fair value interest rate risk, credit risk, liquidity risk and capital risk management is provided in Note 22 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 ;
- 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 ;
- 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.

The London Metal Exchange

Directors' report (continued)

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
26 February 2016
The London Metal Exchange
Registration number 2128666

The London Metal Exchange

Independent auditors' report to the members of The London Metal Exchange

Report on the financial statements

<u>Our opinion</u>

In our opinion, The London Metal Exchange's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

<u>What we have audited</u>

The London Metal Exchange's financial statements comprise:

- the statement of financial position as at 31 December 2015;
- 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

<u>Adequacy of accounting records and information and explanations received</u>

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.

<u>Directors' remuneration</u>

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 members of The London Metal Exchange (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 6, 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 member 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
26 February 2016

The London Metal Exchange

Statement of comprehensive income
For the year ended 31 December 2015

	Note	2015 $ 000's	2014 $ 000's
Revenue	1 (a)	224,745	163,763
Expenses	3	(106,512)	(112,560)
Operating profit		**118,233**	**51,203**
Finance income	4	159	660
Finance cost	4	(3,148)	-
Net finance costs	4	(2,989)	660
Net gains on disposal of available-for-sale investment		22,267	-
Profit before tax		**137,511**	**51,863**
Taxation	6	(28,940)	(10,038)
Profit for the financial year		**108,571**	**41,825**
Other comprehensive income – items that may subsequently not be reclassified to profit and loss:			
Currency translation differences		-	(8,717)
Other comprehensive income - items that may subsequently be reclassified to profit and loss:			
Net change in value of available-for-sale investment, net of tax		(14,977)	1,875
Other comprehensive income for the financial year, net of tax		**(14,977)**	**(6,842)**
Total comprehensive income attributable to the shareholder		**93,594**	**34,983**

No final dividend is proposed in respect of 2015 (2014: $nil) The company paid an interim dividend of $50,000,000 in the year (2014: $25,000,000).

The notes on pages 15 to 36 are an integral part of these financial statements.

All of the profits and total comprehensive income included above are derived from continuing operations.

The London Metal Exchange

Statement of financial position

	Note	31 December 2015 $ 000's	31 December 2014 $ 000's
Assets			
Non-current assets			
Intangible assets	7	33,960	32,777
Property, plant and equipment	8	14,823	5,928
Deferred tax asset	10	2,630	-
		51,413	**38,705**
Current assets			
Trade and other receivables	11	32,866	34,415
Available for sale investment	9	-	20,141
Cash and cash equivalents	12	168,498	76,780
Amounts due from group undertakings		2,252	17,784
		203,616	**149,120**
Liabilities			
Current liabilities			
Trade and other payables	13	32,248	20,460
Current tax liabilities	14	14,965	10,836
Amounts due to group undertakings		6,530	74
		53,743	**31,370**
Net current assets		**149,873**	**117,750**
Non-current liabilities			
Operating lease incentives	15	1,955	2,047
Provisions		1,216	-
Deferred tax liability	10	-	62
		3,171	**2,109**
Net assets		**198,115**	**154,346**
Equity			
Share capital	18	-	-
Capital reserve		34,726	34,726
Retained earnings		168,281	109,535
Available for sale reserve		-	14,977
Foreign currency translation		(4,892)	(4,892)
Total equity		**198,115**	**154,346**

The notes on pages 15 to 36 are an integral part of these financial statements.

These financial statements were authorised for issues by the Board of Directors on 26 February 2016 and signed on its behalf by:

G P Jones
Director

The London Metal Exchange

Statement of changes in equity

For the year ended 31 December 2015

	Note	Called-up and fully paid Share Capital	Capital Reserve	Foreign Currency Translation	Retained Earnings	Available-for-sale reserve	Total Equity
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
1 January 2015		-	34,726	(4,892)	109,535	14,977	**154,346**
Profit for the financial year		-	-	-	108,571	-	**108,571**
Transfer to income statement of available for sale assets		-	-	-	-	(18,312)	**(18,312)**
							-
Deferred tax on change in available-for-sale investment	10	-	-	-	-	3,335	**3,335**
Total comprehensive income		-	-	-	**108,571**	**(14,977)**	**93,594**
Interim dividend in relation to year ended 31 December 2014		-	-	-	(50,000)	-	**(50,000)**
Transaction with shareholder		-	-	-	**(50,000)**	-	**(50,000)**
Tax credit to equity reserves		-	-	-	175	-	**175**
Currency translation recognised directly in equity		-	-	-	-	-	-
31 December 2015		**-**	**34,726**	**(4,892)**	**168,281**	**-**	**198,115**

The notes on pages 15 to 36 are an integral part of these financial statements.

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Statement of changes in equity (continued)

For the year ended 31 December 2014

	Note	Called-up and fully paid Share Capital	Capital Reserve	Foreign Currency Translation	Retained Earnings	Available-for-sale reserve	Total Equity
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
1 January 2014		-	36,691	1,860	92,673	13,102	**144,326**
Profit for the financial year		-	-	-	41,825	-	**41,825**
Revaluation of the available-for-sale Investment taken to OCI	9	-	-	-	-	2,988	**2,988**
Deferred tax on change in available-for-sale investment	10	-	-	-	-	(400)	**(400)**
Currency translation				(8,717)	-	(713)	**(9,430)**
Total comprehensive income		**-**	**-**	**(8,717)**	**41,825**	**1,875**	**34,983**
Interim dividend in relation to year ended 31 December 2015		-	-	-	(24,963)	-	**(24,963)**
Transaction with shareholder		**-**	**-**	**-**	**(24,963)**	**-**	**(24,963)**
Currency translation recognised directly in equity		-	(1,965)	1,965	-		-
31 December 2014		**-**	**34,726**	**(4,892)**	**109,535**	**14,977**	**154,346**

The notes on pages 15 to 36 are an integral part of these financial statements.

The London Metal Exchange

Statement of cash flows

For the year ended 31 December

	Note	2015 $ 000's	2014 $ 000's
Cash flows from operating activities			
Cash generated from operations	19	173,039	40,011
Tax paid		(23,369)	(23,112)
Net cash from operating activities		**149,670**	**16,899**
Cash flows from investing activities			
(Loss)/ Gain on exchange rate	4	(3,148)	432
Interest received	4	159	228
Purchase of intangible assets	7	(16,591)	(10,927)
Purchase of plant and equipment	8	(12,468)	(754)
Proceeds from disposal of available-for-sale asset	9	24,096	-
Net cash used in investing activities		**(7,952)**	**(11,021)**
Cash flows from financing activities			
Dividends paid	20	**(50,000)**	**(24,964)**
Net effect of foreign currency translation		-	(7,307)
Net (decrease) / increase in cash and cash equivalents		**91,718**	**(26,393)**
Cash and cash equivalents at beginning of year		76,780	103,173
Cash and cash equivalents at 31 December	12	**168,498**	**76,780**

The notes on pages 15 to 36 are an integral part of these financial statements.

1 Basis of preparation and 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 financial statements are prepared under the historical cost convention, as modified by the measurement of certain financial assets at fair value through AFS and on the basis of the principal accounting policies set out below.

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

The financial statements are presented in thousands of United States dollars (USD).

New and amended standards adopted by the Company

There are no IFRSs or IFRS IC interpretations relevant to the Company's operations that are effective for accounting periods beginning on or after 1 January 2015 that have an impact on the Company's financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not adopted early

A number of new standards and amendments to standards and interpretations relevant to the Company's operations are not yet effective for annual periods beginning after 1 January 2015 and therefore 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.

- IFRS 9 (2014) – 'Financial instruments'
- IFRS 15 – 'Revenue from contracts with customers'
- Amendments to IAS 1 – 'Presentation of financial statements' disclosure initiative
- IFRS 16 – 'Leases'

The adoption of IAS1 is not expected to have any impact on the Company's financial statements as it already complies with the requirements of the amendments. The Company will consider the impact of IFRS 9 (2014), IFRS 15 and IFRS 16 prior to the effective date.

Apart from the aforementioned, other amendments to standards are not expected to have any impact on the Company.

Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

(a) Revenue

Revenue represents the total amount receivable for the provision of services, excluding value added tax.

Subscription and registration fees are recognised over the 12-month period to which the fee relates.

Contract levies, Market Data, Stock levies and Exchange fees are recognised when earned, when the data is provided or the transaction is effected, and all other fees are recognised as and when the transaction occurs.

Also included in revenue are intercompany cost recharges in connection with expenditures incurred on behalf of group companies.

(b) Foreign currencies

The financial statements are presented in USD, which is the Company's presentational currency. The functional currency of the Company is USD.

Transactions in foreign currencies and currency balances at the year end are converted at the rate ruling at the transaction date or year end date respectively, with any gains or losses recognised in the income statement. Foreign exchange gains or losses are presented in the statement of comprehensive income within 'net finance income'

(c) Intangible assets

Intangible assets consist of software related projects 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 incurred.

System development costs recognised as assets are amortised over the estimated useful lives, 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.

Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

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

(d) Property, plant and equipment
Furniture, fixtures, fittings and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful lives of the assets which are as follows:. Leasehold improvements over the remaining life of the lease other fixed assets including computer hardware and furniture and equipment over three years.

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.

(e) Trade and other 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 income statement 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 11). Receivables are initially recognised at fair value and subsequently measured at amortised cost.

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

(g) Financial assets
The Company has the following categories of financial assets: receivables and available-for-sale investment. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(h) Available-for-sale investment
Available-for-sale (AFS) financial assets are equity securities that are designated in this category. They are included as current assets where management considers they will not be disposed of within 12 months of the balance sheet date.

The investment was initially recognised at fair value on acquisition and was subsequently recorded at fair value, more information is available in note 2. Movements in fair value were recorded in the AFS reserve unless the asset is impaired.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as AFS, a significant or

Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence existed for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – would be removed from equity and recognised in the income statement.

AFS financial assets were fully disposed of during 2015.

(i) 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.

(j) Operating lease incentives

An obligation deemed to be a lease incentive is amortised over the remainder of the lease term through the statement of comprehensive income. If the lease was to be terminated at an earlier date, any unamortised element of the operating lease incentive would be recognised in the statement of comprehensive income for that year. Where leasehold re-instatement costs are forgiven by the lessor the estimated value of the re-instatement costs, or where a rent free period is provided by the lessor the value of the rent free period, is accounted for as an operating lease incentive.

(k) Operating leases

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

(l) Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are in place at the balance sheet date and are expected to apply when the asset is realised or liability settled.

Deferred tax assets are recognised to the extent it is possible that they will be recoverable against future taxable profits. Deferred tax liabilities are recognised where the net book value of fixed assets exceed the tax written down value at the end of the year.

(m) Trade and other payables

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

(n) Pension costs

The Company operates a defined contribution pension scheme. The expense of the scheme is

1 Basis of preparation and accounting policies (continued)

charged to the income statement as incurred.

(o) Staff costs and related expenses

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.

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.

(p) Dividends

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

2 Critical accounting estimates and judgements

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

In connection with the preparation of the financial statements, management has made assumptions and estimates about future events and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. The assumptions, estimates and judgements are based on historical experience and other factors that management believe to be relevant at the time the financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgements to ensure that the financial statements are presented fairly and in accordance with IFRS as adopted by the European Union and IFRIC Interpretations.

Notes to the financial statements (continued)

2 Critical accounting estimates and judgements (continued)

Software development

As described in notes 1(c) and 7, the Company incurs significant expenditure on the development of software and implementation of systems. The judgements 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 1(c).

3 Expenses

Expenses comprise the following:

	Note	2015 $ 000's	2014 $ 000's
Employee costs	5	44,654	38,651
Depreciation and amortisation		18,981	23,454
Operating lease costs		624	2,150
Technology costs		23,505	25,760
Other costs		18,710	22,279
Bad debt written off		38	266
		106,512	**112,560**

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:

	2015 $ 000's	2014 $ 000's
Audit of the Company's financial statements	199	292
Audit of the Company's pension scheme	-	6
Audit-related services	32	-
Tax advisory services	133	95
Tax compliance services	94	72
	458	**465**

Included within the statutory audit fee are amounts paid on behalf of group companies for LME Holdings and for HKEX Investment (UK) Limited.

Notes to the financial statements (continued)

4 Net finance income

	2015 $ 000's	2014 $ 000's
Interest income on bank accounts and short-term bank deposits	159	228
(Loss)/gain on foreign exchange	(3,148)	432
	(2,989)	**660**

The Company has not incurred any interest expense in the year (2014: nil).

5 Employee costs

Employee costs (including directors) comprise the following:

	Note	2015 $ 000's	2014 $ 000's
Wages and salaries		33,696	30,284
Social security costs		5,161	3,976
Other pension costs	17	3,172	2,781
Employee share-based compensation benefits of share award scheme	26	2,625	1,610
Total		**44,654**	**38,651**

The number of employees (excluding directors) was:

	2015	2014
At 31 December 2015	249	214
Monthly average for the year	233	178

Notes to the financial statements (continued)

6 Taxation

Taxation charged to the income of comprehensive income	Note	2015 $ 000's	2014 $ 000's
Income tax			
Current year		27,313	11,747
Adjustments in respect of prior years		906	(1,310)
Total current tax		**28,219**	**10,437**
Deferred tax			
Deferred tax for the current year		18	(540)
Change in tax rate	10	101	38
Adjustments in respect of prior years	10	602	103
Total deferred tax		**721**	**(399)**
Taxation charge		**28,940**	**10,038**

Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%) and the taxation charge for the year are explained below:

	2015 $ 000's	2014 $ 000's
Profit before taxation	**137,511**	**51,861**
Profit multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	27,846	11,150
Expenses not deductible/income not taxable	40	52
Net adjustments in respect of prior years	1,504	(1,207)
Change in tax rate	101	39
Tax in respect of share schemes	(14)	-
Gains	(298)	-
Foreign exchange	(239)	-
Functional currency charge to statement of comprehensive income	-	4
Taxation charge	**28,940**	**10,038**

The London Metal Exchange

Notes to the financial statements (continued)

7 Intangible assets

	Capitalised software in use	Capitalised software under development	Total
	$ 000's	$ 000's	$ 000's
Costs			
At 1 January 2015	89,878	13,484	103,362
Additions	-	16,591	16,591
Transfers	20,662	(20,662)	-
At 31 December 2015	**110,540**	**9,413**	**119,953**
Accumulated amortisation and impairment			
At 1 January 2015	70,585	-	70,585
Charge for the year	15,408	-	15,408
At 31 December 2015	**85,993**	**-**	**85,993**
Prior Year			
Costs			
At 1 January 2014	91,997	5,762	97,759
Additions	-	10,927	10,927
Transfers	2,891	(2,891)	-
Currency translation	(5,010)	(314)	(5,324)
At 31 December 2014	**89,878**	**13,484**	**103,362**
Accumulated amortisation and impairment			
At 1 January 2014	54,183	-	54,183
Charge for the year	20,371	-	20,371
Currency translation	(3,969)	-	(3,969)
At 31 December 2014	**70,585**	**-**	**70,585**
Net book values			
At 31 December 2015	**24,547**	**9,413**	**33,960**
At 31 December 2014	19,293	13,484	32,777

Notes to the financial statements (continued)

8 Property, plant and equipment

	Assets in the course of construction	Equipment	Furniture, fixtures and fittings	Total
	$ 000's	$ 000's	$ 000's	$ 000's
Costs				
At 1 January 2015	-	22,069	4,122	26,191
Additions	-	6,424	6,044	12,468
At 31 December 2015	**-**	**28,493**	**10,166**	**38,659**
Accumulated depreciation				
At 1 January 2015	-	18,015	2,248	20,263
Charge for the year	-	2,745	828	3,573
At 31 December 2015	**-**	**20,760**	**3,076**	**23,836**
Prior Year				
Costs				
At 1 January 2014	2,768	20,295	3,838	26,901
Additions	(2,617)	2,879	492	754
Currency translation	(151)	(1,105)	(208)	(1,464)
At 31 December 2014	**-**	**22,069**	**4,122**	**26,191**
Accumulated depreciation				
At 1 January 2014	-	16,238	2,092	18,330
Charge for the year	-	2,800	283	3,083
Currency translation	-	(1,023)	(127)	(1,150)
At 31 December 2014	**-**	**18,015**	**2,248**	**20,263**
Net book values				
At 31 December 2015	**-**	**7,733**	**7,090**	**14,823**
At 31 December 2014	-	4,054	1,874	5,928

9 Available-for-sale Investment

The available-for-sale investment was disposed of in the year. It was an unlisted security, denominated in euros and previously stated at fair value prior to disposal. Further information in respect of this asset is provided in notes 1(g & h) and 23.

10 Deferred tax

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

	Note	2015 $ 000's	2014 $ 000's
At 1 January 2015		62	61
Adjustment in respect of prior years	6	602	103
Charged/(credited) to profit or loss during the year	6	120	(502)
Tax credit relating to equity		(79)	400
Tax credit relating to components of other comprehensive income		(3,335)	-
At 31 December 2015		**(2,630)**	**62**

The deferred tax asset has arisen as a consequence of movements in fixed assets, short lease premium, share options and pensions.

Factors that may affect future tax charges

The Company will receive tax relief on the same basis of amortisation for intangible assets. Any disposal of available-for-sale investment will result in current taxes becoming payable.

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

2014 reduced the main rate of corporation tax from 21% to 20% from April 2015. The Finance Bill 2015 reduced the main rate of Corporation tax from 1 April 2017 to 19%, with a further reduction from 1 April 2020 to 18%

Notes to the financial statements (continued)

11 Trade and other receivables

	2015 $ 000's	2014 $ 000's
Contract levy receivable	14,052	9,954
Other receivables	3,175	6,648
Prepayments and accrued income	15,639	17,813
	32,866	**34,415**

As of 31 December 2015, trade receivables of $970,k (2014: $1,423k) were past due but 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 ageing analysis of these trade receivables is as follows:

	2015 $ 000's	2014 $ 000's
Up to 3 months	941	862
More than 3 months but up to 6 months	-	321
Over 6 months	29	240
	970	**1,423**

The carrying amounts of the Company's trade and other receivables are denominated in US dollars, apart from $11,800,000 which is denominated in sterling (2014: $8,100,000).

The trade and other receivables do not contain any impaired assets (2014: $nil).

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The Company does not hold any collateral as security.

12 Cash and cash equivalents

	2015 $ 000's	2014 $ 000's
Cash at bank	37,588	24,903
Short term deposits	130,910	51,877
	168,498	**76,780**
Average maturity of short term deposits	1 month	1 month
Weighted average interest rate	0.20%	0.44%

As a Recognised Investment Exchange, the Company is required to keep liquid financial assets amounting to at least six months operating costs plus a risk based capital charge, and net capital of at least this amount.

Notes to the financial statements (continued)

13 Trade and other payables

	Note	2015 $ 000's	2014 $ 000's
Social security and other taxes		1,200	924
Other payables		2,730	-
Accruals and deferred income		28,149	19,295
Operating lease incentives	15	169	241
		32,248	**20,460**

The forecast of the contractual payment of these trade and other payables is as follows:

	2015 $ 000's	2014 $ 000's
Up to 3 months	32,248	19,902
More than 3 months but up to 6 months	93	558
Over 6 months	1,588	-
	32,248	**20,460**

14 Current tax liabilities

	2015 $ 000's	2014 $ 000's
Current tax liabilities	**14,965**	**10,836**

15 Operating lease incentives

	2015 $ 000's	2014 $ 000's
At 1 January	2,288	2,661
Amount amortised in the year	(2,119)	(241)
Additions	1,955	-
Currency Translation	-	(132)
At 31 December	**2,124**	**2,288**

15 Operating lease incentives (continued)

	2015	2014
	$ 000's	$ 000's
Analysed		
- Current	169	241
- Non-current	1,955	2,047
At 31 December	**2,124**	**2,288**

In previous years the Company restructured its leasehold obligations and its re-instatement and dilapidation liabilities. In accordance with the Standards Interpretation Committee (SIC) paper, 'Operating Leases – Incentives' (SIC 15) a provision of $3,900,000 for estimated reinstatement and dilapidation liabilities was reclassified as a lease incentive and amortised over the remaining lease period.

	2015	2014
	$ 000's	$ 000's
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	201	2,514
Later than one year and less than five years	8,960	218
More than five years	26,556	-
	35,717	**2,732**

The principal operating lease was entered in to on 1 April 2015 which runs until 31 March 2030.

16 Provisions

	2015	2014
	$ 000's	$ 000's
At 1 January	-	-
Amount amortised in the year	-	-
Additions	1,216	-
At 31 December	**1,216**	**-**

The provision of $1,216,000 is for the estimated reinstatement and dilapidation liabilities related to the new premises

17 Pension costs

The Company has one pension scheme covering its employees. The principal funds are those in the UK.
Pension costs for the scheme are as follows:

	Note	2015 $ 000's	2014 $ 000's
Defined contribution scheme	5	3,172	2,781

18 Share capital

Allotted, called-up and fully paid	2015 $	2014 $
At 1 January	156	156
Issued	-	-
Total share capital as at 31 December	**156**	**156**

19 Cash flows from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from operations	2015 $ 000's	2014 $ 000's
Continuing operations		
Profit before tax	137,511	51,863
Adjustments:		
Depreciation	3,573	3,083
Amortisation of intangibles	15,408	20,371
Amortisation of operating lease incentive	(2,119)	(241)
Interest income	(159)	(228)
(Decrease) / Increase in Intercompany payables	6,456	(8,634)
(Increase) / Decrease in Intercompany receivables	15,532	(17,784)
Provision for bad debt	38	266
Other non-cash movements	1,457	509
Gain on foreign exchange	3,148	(432)
Gain on disposal of available-for-sale asset	(22,267)	-
(Increase) in trade and other receivables	1,549	(3,357)
(Decrease) in trade and other payables	12,912	(5,405)

Cash generated from operations	**173,039**	**40,011**

20 Dividends

A dividend of $50,000,000 (equal to $321,000 per share) was paid in 2015 (2014: $25,000,000).

21 Capital commitments

Expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2015	2014
	$ 000's	$ 000's
Within one year or less	-	5,900
Between two and five years	-	-
	-	**5,900**

22 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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 financial performance. Financial risk management is carried out by the Finance department under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange rate risk arising from various currency exposures, primarily with respect to GBP. Foreign exchange risk arises from costs denominated in a foreign currency (principally GBP).

The Company's treasury risk management policy in the normal course of events is to convert non-USD currencies into USD (the functional currency) as soon as deemed reasonably appropriate to do so in order to reduce exposure to exchange rate fluctuation. An exception to this policy is where an amount of foreign currency is held against future GBP expenditure.

At 31 December 2015 a 10% weakening/strengthening of GBP against USD, with all other variables held constant, would have resulted in a foreign exchange gain/loss of $4,060,000 (2014: $6,200,000), all as a result of translation of GBP denominated trade receivables and bank balances amounting to $40,6000,000.

(ii) Price risk

The Company was exposed to price risk on the investment sold by the Company during the year. The Company is not directly exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Company has significant interest-bearing assets comprising of deposits on call and short-term. The Company's income and operating cash flows however are not materially subject to change in market interest rates.

The Company's interest rate risk arises from its call and short-term deposits. It has no borrowings and, as a consequence, its interest rate risk is restricted to the impact upon the interest income generated from its call and short-term deposits.

Sensitivity analysis of movements in interest rates

Based on cash deposits held at the year end, the Company calculated the impact on profit or loss of a 100 basis-point shift in interest rates would be a maximum increase or decrease of $617,000, (2014: $500,000).

The Company manages its cash flow interest rate risk by placing funds on short-term deposit to avoid being locked into rates significantly below the prevailing market rate.

The Company's call and short-term deposits as at the year end are as follows:-

	2015	2014
	$'000	$'000
Call Account	147	1,822
Short-term deposits		
- up to 3 months	130,763	49,047
- more than 3 months	-	-
- over 12 months	-	-

(b) Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, deposits with banks and trade and other receivables. Cash and deposit balances are held only with banks with short term credit rating minimum of F1 (Fitch or equivalent). As at the end of 2015 the cash was placed with Lloyds Bank plc, Close Brothers Limited, Clydesdale Bank plc, HSBC plc, Bank of China and National Westminster Bank Plc. The Company's only significant concentration of credit risk is with these six banks. Trade and other receivables are primarily settled in cash within 3 months of the balance sheet date.

(c) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash to meet ongoing operational commitments and adhere to the requirements of The Financial Services and Markets Act 2000 to maintain liquid financial assets amounting to at least six months' operating costs. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flows.

The Company's operating lease commitments are shown in note 15 and its expenditure contracted for at the balance sheet date is shown in note 21.

Notes to the financial statements (continued)

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the sole shareholder and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and meet its regulatory capital obligation. The London Metal Exchange is a Recognised Investment Exchange under the terms of The Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) requires that a UK recognised body has at any time liquid financial assets amounting to six months' operating costs plus a risk based capital charge, and net capital of at least this amount. This capital requirement is monitored on an ongoing basis and its status is reported on a monthly basis to the Board and the FCA. The company has exceeded the capital requirement of $55,050,000 throughout the year.

e) Fair value estimation

The available-for-sale financial asset was disposed in the year. It was not traded in an active market and was an investment in ordinary shares of a private company. The investment was stated at fair value. The fair value in 2014 was determined using discounted cash flow valuation techniques. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, an estimate of weighted average cost of capital (WACC) and an adjustment for the value of the investment attributable to a minority stake. The sensitivity of fair value to the possible reasonable changes in unobservable inputs were as set out below. The investment was considered to be a level 3 asset in the IFRS 13 hierarchy and was the only financial asset of this category held by the Company.

					Impact on valuation	
Description	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**	**Possible reasonable change**	**31-Dec-15 $m**	**31-Dec-14 $m**
Investment in shares in an unlisted company	Future growth rates of the company	2% to 4%	The higher the future growth rates, the higher the fair value;	+/-1%	N/A	+2.7/-3.5
Fair value at 31 Dec 2015 was $nil (2014: $20.1 million)	Estimated WACC	8% to 12%	The higher the WACC, the lower the fair value;	+/-1%	N/A	+3.2/-2.5

Changes in level 3 instruments for the year end 31 December 2015

	Unlisted Equities $ 000's
Opening balance	20,141
Gains recognised in other comprehensive income	-
Disposals	(20,141)
31 December 2015	-

The carrying value of trade receivables and payables is assumed to approximate their fair values due to their short-term nature.

Notes to the financial statements (continued)

23 Transactions with related parties

Directors
During the financial year, no contracts of significance were entered into by the Company in which the directors had a material interest. See note 25 for directors' emoluments.

Pension fund
The contributions in respect of the Company's pension scheme are disclosed in note 16.

Parent and group subsidiaries
During the year the Company conducted transactions with the former ordinary shareholders and current B shareholders of its parent (note 28) on an arms-length basis in its normal course of business. These transactions are recorded as revenue and are not considered to represent related party transactions since they occur on arms-length commercial terms and in the normal course of the company's operating activities.

During the year the amounts due to the Company from LME Holdings Limited and LME Clear Limited of 2015: $nil (2014: $nil) and 2015: $44,400,000 (2014: $16,389,000) respectively, relate to expenses incurred on behalf of fellow group companies and have subsequently been recharged at cost and settled in full. At the year end date, the amounts due to Hong Kong Exchanges and Clearing Limited was $987,000 (2014: due from of $16,500,000), amounts due from LME Clear Limited was $2,164,000 (2014: due from of $1,300,000), due from LME Holdings Limited was $88,000 (2014: $nil) and $55,000 was due to Ganghui Financial Information Services (2014: due to of $74,000).

24 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:

	2015 $ 000's	2014 $ 000's
Salaries and other short-term benefits	7,803	6,923
Share-based payments	2,251	962
Pensions	521	631
Remuneration for loss of office	525	521
	11,100	**9,037**

Notes to the financial statements (continued)

25 Directors' emoluments

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

	2015 $ 000's	2014 $ 000's
Aggregate emoluments	2,658	2,245
Company contributions paid to defined contribution pension scheme	117	126
	2,775	**2,371**

There were no accrued amounts under the defined contribution scheme at the year end (2014: $nil).

Benefits accrued under the LME Share scheme 2015: $nil (2014: $nil).

Remuneration of highest paid director	2015 $ 000's	2014 $ 000's
Aggregate emoluments	2,069	1,618
Company contributions paid to defined contribution pension scheme	117	126
	2,186	**1,744**

Accrued amounts under the defined contribution scheme at the year end total $10,000 (2014: $nil).

Benefits accrued under the LME Share scheme 2015: $nil (2014: $nil).

26 Long –term incentive plan

Employees of the LME are eligible to receive share awards under the Groups' HKEXs 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.

26 Long –term incentive plan (continued)

Employee Share Awards vest progressively over the vesting period after the shares are granted, provided that the relevant awardees (i) remain employed by the Group (ii) are made redundant or (iii) are deemed to be "good leavers" or retired on reaching normal retirement age or suffers from permanent disability. Unless otherwise determined by the HKEX Board, the Remuneration Committee or the Chief Executive, the vesting period of Employee Share Awards granted on or after 13 May 2010 was 3 years, and the shares would be vested in two equal tranches from the second to the third year after the shares are granted.

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

For Awarded Shares granted to the employees of the Company, the fair value of the employees services received, measured by reference to the grant date fair value, is recognised over the projected vesting period, being the period for which the services from the employees are received and is charged to staff costs and related expenses. The corresponding credit is recorded as a capital contribution in the Company's 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 2015:

Date of Award	Number of shares awarded	Average Fair Value per share $	Vesting period
03-Dec-14	44,715	23.02	25 Apr 2015 -25 Apr 2016
03-Dec-14	12,828	23.02	1 May 2015 -1 May 2016
03-Dec-14	2,003	23.02	10 Jun 2015 - 10 Jun 2016
03-Dec-14	1,480	23.02	14 Oct 2015 - 14 Oct 2016
03-Dec-14	97,219	23.02	9 Dec 2015 -9 Dec 2016
03-Dec-14	1,790	23.02	6 Jan 2015 - 6 Jan 2016
02-Jan-15	216,426	22.17	20 Jan 2016 - 20 Jan 2017
18-Nov-15	17,364	27.05	23 Nov 2015-1 May 2017
31-Dec-15	205,948	25.687	9 Dec 2017 - 9 Dec 2019

Movement in the number of Awarded Shares awarded:

	2015	2014
Outstanding at 1 January	147,348	-
Awarded	439,738	160,035
Vested	(65,102)	-
Forfeited	(63,025)	(12,686)
Outstanding at 31 December 2015	458,959	147,348

27 Members

At 31 December the number of Members of the Exchange by category was as follows:

	Number of Members at 31 December	
	2015	2014
Category		
Ring Dealing	9	10
Associate Broker Clearing	31	32
Associate Trade Clearing	2	2
Associate Broker	5	3
Associate Trade	54	50
Individual	9	9

28 Contingent liabilities

In 2013, the LME, LMEH and HKEX were named as defendants in aluminium warehousing litigation alleging anti-competitive behaviour in the US. Following vigorous defence by the Group, the US District Court for the Southern District of New York (District Court) dismissed all the claims in a series of orders. In 2014, plaintiffs classified as "consumer end users" and "commercial end users" filed appeals against the District Court's decisions but the appeals were all dismissed by the US Court of Appeals in July 2015 with the agreement of the plaintiffs. While the direct action plaintiffs and plaintiffs classified as "first level" purchasers do not currently have a right to appeal against the District Court's decisions, they may do so after their claims against the other non-HKEX group defendants have concluded or if the court grants them permission to appeal in the meantime. It is not clear when the litigation against the non-HKEX group defendants will conclude but to date, no application to appeal has been filed by any of the direct action plaintiffs or the "first level" purchasers against the District Court's decisions.

29 Immediate and ultimate controlling holding company

LME Holdings Limited, registered in England and Wales, is the Company's immediate parent company, the registered address of which is 10 Finsbury Square, London EC2A 1AJ.

The ultimate and controlling company is Hong Kong Exchanges and Clearing Limited, which is the largest and smallest group to consolidate these financial statements. It is a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, whose registered address is 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.