(Registered Number: 2128666)

The London Metal Exchange

Annual report and financial statements

31 December 2023

The London Metal Exchange

Directors and independent auditors

Directors

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

<u>Current Directors</u>

J M M Williamson (Chair)	Appointed Chair 29 April 2023
A N Aguzin	
N C Allen	Appointed 7 February 2023
L M L Cha[1]	
M J Chamberlain	
N K Dentoom	Appointed 18 July 2023
M E Fraenkel[1]	Appointed 7 February 2023
R C K Leung	
A J Stuart[1]	
P Vareille[1]	Appointed 7 February 2023
R A Wise	Appointed 29 May 2023

<u>Resigned Directors</u>

G Huey Evans, CBE (Chair)	Resigned 28 April 2023
H Von Stiegel	Resigned 28 April 2023
S K W Yiu	Resigned 28 April 2023

Registered office

10 Finsbury Square, London EC2A 1AJ

Independent auditors

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

[1] Denotes Independent Non-Executive Director

The London Metal Exchange

Strategic report

The Directors present their Strategic report on the Company for the year ended 31 December 2023. This report should be read in conjunction with the Directors' report on pages 10 to 15.

Overview

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

Principal activities

The LME is the world centre for industrial metals trading. The main activity of the Company is the provision of a marketplace to facilitate pricing and trading, administrative and other services to the members of the LME (hereinafter referred to as Exchange Members) including the operation of a global physical warehouse network. The LME is a Recognised Investment Exchange under the terms of the Financial Services and Markets Act 2000 and is regulated by the Financial Conduct Authority (FCA). The Company is required to maintain proper standards in accordance with its rules and with regulations made under the Financial Services and Markets Act 2000 as regards business conducted on the LME.

Review of the business

The Directors are satisfied with the performance of the Company, with volumes up 11% year-on-year. LME's 2023 average daily volume (ADV) was 562k lots (chargeable volume excluding administrative trades), compared to 502k lots in 2022. Higher volumes can be attributed to healthy open interest, up 25% year-on-year, especially in the last quarter as Exchange Members rolled open positions into 2024. This was supported by record lead volumes as part of strong lead growth in response to the metal's inclusion in the Bloomberg Commodity Index, and a record year in steel scrap, where volumes on the Turkish steel scrap rose by 95%.

Nickel showed encouraging signs with steady volume growth; nickel ADV rose above 50,000 for the first time since March 2022. The LME also saw an increase in options trading which contributed to higher futures volumes as Exchange Members hedged their options position-related exposure. This activity was broadly in line with the macroeconomic environment for metal markets, as predicted market downturns were slower to materialise than anticipated.

In terms of the LME's traded contracts, the LME added zinc jumbos as a deliverable shape for its zinc contract, making the contract more representative of the physical market and increasing the number of brands eligible for bank financing which should ultimately lead to greater liquidity.

On 31 March 2023, the LME, alongside LME Clear, published a multi-year programme of change to strengthen and enhance its markets (the Action Plan). This Action Plan addressed recommendations put forward by Oliver Wyman following events in the nickel market in 2022 and builds on the immediate steps taken by the LME during 2022 to enhance market resilience.

The Action Plan comprises work across multiple workstreams, including (i) protections against market distortion (including delivering real time monitoring enhancements and daily price limits), (ii) clearing and risk management enhancements, (iii) governance enhancements, (iv) modernisation (including a market-wide consultation on the evolution of Closing Prices), and (vi) enhancements to the physical market (including a fast track listing process for nickel brands, and better transparency of off-warrant stock reporting). The Company has made significant progress in implementing recommended measures. Volumes on the LME nickel market, outlined above, have recovered strongly in response to the measures being implemented and confidence returning to this market.

LMEpassport, the LME's centralised digital register has continued to gain traction since its launch in 2021, with nearly 2,700,000 records registered in the system. In May 2023, following extensive engagement with LME-listed producers, the Company extended the existing enhanced electronic Certificate of Analysis (COA) implementation deadline to be no earlier than 1 October 2024 for primary aluminium, and 1 October 2025 for other LME metals. LMEpassport also significantly developed on the sustainability side of the platform, with more than 55% of LME-listed brands now sharing sustainability credentials.

Strategic report (continued)

Review of the business (continued)

The Company continues its programme of work to enhance some of its core technology. This work includes the development of a new commodity derivative platform developed in conjunction with HKEX. The new platform will be known as LMEselect v10 and will replace LMEselect v9 (a third-party platform). Exchange Member testing started in 2023 in preparation for launch in 2024. The Company has also invested in ancillary systems including message transfer and price dissemination using an event streaming protocol which will provide market-leading stability and flexibility. This programme will strengthen the underlying technology of the Company, ensuring it remains robust and resilient for the future.

The Company's implementation of responsible sourcing requirements continues to progress and 31 December 2023 marked the end of the first full cycle of compliance, meaning that brands that remain listed at the Company have met all aspects of the requirements. As at 31 December 2023, 90% of the LME's 435 brands across its physically settled contracts, submitted appropriate compliance information, with the remaining 10% of brands either working towards compliance or in the process of being suspended or delisted. The LME is pleased with the response of the brand producers.

In December 2023, the UK Government expanded its sanctions against Russia to introduce a prohibition on the import, acquisition, and supply and delivery (directly or indirectly), of certain metals – including aluminium, copper and nickel – to take effect on 15 December 2023. At the same time as the sanctions expansion, HM Treasury also published a trade licence which explicitly authorised warrant acquisition via the LME and LME Clear, albeit with some limitations remaining – including the ability of UK persons to cancel metal for their own account. The LME implemented these sanctions immediately and continues to engage closely with the market on the impact, and to monitor the impact on LME warehousing and warranting behaviour.

Performance measurement and key performance indicators (KPIs)

Management employs commercial KPIs including transaction volume, breadth of Exchange Member satisfaction, participation in newly launched contracts, the size of open interest in contracts traded and critical system availability.

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

Financial KPIs	**2023 $ 000's**	**2022 $ 000's**	**Increase / (decrease)**
Revenue and other income	202,068	186,984	8%
Operating expenses	130,955	118,862	10%
Earnings before interest, tax, depreciation and amortisation	87,511	88,462	(1%)
Profit before tax	77,327	69,901	11%
Profit after tax	58,084	56,068	4%
Net assets	310,958	253,582	23%
Related non-financial KPIs			
ADV (000's; chargeable, excluding administrative trades)	562	506	11.1%

Higher revenue is predominantly due to the higher ADV experienced in 2023. The increase in operating expenses is due to higher staff costs, higher technology costs and higher legal and professional fee expenses in the year. Finance income increased as a result of higher interest earned.

As a result profits have increased compared to 2022.

No final dividend is proposed in respect of 2023 (2022: $nil). The Company did not pay an interim dividend during the year (2022: $35,000,000).

Strategic report (continued)

Strategy

The Company's strategy is to strengthen and reinforce its role as the global marketplace of choice for industrial metals pricing and trading, while exploring new areas of opportunity and supporting the advancement of the market as a whole.

The Company continues to work on its major technology programme, which will deliver a new trading platform to the market in 2024. The Company also continues to work with HKEX, with an integrated sales and marketing approach driving progress across a number of initiatives in order to capitalise on new opportunities arising from the further development of China's financial markets.

The Company remains focused on its work to modernise and enhance the LME's market structure, with changes to its closing price methodology introduced in January 2024 following extensive market consultation. The Company will also publish a white paper setting out the Company's plans to build more electronic liquidity in its markets.

Business environment

The Company operates in a competitive and ever-evolving market environment and has maintained its position as the world centre for industrial metals trading. The prices discovered on the Company's trading platforms continue to be used as global reference prices.

Broadly speaking, 2023 was a challenging year for the physical market. Manufacturing demand continues to be weak, characterised by the S&P Global World Manufacturing Purchasing Managers' Index remaining below 50 for the year. A combination of high inflation, rising interest rates, sanctions and a slower than expected recovery from China have contributed to the lack of industrial growth. Europe has particularly underperformed in 2023. Lacklustre metal demand saw supply surpluses build across the metals, and LME stocks rising by approximately 500,000 metric tonnes.

Other areas of focus have been progressing the programme of change associated with the Action Plan, managing the ongoing impact of the Ukraine-Russia conflict on the Company, including taking appropriate action in response to tariffs and sanctions, maintaining physical market stability, sustainability and delivery of the LME's technology programme.

Principal risks and uncertainties

The Company's activities as an exchange operating in the United Kingdom expose it to a number of financial risks, including credit risk, liquidity risk and foreign exchange risk. The Company manages these risks through various control mechanisms which are discussed in note 22. Non-financial principal risks and uncertainties, such as litigation, compliance and sanctions are set out below.

<u>Litigation</u>

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

On 29 November 2023, the Court gave judgment in the JR Proceedings in the LME's favour on all grounds; full details are provided in note 17, including information on the appeal of the judgment.

On 6 February 2024, the London Mining Network and Global Legal Action Network issued a claim for judicial review which seeks to challenge the LME's approach to monitoring the production of metal traded on the Exchange, particularly in the context of alleged environmental damage by mining companies. The claimants are not seeking any monetary damages by way of relief. The LME believes that the claimants' action is misconceived and intends to resist this claim. Judicial review claims require the permission of the court to proceed; the question of whether or not to grant permission has yet to be considered by the court.

Strategic report (continued)

Principal risks and uncertainties (continued)

Competition

The global exchange landscape continues to evolve with a risk that other exchanges and new market entrants will seek to attract liquidity away from the LME. One of the Company's key competitive advantages is that the LME Official Prices are embedded in global supply contracts which brings physical users to the Exchange to hedge their demand or supply. Servicing both physical and financial market participants effectively continues to be a major priority for the Company with a particular focus on removing barriers to access and attracting new users to the market. As the Company continues to modernise its market and enhance its product and service offering, it will continue to work closely with the full breadth of its users to understand and meet their evolving needs.

Operational and system resilience

With the ever-increasing reliance placed on technology, the Company is aware of the need to maintain high degrees of operational and system resilience. In addition, cyber risk is on the rise with financial services companies among the most heavily targeted. In order to mitigate the risks the Company continues to focus on its people, processes and technology. The Company assesses the risks in its processes on an ongoing basis and seeks to continually improve processes and technology to mitigate those risks. The Company has a well-defined operational incident process to manage incidents and to ensure required improvements are identified which may then result in changes to processes or technology.

The Company continues to make significant technology investments including cyber security detection and response, infrastructure improvements as well as developing a new LMEselect trading platform. To assist it in maintaining high levels of operational and systems resilience, the Company maintains dual data centres.

The Company's cyber risk profile and associated defences are the subject of significant ongoing investment and liaison with key government and other bodies and includes regular penetration testing and training for all employees in key cyber techniques which could be used to compromise the Company.

The Company continues to enhance its operational resilience framework, which it intends to have fully embedded across the Company by March 2025. The framework is updated annually and the focus in the coming 12 months is to further carry out thorough scenario testing for the important business services.

Regulation and compliance

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

In March 2023, the FCA announced that, following its review surrounding the events in the nickel market in March 2022, it had opened an enforcement investigation into some of the LME's conduct and systems and controls in place in the period between 1 January 2022 and the time of the suspension on 8 March 2022. This investigation is ongoing.

Emerging risks

Geopolitical and macroeconomic environment

The overall geopolitical and macroeconomic environment continues to generate uncertainty in global supply chains and by extension, increased volatility in commodity markets. Events such as Russia's invasion of Ukraine in early 2022 continued to impact metals market through 2023; mining activism disrupted production at mine sites, and attacks in the Red Sea at the end of 2023 were already affecting supply chains – suggesting that these concerns will persist into 2024.

2024 will be a key year in the political world, as the US prepares for its presidential election in November 2024, and many other democracies including the UK will also hold elections. The outcomes of these elections could have a significant impact on national policies and international relations – especially in key areas such as Middle Eastern conflict, China / Taiwan / US relations, sustainability, and sanctions.

Climate risk

The Company considers climate risk to be an emerging risk that may have an impact on its operations, market, Exchange Members and clients in the medium to long term. The Company has assessed that climate risk does not have any significant impact on its outlook for the near-term, although will continue to monitor this, especially in respect of impact on supply chains (for example, the closure of the Panama Canal due to drought) and key stakeholders such as listed warehouse companies. The LME is drafting a transition pathway, following guidance published by the International Sustainability Standards Board, to ensure that it has accurately mapped relevant risks and opportunities in this area. This will also inform the LME's work to deliver against its net-zero target of 2040.

Physical market risks

Linked to climate risk, the Company is cognisant that the physical market is evolving rapidly. The LME will need to maintain robust processes and rules to regulate this market. The Company will also need to continue to meet developing standards related to Environmental, Social and Governance (ESG) – for example ongoing developments in critical minerals demand, and ESG regulation such as the European Union's Carbon Border Adjustment Mechanism.

Section 172 Companies Act 2006

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

The Board therefore recognises the importance of effective stakeholder engagement in driving the Company's strategic focus of sustaining its premier status in price discovery for base metals futures and options. Effective stakeholder engagement enables the Board to identify key emerging themes and trends in the markets that are served by the Company.

The Company identifies its key stakeholders as Company employees, Exchange Members and their clients, producers of LME-listed brands and LME-approved warehouse operators, regulators, service providers/suppliers and its ultimate parent, HKEX.

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

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

Strategic report (continued)

Stakeholder engagement and business relationships

Exchange Members and clients

Ongoing Exchange Member and client engagement is integral to the Company's governance framework. The Company operates a number of advisory committees which are a part of the way the Company operates. For example, the LME User Committee represents the interests and views of the Exchange Members and clients. During 2023, feedback from these committees provided valued input and advice to the Board and senior management.

Physical market participants

Ongoing engagement with Exchange Members and clients is integral to the Company's governance framework. The Company operates a number of advisory committees which are a part of the way the Company operates. For example, the LME's Physical Market and Warehousing Committees enable the Exchange to stay in regular contact with core stakeholders in the physical market and facilitate ongoing two-way communication. The Exchange also operates metal-specific committees for its core and new metals contracts to ensure it can stay focused on topics of key importance to its market, as well as elicit views on its own initiatives.

Suppliers and service providers

The Board takes the Company's relationships with its suppliers seriously.

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

Beyond the responsibilities set out in the Modern Slavery Act 2015, the Company has introduced requirements for responsible sourcing of metal by LME-listed brands. These requirements are designed to ensure that LME market participants taking delivery of metal through the Company can be sure that this metal has been sourced responsibly, in line with international principles as set out by the Organisation for Economic Co-operation and Development.

Regulators

The Company maintains a regular dialogue with the FCA and its other regulators, engaging on relevant matters such as Board and management changes, capital requirements and proposed new products or services.

HKEX

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

Employee engagement

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

The Company has continued to be active in implementing measures to maintain and drive engagement. There has been sustained focus on the development of employees, with the launch of several new programmes to deepen leadership capability and enhance internal knowledge throughout the organisation. The Company has also provided employees with increased opportunities to have exposure to, and interact with, the Board and senior management, including through round table discussions with the Chair, Chief Executive and Executive Committee members.

Strategic report (continued)

Employee engagement (continued)

The Company continued to support employee wellbeing this year through the provision of wellness weeks focusing on mental, physical, and financial wellbeing. Investment has been made in healthier breakfast options, and employees now also benefit from an on-site gym at the premises which they are able to use on a complimentary basis.

From a people and culture perspective, the diversity and inclusion arena has remained a focus in 2023. The Company has thriving employee networks raising awareness and engagement on this topic and continues to celebrate diversity through events such as International Women’s Day, Pride Month and Black History Month.

LME remains committed to the Women in Finance Charter, reinforcing its aim to increase gender diversity across the Company. The target is to increase female management representation to 40% by September 2025. The Company’s gender diversity strategy consists of five key pillars: attraction, governance, benchmarking, retention and education. Internal initiatives within each of these pillars will support the Company in working towards its five-year target of growing its female representation in senior management positions. Annual progress updates are also published on the Company’s website.

The Board believes that transparency around gender pay gap reporting continues to play an important role in understanding and addressing the gender-based inequality that persists in the wider society in which the Company operates. The LME’s gender pay gap report for 2022 was published in 2023 and showed that progress continues to be made whilst acknowledging that there is still more to do.

Throughout 2024, the Board will continue to review and challenge how the Company can improve engagement with its employees and other stakeholders.

Equal opportunities

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

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

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

Charitable activities

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

In 2021, the LME committed to donate US$2,000,000 to charitable causes related to responsible sourcing over a three year period. The Company has supported two organisations, Pact and The Impact Facility, with the aim of reducing the worst forms of child labour and protecting children’s rights in mining communities in Zambia and the Democratic Republic of the Congo (DRC) respectively.

Strategic report (continued)

Charitable activities (continued)

The Impact Facility has continued construction and rehabilitation of three schools near artisanal mining sites in the DRC, including adding fencing to protect the buildings. The Company donated $100,000 to The Impact Facility in 2023 (2022: $341,000).

Pact is undertaking a project in the Central and Copperbelt provinces of Zambia, working with communities to deliver improved access to education, social services and vocational training, with the aim of reducing the number of children working in mines. Pact’s flagship initiative is the women’s saving group programme which has seen continued expansion in 2023. The Company donated $273,000 to Pact in 2023 (2022: $273,000).

In October 2023, the LME announced the creation of a fund to provide two LME scholarships per year for post-graduate students at the Camborne School of Mines, helping to support the future pipeline of talented subject matter experts entering the metals and mining industry.

The funding comes from trading fees amounting to $464,000 received on 19 September 2022 – the date of the funeral of Queen Elizabeth II – upholding the LME’s commitment to donate trading fees received on that day to a charity of which Her Majesty was a patron.

During the year, the Company also made other charitable donations amounting to $104,000 (2022: $138,000).

The Strategic report was approved by the Board of Directors on 22 February 2024.

Signed by order of the Board of Directors by:

C. McSwiggan
Company Secretary
22 February 2024
The London Metal Exchange
Registration number 2128666

Directors' report

The Directors submit their annual report to the sole shareholder together with the audited financial statements for the year ended 31 December 2023.

Incorporation

The Company is a private unlimited company domiciled in the UK. It was originally registered in England and Wales as a private company limited by guarantee. On 13 December 2012 it was re-registered as an unlimited company.

Results

The profit before tax for the year ended 31 December 2023 was $77,327,000 (2022: $69,901,000) and after accounting for taxation the profit for the year was $58,084,000 (2022: $56,068,000).

No final dividend is proposed in respect of 2023 (2022: $nil). The Company paid an interim dividend of $nil in the year (2022: $35,000,000).

Directors

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

Directors' indemnity and insurance

The Company's Articles of Association provide an indemnity (the Indemnity) for each Director of the Company. The Indemnity, which constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, was in force during the 2023 financial year and remains in force at the date of signing the financial statements. Directors' and officers' insurance cover is also maintained for Directors of the Company.

Anti-bribery and corruption policy

The Company supports a culture of integrity, ethical conduct, fairness, honesty and openness when doing business, and zero tolerance of bribery. Accordingly, the Company's policy expressly states that no bribes, kickbacks or similar gifts, payments or advantages are solicited from, or given or offered to, any person, whether in the public or private sector, for any purpose and applies to any persons, when acting on behalf of the Company.

The Modern Slavery Act 2015

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

Future developments

In 2024, the Company will continue to focus on addressing the recommendations made by the independent review following events in the nickel market in March 2022 as part of a broader effort to rebuild liquidity and trust in the LME's nickel market. The Company will also continue to work on its major technology programme which will deliver a new trading platform to the market in 2024.

The Company will further develop its LMEpassport platform and drive compliance against the LME's established responsible sourcing requirements. The Company will also continue to work with HKEX to build a leading global multi asset class exchange and capitalise on new opportunities arising from the further development of China's financial markets.

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 and liquidity risk management is provided in note 22 to the financial statements.

Capital risk management

The Company’s objectives when managing capital are:

- To safeguard the Company’s ability to continue as a going concern in order to provide returns for the sole shareholder and benefits for other stakeholders;
- To maintain an optimal capital structure; and
- To meet its regulatory capital obligations.

The LME is a Recognised Investment Exchange under the terms of The Financial Services and Markets Act 2000. The FCA’s capital rules require that the Company must maintain liquid financial resources and net capital in excess of its financial resources requirement (FRR). The FRR comprises the cost of orderly closure plus a risk-based capital charge. Liquid financial resources are represented by the Company’s cash and cash equivalents, and net capital comprises total equity less share capital, intangible assets and intercompany receivables.

These requirements are closely monitored and the status is reported on a regular basis to the Board and the FCA. In 2023 the FRR was reset to £83,275,000 (2022: £65,448,000) which, as at 31 December 2023, equates to $106,159,000 (2022: $78,727,000). The Company’s liquid financial resources and net capital measures exceeded the FRR throughout the year.

Employee engagement

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

Disabled persons disclosures

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

Charitable activities

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

Streamlined energy and carbon reporting

Carbon dioxide emissions

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

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

The three largest contributors to the Company’s GHG emissions (by operational areas) in the 2023 base year were all within scope 3 and included goods and services (56% of total emissions), business travel (20%) and data centres (7%).

Directors' report (continued)

Streamlined energy and carbon reporting (continued)

In October 2022, the Company publicly announced its net-zero target (2040) and its intention to publish a further reduction roadmap in the future. The Company is referencing two initiatives to inform its commitments, impact and progression reporting against this target – the Science Based Targets initiative (SBTi) and the Task Force on Climate-Related Financial Disclosures (TCFD).

UK greenhouse gas emissions and energy use	2023	2022
Total emissions in metric tonnes (carbon dioxide equivalent)	**7,479**	**1,623**
Emissions breakdown in metric tonnes (carbon dioxide equivalent)		
Scope 1 (direct combustion of fuels and company owned vehicles)	214	-
Scope 2 (emissions from electricity purchased for own use)	218	22
Scope 3 (indirect emissions from business travel)	7,047	1,601

In 2023, the Company emitted 2.2483 metric tonnes of carbon dioxide equivalent per metre squared of office space (2022: 0.4951 metric tonnes per metre squared).

During the year, 94% of total emissions were within scope 3. Scope 3 emissions increased as a result of higher expenditure within the goods and services category. Scope 1 emissions in 2023 were driven primarily by a refrigerant leak from an air conditioning unit.

The figure for scope 2 for 2023 is based on a market-based calculation that tracks scope 2 emissions based on the specific emissions intensity of the electricity provider, rather than that of the local grid offering (also known as location-based).

The Company has utilised a more in-depth framework, more granular data and higher quality emissions factors in calculating its 2023 emissions data. Revised data relating to historical periods 2019 – 2022 will be made available in future reporting under the SBTi.

Corporate governance

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

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

<u>The Board and Board composition</u>

The Articles of Association of the Company prescribe the composition of the Board and the procedures for appointment to it. On 3 May 2022, the shareholders resolved to amend the Articles of Association by Special Resolution amending Article 33.1 to increase the maximum number of Directors to twelve, of whom up to four individuals shall be appointed by the Board as independent Directors. Independent Directors are identified on page 1.

Directors' report (continued)

Corporate governance (continued)

Governance structure

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

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

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

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

The Board is supported by sub-committees to which specific responsibilities are delegated, and advisory committees. During the year, these included the User Committee, Audit and Risk Committee, Technology and Operational Resilience Committee (which was dissolved in December 2023), Nomination Committee, Remuneration Committee and Charity Committee. On 4 December 2023, the Board established a Board Risk Committee.

Gender metrics

As at 31 December 2023, the Board consisted of one female and eleven males. As at 31 December 2022, the Board consisted of three females and six males.

In 2022, the Company adopted a Board Diversity and Recruitment Policy which governs director recruitment and sets targets for Board diversity.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

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

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

Directors' report (continued)

Independent auditors

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

Going concern

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

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

The Directors’ report was approved by the Board of Directors on 22 February 2024.

Signed by order of the Board:

C. McSwiggan
Company Secretary
22 February 2024
The London Metal Exchange
Registration number 2128666

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

Report on the audit of the financial statements

Opinion

In our opinion, The London Metal Exchange's financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the Annual Report), which comprise: the Statement of financial position as at 31 December 2023, the Statement of profit or loss and other comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

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

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Claire Sandford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 February 2024

The London Metal Exchange

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	2023 $ 000's	2022 $ 000's
Trading fees		135,828	123,503
Market data fees		33,411	29,734
Other revenue		32,829	33,747
Revenue and other income	3	**202,068**	**186,984**
Operating expenses	4	(130,955)	(118,862)
Operating profit		**71,113**	**68,122**
Finance income	6	6,382	1,683
Finance costs	6	(554)	(640)
Other gains	6	386	736
Profit before tax		**77,327**	**69,901**
Taxation	7	(19,243)	(13,833)
Profit for the year		**58,084**	**56,068**
Other comprehensive (expense) / income, net of tax[1]		**(708)**	**1,116**
Total comprehensive income		**57,376**	**57,184**

[1] Other comprehensive (expense) / income comprises only items that have been or subsequently will be reclassified to profit and loss

No final dividend is proposed in respect of 2023 (2022: $nil). The Company paid an interim dividend of $nil in the year (2022: $35,000,000).

The notes on pages 24 to 52 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
As at 31 December 2023

	Note	2023 $ 000's	2022 $ 000's
Assets			
Non-current assets			
Intangible assets	8	158,643	114,244
Property, plant and equipment	9	17,281	15,321
Right-of-use assets	10	11,522	13,847
Deferred tax asset	11	907	834
		188,353	**144,246**
Current assets			
Trade and other receivables	12	33,863	28,627
Cash and cash equivalents	13	138,390	129,491
Derivative financial assets	14	433	1,378
Amounts due from group undertakings	23	9,059	7,928
		181,745	**167,424**
Liabilities			
Current liabilities			
Trade and other payables	15	35,728	37,796
Current tax liabilities		1,337	870
Amounts due to group undertakings	23	53	86
Lease liabilities	16	2,037	1,841
		39,155	**40,593**
Net current assets		**142,590**	**126,831**
Non-current liabilities			
Lease liabilities	16	14,161	15,954
Provisions	17	1,268	1,197
Deferred tax liability	11	4,556	344
		19,985	**17,495**
Net assets		**310,958**	**253,582**
Equity			
Share capital	19	-	-
Capital reserve		34,726	34,726
Retained earnings		280,799	222,715
Foreign currency translation reserve		(4,892)	(4,892)
Hedging reserve	14	325	1,033
Total equity		**310,958**	**253,582**

The notes on pages 24 to 52 are an integral part of these financial statements.

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

M J Chamberlain
Director
22 February 2024

Statement of changes in equity
For the year ended 31 December 2023

	Note	Share capital	Capital reserve	Foreign currency translation reserve	Retained earnings	Hedging reserve	Total equity
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 January 2023		**-**	**34,726**	**(4,892)**	**222,715**	**1,033**	**253,582**
Profit for the financial year		-	-	-	58,084	-	**58,084**
Other comprehensive expense – cash flow hedge and tax credit		-	-	-	-	(708)	**(708)**
Total comprehensive income		**-**	**-**	**-**	**58,084**	**(708)**	**57,376**
At 31 December 2023		**-**	**34,726**	**(4,892)**	**280,799**	**325**	**310,958**

For the year ended 31 December 2022

	Note	Share capital	Capital reserve	Foreign currency translation reserve	Retained earnings	Hedging reserve	Total equity
		$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 January 2022		**-**	**34,726**	**(4,892)**	**201,790**	**(110)**	**231,514**
Profit for the financial year		**-**	-	-	56,068	-	**56,068**
Other comprehensive income / (expense) – cash flow hedge and tax credit		-	-	-	(27)	1,143	**1,116**
Total comprehensive income		**-**	**-**	**-**	**56,041**	**1,143**	**57,184**
Transactions with shareholder - Interim dividend		-	-	-	(35,000)	-	**(35,000)**
Tax charge to equity reserves	7	-	-	-	(116)	-	**(116)**
At 31 December 2022		**-**	**34,726**	**(4,892)**	**222,715**	**1,033**	**253,582**

The notes on pages 24 to 52 are an integral part of these financial statements.

The London Metal Exchange

Statement of cash flows
For the year ended 31 December 2023

	Note	2023 $ 000's	2022 $ 000's
Cash flows from operating activities			
Cash inflow from operating activities	20	77,113	88,379
Effects of foreign exchange movements		2,627	(2,209)
Tax paid		(13,421)	(12,107)
Net cash inflow from operating activities		**66,319**	**74,063**
Cash flows from investing activities			
Interest received		5,880	1,433
Purchase of intangible assets	8	(55,319)	(40,445)
Purchase of property, plant and equipment	9	(4,815)	(3,858)
Net cash outflow from investing activities		**(54,254)**	**(42,870)**
Cash flows from financing activities			
Lease payments	16	(3,166)	(3,501)
Dividends paid to shareholder	21	-	(35,000)
Net cash outflow from financing activities		**(3,166)**	**(38,501)**
Net (decrease) / increase in cash and cash equivalents		8,899	(7,308)
Cash and cash equivalents at 1 January		129,491	136,799
Cash and cash equivalents at 31 December	13	**138,390**	**129,491**

The notes on pages 24 to 52 are an integral part of these financial statements.

The London Metal Exchange

Notes to the financial statements

1 Significant 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.

1.1 Basis of preparation

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

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

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

Changes in accounting policy

From 1 January 2023 the Company transitioned from IAS 39 – 'Financial instruments: Recognition and measurement' hedge accounting to IFRS 9 – 'Financial instruments' hedge accounting. Hedging documentation now includes the hedge ratio and expected sources of ineffectiveness, and the retrospective effectiveness test has been removed in accordance with IFRS 9. This change in accounting policy has been applied prospectively. There has been no change in hedging strategy as a result of the transition. The accounting policy is detailed in note 1.10.

There have been no other significant changes in accounting policies.

1.2 New and amended standards adopted by the Company

In 2023, the Company adopted the following new/revised international accounting standards which were effective for accounting periods beginning on or after 1 January 2023. These amendments were adopted with effect from 1 January 2023 and have had no financial impact on the Company and no impact on the disclosures.

i) Amendment to IAS 1 – 'Presentation of financial statements': Disclosure of accounting policies.

ii) Amendment to IAS 8 – 'Accounting policies, changes in accounting estimates and errors': Accounting policies, definition of accounting estimates, and accounting estimates and errors.

iii) Amendment to IAS 12 – 'Income taxes': Deferred tax related to assets and liabilities arising from a single transaction.

iv) Amendment to IAS 12 – 'Income taxes': International tax reform.

1.3 New standards, amendments and interpretations issued but not effective for the financial years beginning 1 January 2023 and not adopted early

The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2023 and therefore have not been applied in preparing these financial statements.

i) Amendment to IAS 1 – 'Presentation of financial statements': Non-current liabilities with covenants

ii) Amendment to IAS 21 – 'The effects of changes in foreign exchange rates': Lack of exchangeability

They are not expected to have a material impact on the financial statements of the Company.

1 Significant accounting policies (continued)

1.4 Revenue

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

i) Trading fees are recognised on a trade date basis, net of any applicable discounts or rebates.

ii) Market data fees are recognised when the related services are rendered.

iii) Other revenue comprises:

- Subscription and registration fees; recognised on a straight-line basis over time as the performance obligation is satisfied;
- Intercompany cost recharges in connection with expenditures incurred on behalf of group companies. These recharges are recognised when the related expenditures are incurred; and
- All other fees are recognised when the related services are rendered.

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

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

1.5 Staff costs and other expenses

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

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

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

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

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

1 Significant accounting policies (continued)

1.6 Intangible assets

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

i) it is technically feasible to complete the system so that it will be available for use;

ii) management intends to complete the system and use or sell it;

iii) there is an ability to use or sell the system;

iv) it can be demonstrated how the system will generate probable future economic benefits;

v) adequate technical, financial and other resources to complete the development and to use or sell the system are available; and

vi) The expenditure attributable to the system during its development can be reliably measured.

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

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

1.7 Property, plant and equipment

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

Computer hardware - three to five years

Leasehold improvements - over the remaining lives of the leases but not exceeding ten years

Furniture and equipment - three to five years

1 Significant accounting policies (continued)

1.8 Right-of-use assets

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability (note 1.12) at the lease commencement date. The right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Payments associated with short-term leases (i.e. leases with a lease term of 12 months or less) and low value leases are recognised on a straight-line basis as an expense in the Statement of profit or loss and other comprehensive income.

1.9 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 maturities of three months or less.

1.10 Hedge accounting

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

From 1 January 2023 the Company has adopted IFRS 9 hedge accounting. At the point of designation of each hedge, the Company documents the relationship between the hedging instrument and hedged item(s) as well as its risk management objectives and strategy for undertaking hedge accounting. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument is highly effective in offsetting changes in the cash flows of hedged items.

The instruments used for hedging purposes are set out in note 14. Movements on the hedging reserve are shown in note 14 and the Statement of changes in equity. All hedged items will be settled within 12 months and therefore hedged instruments are recorded as current assets.

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

1 Significant accounting policies (continued)

1.10 Hedge accounting (continued)

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

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

1.11 Financial assets

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

i) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other receivables and amounts due from group undertakings are classified under this category.

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

Impairment
The Company assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. For receivables due from customers, the Company applies the simplified approach permitted by IFRS 9 – ‘Financial instruments’, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected credit losses of receivables are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

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

1 Significant accounting policies (continued)

1.11 Financial assets (continued)

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

1.12 Derivative financial assets and liabilities

Derivative financial assets and liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

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

1.13 Lease liabilities

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset (note 1.8) and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the Statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

1.14 Trade and other payables

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

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

1 Significant accounting policies (continued)

1.15 Current and deferred tax

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

i) Current tax

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

ii) Deferred tax

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

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

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

1.15 Foreign currencies

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

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

1.16 Provisions and contingencies

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

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

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

1 Significant accounting policies (continued)

1.17 Pension costs

The Company operates a defined contribution pension scheme. The expense of the scheme is charged to the Statement of profit or loss and other comprehensive income as incurred.

1.18 Equity

i) Share capital

Ordinary shares are classified as equity.

ii) Capital reserve

The capital reserve represents capital contributions from the Company's immediate parent, LME Holdings Limited.

iii) Retained earnings

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

iv) Foreign currency translation reserve

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

v) Hedging reserve

The hedging reserve arises from the effective portion of fair value gains and losses on hedging instruments prior to the recognition of the related hedged item, and the associated deferred taxation. Further details of hedging are set out in note 1.10.

1.19 Dividends

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

2 Critical accounting estimates and 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Intangible assets

As described in notes 1.6 and 8, the Company incurs significant expenditure on the development of software and implementation of systems. The judgements regarding capitalisation and impairment, and the estimation of the useful life of the assets have a material impact on these financial statements.

The Company follows the accounting policy described in note 1.6.

The Company has carefully considered the following judgements:

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

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

Contingent liabilities

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

The Company follows the accounting policy described in note 1.17.

The Company has carefully considered the following judgements:

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

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

One of the claimants has sought and been granted permission to appeal. The LME management is of the view that the appeal is without merit and the LME and LME Clear will contest it vigorously.

Taking into account the current status of the claims and appeal process, the Company is of the view that a present obligation does not exist. Accordingly no provision has been made in these financial statements but a contingent liability has been disclosed as set out in note 17.

Notes to the financial statements (continued)

3 Revenue and other income

Timing of revenue recognition	2023 $ 000's	2022 $ 000's
At a point in time	158,174	146,265
Over time	43,894	40,719
	202,068	**186,984**

4 Operating expenses

Operating expenses comprise the following:

	Note	2023 $ 000's	2022 $ 000's
Employee costs	5	62,870	56,282
Amortisation	8	10,920	15,065
Depreciation		5,092	4,539
Technology costs		24,425	21,090
Other costs		27,578	21,784
Bad debt charge		70	102
		130,955	**118,862**

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

	2023 $ 000's	2022 $ 000's
Statutory audit of the Company's financial statements	204	188
Statutory audit of the Company's related entities	46	28
Audit of the Company's associated pension scheme	(6)	6
Audit related assurance services:		
- Other	24	20
Other services	2	2
	270	**244**

Audit of the Company's related entities is the statutory audit fee incurred by the Company on behalf of HKEX Investment (UK) Limited.

Notes to the financial statements (continued)

5 Employee costs

Employee costs (including directors) comprise the following:

	Note	2023 $ 000's	2022 $ 000's
Wages and salaries		48,236	42,594
Social security costs		7,445	6,682
Other pension costs	18	3,542	2,814
Employee share-based compensation benefits of share award scheme	26	3,647	4,192
Total		**62,870**	**56,282**

The number of employees (excluding directors) was:

	2023	2022
At 31 December	350	310
Monthly average for the year	339	300

6 Finance income, finance costs and other gains

	2023 $ 000's	2022 $ 000's
Finance income		
Interest income on bank accounts and short-term bank deposits	6,382	1,683
Finance costs		
Interest on lease liabilities	(554)	(640)
Other gains		
Gain on foreign exchange	386	736
	6,214	**1,779**

Notes to the financial statements (continued)

7 Taxation

	Note	2023 $ 000's	2022 $ 000's
Income tax			
Current year		17,401	12,289
Adjustments in respect of prior years		(2,669)	2
Foreign exchange		137	282
Total current tax		**14,869**	**12,573**
Deferred tax			
Deferred tax for the current year	11	1,356	1,146
Change in tax rate	11	147	170
Adjustments in respect of prior years	11	2,871	(56)
Total deferred tax		**4,374**	**1,260**
Taxation charge		**19,243**	**13,833**

Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 23.52% (2022:19%) and the taxation charge for the year are explained below:

	2023 $ 000's	2022 $ 000's
Profit before taxation	**77,327**	**69,901**
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.52% (2022: 19%)	18,187	13,281
(Income not taxable) / expense not deductible	132	(107)
Adjustments in respect of prior years	202	(54)
Change in tax rate	147	170
Tax in respect of share schemes	438	261
Foreign exchange	137	282
Taxation charge	**19,243**	**13,833**

Tax charge / (credit) to equity:	2023 $ 000's	2022 $ 000's
Current tax - share options	-	(132)
Deferred tax - share options	-	248
Taxation charge / (credit)	**-**	**116**

Notes to the financial statements (continued)

8 Intangible assets

For the year ended 31 December 2023	Capitalised software in use $ 000's	Capitalised software under development $ 000's	Total $ 000's
Costs			
At 1 January 2023	**147,100**	**98,177**	**245,277**
Additions	-	55,319	**55,319**
Disposals	(1,708)	-	**(1,708)**
Transfers	8,537	(8,537)	**-**
At 31 December 2023	**153,929**	**144,959**	**298,888**
Accumulated amortisation			
At 1 January 2023	**131,033**	**-**	**131,033**
Charge for the year	10,920	-	**10,920**
Disposals	(1,708)	-	**(1,708)**
At 31 December 2023	**140,245**	**-**	**140,245**
For the year ended 31 December 2022			
Costs			
At 1 January 2022	**160,488**	**67,382**	**227,870**
Additions	-	40,445	**40,445**
Disposals	(23,038)	-	**(23,038)**
Transfers	9,650	(9,650)	**-**
At 31 December 2022	**147,100**	**98,177**	**245,277**
Accumulated amortisation			
At 1 January 2022	**139,006**	**-**	**139,006**
Charge for the year	15,065	-	**15,065**
Disposals	(23,038)	-	**(23,038)**
At 31 December 2022	**131,033**	**-**	**131,033**
Net book values			
At 31 December 2023	**13,684**	**144,959**	**158,643**
At 31 December 2022	16,067	98,177	114,244

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

Notes to the financial statements (continued)

9 Property, plant and equipment

For the year ended 31 December 2023	Computer hardware in use	Computer hardware under development	Leasehold improvement, furniture and equipment	Total
	$ 000's	$ 000's	$ 000's	$ 000's
Costs				
At 1 January 2023	37,382	8,839	9,338	55,559
Additions	-	4,791	24	4,815
Transfer	3,433	(3,433)	-	-
Disposals	(267)	-	-	(267)
At 31 December 2023	**40,548**	**10,197**	**9,362**	**60,107**
Accumulated depreciation				
At 1 January 2023	33,764	-	6,474	40,238
Charge for the year	1,815	-	952	2,767
Written back on disposal	(179)	-	-	(179)
At 31 December 2023	**35,400**	**-**	**7,426**	**42,826**
For the year ended 31 December 2022				
Costs				
At 1 January 2022	36,199	6,377	9,125	51,701
Additions	-	3,645	213	3,858
Transfer	1,183	(1,183)		
At 31 December 2022	**37,382**	**8,839**	**9,338**	**55,559**
Accumulated depreciation				
At 1 January 2022	32,510	-	5,562	38,072
Charge for the year	1,254	-	912	2,166
At 31 December 2022	33,764	-	6,474	40,238
Net book values				
At 31 December 2023	**5,148**	**10,197**	**1,936**	**17,281**
At 31 December 2022	3,618	8,839	2,864	15,321

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

10 Right-of-use assets

For the year ended 31 December 2023

	2023 $ 000's	2022 $ 000's
Costs and net book value		
At 1 January	13,847	16,220
Additions	-	-
Depreciation	(2,325)	(2,373)
At 31 December	**11,522**	**13,847**

11 Deferred tax asset and liability

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

	Fixed and intangible assets $ 000's	Cash flow hedge $ 000's	R&D $ 000's	Employee benefits $ 000's	Share options $ 000's	IFRS 16 adoption $ 000's	Total $ 000's
At 1 January 2022	**1,234**	**28**	**-**	**-**	**975**	**133**	**2,370**
Adjustments in respect of prior years credited							
- to profit or loss	8	-	-	7	41	-	**56**
Effects of changes in tax rates credited							
- to profit or loss	(263)	-	-	-	93	-	**(170)**
- to OCI	-	(89)	-	-	-	-	**(89)**
- to equity	-	-	-	-	(1)	-	**(1)**
Other charges							
- to profit or loss	(939)	-	-	(7)	(189)	(11)	**(1,146)**
- to OCI	-	(283)	-	-	-	-	**(283)**
- to equity	-	-	-	-	(247)	-	**(247)**
At 31 December 2022	**40**	**(344)**	**-**	**-**	**672**	**122**	**490**
Adjustments in respect of prior years credited / (charged)							
- to profit or loss	(3,116)	-	245	-	-	-	**(2,871)**
Effects of changes in tax rates credited / (charged)							
- to profit or loss	(169)	-	-	-	22	-	**(147)**
- to OCI	-	14	-	-	-	-	**14**
Other credits / (charges)							
- to profit or loss	(1,202)	-	-		(139)	(15)	**(1,356)**
- to OCI	-	221	-	-	-	-	**221**
At 31 December 2023	**(4,447)**	**(109)**	**245**	**-**	**555**	**107**	**(3,649)**

Note: Other comprehensive income abbreviated as OCI in the table above.

11 Deferred tax asset and liability (continued)

The deferred tax asset has arisen as a consequence of movements in research and development, short lease premium, adoption of IFRS 16 and share options.

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Deferred tax asset	425	482	**907**	403	431	**834**
Deferred tax liability	(502)	(4,054)	**(4,556)**	(344)	-	**(344)**
Net deferred tax (liability) / asset	**(77)**	**(3,572)**	**(3,649)**	**59**	**431**	**490**

Factors that may affect future tax charges

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

Current and deferred tax

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

Legislation in respect of Pillar Two income taxes was enacted in the UK on 11 July 2023, and will apply to periods commencing on or after 1 January 2024. The Company is a subsidiary of a group of companies, that are in scope of the enacted legislation. The ultimate controlling company, HKEX, has performed an initial impact assessment of its UK sub-group's potential exposure to Pillar Two income taxes.

Based on the assessment performed, it is anticipated that the UK sub-group will be able to take advantage of the Country-by-Country Reporting Transitional Safe Harbours available given that the UK entities are subject to tax at a rate greater than 15%. The Company does therefore not anticipate a material exposure to Pillar Two income taxes.

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

12 Trade and other receivables

	2023	2022
	$ 000's	$ 000's
Accrued income – trading fees	13,727	9,446
Accrued income – other	6,536	6,045
Trade receivables	4,078	3,196
Other receivables	65	297
Prepayments	9,457	9,643
	33,863	**28,627**

The carrying amounts of the Company's trade and other receivables are denominated in US dollars, apart from $1,387,000 which is denominated in UK pounds sterling (2022: $1,767,000) and $nil denominated in Singapore dollars (2022: $1,000).

12 Trade and other receivables (continued)

For trade and other receivables, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2023 and 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

	At 31 December 2023				
	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.03%	0.58%	1.70%	4.10%	
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Gross carrying amount – accrued income and trade receivables	22,178	901	1,098	542	24,719
Loss allowance	**7**	**5**	**19**	**22**	**53**

	At 31 December 2022				
	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.04%	0.79%	1.59%	1.74%	
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Gross carrying amount – accrued income and trade receivables	17,539	444	544	237	18,764
Loss allowance	**7**	**4**	**9**	**4**	**24**

For other receivables the expected credit loss is close to zero as these receivables have no recent history of default. Details of risk management are set out in note 22(b).

13 Cash and cash equivalents

	2023 $ 000's	2022 $ 000's
Cash at bank	32,856	37,643
Short-term deposits	105,534	91,848
	138,390	**129,491**
Average maturity of short term deposits	2.5 months	2 months
Weighted average interest rate	5.50%	4.04%

13 Cash and cash equivalents (continued)

All cash and cash equivalents have a maturity of 3 months or less. As a Recognised Investment Exchange, the Company must maintain liquid financial resources and net capital in excess of its financial resources requirement (FRR), The FRR comprises the cost of orderly closure plus a risk based capital charge. Liquid financial resources are represented by the Company's cash and cash equivalents.

Included within cash is $4,595,000 of monies received in respect of enforcement actions (2022: $5,063,000). These funds will be applied in accordance with the Financial Conduct Authority's REC requirements and a corresponding liability has been recognised in trade and other payables.

14 Financial instruments and hedge accounting

Fair value measurements

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

The levels are defined as follows:

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

At 31 December 2023 the Company held derivative financial assets (forward foreign exchange contracts) with a fair value of $433,000 (2022: $1,378,000) that were classified under Level 2. During 2023 and 2022, no financial assets or financial liabilities were classified under Level 1 or Level 3 and there were no transfers between levels.

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

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

Hedge accounting

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

IFRS 9 hedge accounting has been adopted prospectively from 1 January 2023 and no ineffectiveness has arisen on transition. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of future purchases in sterling, the Company enters into hedge relationships where the critical terms of the hedging instrument (amount, currency and maturity dates) match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness.

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

Notes to the financial statements (continued)

14 Financial instruments and hedge accounting (continued)

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

	2023 $ 000's	2022 $ 000's
Forward foreign exchange contracts		
Carrying amount	433	1,378
Notional amount	118,815	96,475
Maturity date	0 – 12 months	0-12 months
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since inception of the hedge	433	1,378
Change in value of hedged item used to determine hedge ineffectiveness	433	1,378
Weighted average hedged rate for outstanding hedging instruments (including forward points) USD:GBP	1.26926	1.19311

The hedging instruments are denominated in the same currency as the hedged items, so the hedge ratio is 1:1.Movements in the hedging reserve during the year are shown below:

	2023 $ 000's	2022 $ 000's
At 1 January	1,033	(110)
Gain / (loss) on hedging instruments recognised in other comprehensive (expense) / income	2,831	(3,407)
Reclassified to profit or loss:		
– Wages and salaries	(1,862)	2,945
– Technology costs	(54)	-
– Other costs	(324)	-
– Other gains	(10)	-
Reclassified to Statement of financial position		
– Intangible assets	(1,320)	1,951
– Prepayments	(205)	-
Deferred tax credited / (charged) to other comprehensive (expense) / income	236	(344)
At 31 December	**325**	**1,033**

During the year $10,000 of hedge ineffectiveness was recognised (2022: $nil).

Notes to the financial statements (continued)

15 Trade and other payables

	2023 $ 000's	2022 $ 000's
Social security and other taxes	12,203	8,895
Other payables	10,490	16,616
Accruals and deferred income	13,035	12,285
	35,728	**37,796**

Trade and other payables totalling $11,339,000 have contractual payment terms of less than three months (2022: $12,001,000).

16 Lease liabilities

	2023 $ 000's	2022 $ 000's
At 1 January	17,795	23,112
Finance cost	554	640
Lease payments	(3,166)	(3,501)
Effects of foreign currency movements	1,015	(2,456)
At 31 December	**16,198**	**17,795**
Analysed		
- Current	2,037	1,841
- Non-current	14,161	15,954
At 31 December	**16,198**	**17,795**

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the current reporting period.

	2023		2022	
	Present value of the minimum lease payments $ 000's	Total minimum lease payments $ 000's	Present value of the minimum lease payments $ 000's	Total minimum lease payments $ 000's
Within 1 year	-	-	-	-
After 1 year but within 2 years	761	782	-	-
After 2 years but within 5 years	-	-	1,060	1,107
After 5 years	15,437	17,028	16,735	18,746
	16,198	17,810	17,795	19,853
Present value of lease liabilities	**16,198**		**17,795**	
Less: total future interest expenses		(1,612)		(2,058)
Present value of lease liabilities		**16,198**		**17,795**

16 Lease liabilities (continued)

The Company leases various properties and information technology facilities through contracts. These leases typically run for an initial period of 5 to 15 years. Some leases include an option to renew the lease for an additional period after the end of the agreement term. Where practicable, the Company seeks to include such extension options exercisable by the Company to provide operational flexibility.

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Company is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. At 31 December 2023, no potential future cash flows relating to the exercising of extension options have been included in the lease liabilities (2022: $nil).

17 Provisions and contingencies

	2023	2022
	$ 000's	$ 000's
At 1 January	1,197	1,347
Effects of foreign currency movements	71	(150)
At 31 December	**1,268**	**1,197**

The provision is in respect of the estimated reinstatement and dilapidation costs arising from the Company's leasehold premises with agreements expiring on 31 October 2025 and 31 March 2030.

Contingent liabilities

At 31 December 2023, the Company's contingent liabilities arose from ongoing litigation in which the Company is a defendant.

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

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

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

The hearing of the Judicial Review took place from 20 to 22 June 2023, at which the Court heard submissions from the parties on the issue of whether the Decision was unlawful on public law grounds and/or constituted a violation of the claimants' human rights.

On 29 November 2023, the Court gave judgment in the LME's favour on all grounds and ordered the claimants to pay the LME and LME Clear's costs of the JR Proceedings, which are to be assessed by the Court if they are not agreed with the claimants. The Company has not recognised any recovery of costs of the JR Proceedings in the financial statements as the amount is still subject to negotiation with the claimants.

One of the claimants has sought and been granted permission to appeal. The appeal will be heard by the Court of Appeal during 2024. The LME management is of the view that the appeal is without merit and the LME and LME Clear will contest it vigorously.

Taking into account the current status of the claims and appeal process, the Company is of the view that a present obligation does not exist and, accordingly no provision has been made in the financial statements.

17 Provisions and contingencies (continued)

Contingent liabilities (continued)

On 6 February 2024, the London Mining Network and Global Legal Action Network issued a claim for judicial review which seeks to challenge the LME's approach to monitoring the production of metal traded on the Exchange, particularly in the context of alleged environmental damage by mining companies. The claimants are not seeking any monetary damages by way of relief. The LME believes that the claimants' action is misconceived and intends to resist this claim. Judicial review claims require the permission of the court to proceed; the question of whether or not to grant permission has yet to be considered by the court.

Taking into account the current status of the claim, the Company is of the view that a present obligation does not exist and, accordingly no provision has been made in the financial statements.

Contingent assets

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

18 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	2023 $ 000's	2022 $ 000's
Defined contribution scheme	5	3,542	2,814

19 Share capital

Allotted, called-up and fully paid	**2023** **$**	**2022** **$**
At 1 January	156	156
Total share capital as at 31 December	**156**	**156**

The Company has 100 ordinary shares in issue, each with a nominal value of £1. The shares are wholly owned by LME Holdings Limited.

20 Cash inflow from operating activities

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

	2023 $ 000's	2022 $ 000's
Continuing operations		
Profit before tax	77,327	69,901
Adjustment for:		
Depreciation of property, plant and equipment	2,767	2,166
Depreciation of right-of-use assets	2,325	2,373
Amortisation of intangible assets	10,920	15,065
Interest on lease liabilities	554	640
Interest income	(6,382)	(1,683)
Increase in amounts due from group undertakings	(1,131)	(1,648)
(Decrease) / increase in amounts due to group undertakings	(33)	38
Provision for bad debt	70	102
Other non-cash movements	627	(2,348)
Effects of foreign exchange movements	(2,627)	2,209
(Increase) / decrease in trade and other receivables	(5,236)	2,938
Decrease in trade and other payables	(2,068)	(1,374)
Cash inflow from operating activities	**77,113**	**88,379**

21 Dividends paid to shareholder

The Company did not pay an interim dividend during the year (2022: $35,000,000, equivalent to $350,000 per share).

22 Financial risk management

The Company's activities expose it to some financial risks: market risk (including foreign exchange risk, 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

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

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

Investment and fund management is governed by the Company's Investment Policy, which is approved by the Board and reviewed regularly. The Company's investment policy is designed to ensure diversification of investments across a range of highly rated financial institutions and to minimise risk through the use of risk based limits. No investments are made for speculative purposes. In addition specific limits are set for each counterparty in control of the investments.

22 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value or cash flows of an asset, liability or highly probable forecast transaction denominated in foreign currency (i.e. a currency other than the functional currency of the Company) will fluctuate because of changes in foreign exchange rates.

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

At 31 December 2023 a 10% weakening/strengthening of GBP against USD, with all other variables held constant, would have resulted in a foreign exchange gain/loss of $4,008,000 (2022: $4,357,000), all as a result of translation of GBP denominated trade receivables and bank balances amounting to $40,077,000 (2022: $43,565,000).

(ii) Price risk

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 deposits on call and short-term. The Company’s income and operating cash flows however are not materially affected by market interest rates.

The Company’s interest rate risk arises from its interest bearing bank accounts 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.

(iv) 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 150 basis-point shift in interest rates would be a maximum increase or decrease of $1,583,000 (2022: $1,378,000).

The Company places its term deposits to manage its liquidity needs and to maximise revenue within the Board-approved investment policy.

The Company’s short-term deposits as at the year-end are $105,534,000 (2022: $91,848,000).

(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 long term credit rating minimum of A2. Trade and other receivables are primarily settled in cash within 3 months of the balance sheet date. Impairment provisions are made against trade and other receivables based on the accounting policies set out in note 1.

(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 and a risk calculated buffer. Management monitors rolling forecasts of the Company’s liquidity reserve on the basis of expected cash flows.

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

The contributions in respect of the Company's pension scheme are disclosed in note 18.

Parent and group subsidiaries

During the years ended 31 December 2023 and 31 December 2022 the Company undertook the following transactions with other related parties.

LME Clear Limited	**2023**	**2022**
	$ 000's	**$ 000's**
Intra group licensing fee	10,000	10,000
Payroll costs for LME Clear Limited employees paid by LME	15,847	14,570
Shared services – staff-related	7,058	7,665
IT related services	3,546	3,455
Facilities costs	671	561
Legal costs	6,983	-
Other costs	1,236	1,573
	45,341	**37,824**

Hong Kong Exchanges and Clearing Limited	**2023**	**2022**
	$ 000's	**$ 000's**
Expenses in relation to share based payments	(3,837)	(4,345)
Staff costs	1,291	394
Data license fee	600	600
Insurance charges	-	(200)
IT related services	550	1,340
Marketing services	9	12
Other costs	(420)	(310)
	(1,807)	**(2,509)**

The Stock Exchange of Hong Kong Limited	**2023**	**2022**
	$ 000's	**$ 000's**
Staff costs	492	-
Other costs	25	21
	517	21

23 Transactions with related parties (continued)

The Hong Kong Futures Exchange Limited	**2023**	**2022**
	$ 000's	**$ 000's**
Staff costs	495	-
Other costs	25	21
	520	21

Gangsheng Technology Services (Shenzen) Limited	**2023**	**2022**
	$ 000's	**$ 000's**
IT related staff costs	(591)	(837)

HKEX Investment (UK) Limited	**2023**	**2022**
	$ 000's	**$ 000's**
Other costs	3	3

Total monies collected by LME Clear Limited as agent and paid to the Company in 2023 were $179,209,000 (2022: $167,322,000).

For the years ended 31 December 2023 and 31 December 2022 the balances with other related parties were as follows

	2023		**2022**	
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
	Owed by:	Owed to:	Owed by:	Owed to:
LME Clear Limited	6,513	-	7,034	-
LME Holdings Limited	-	-	47	-
Hong Kong Exchanges and Clearing Limited	1,489	-	837	-
The Stock Exchange of Hong Kong Limited	527	-	5	-
Hong Kong Futures Exchange Limited	530	-	5	-
Gangsheng Technology Services (Shenzen) Limited	-	53	-	86
	9,059	**53**	**7,928**	**86**

During the year the Company paid dividends of $nil to its parent, LME Holdings Limited (2022: $35,000,000).

Amounts due from related parties are typically settled on a monthly basis. An assessment of these intercompany positions has been made and it was determined that the probability of default is extremely low and any expected credit losses would therefore be immaterial. Amounts due to related parties have contractual payment terms of less than three months (2022: less than three months).

Notes to the financial statements (continued)

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:

	2023 $ 000's	2022 $ 000's
Salaries and other short-term benefits	6,584	5,587
Share-based payments	2,063	1,990
Pensions	155	51
Remuneration for loss of office	-	321
	8,802	**7,949**

25 Directors' emoluments

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

	2023 $ 000's	2022 $ 000's
Aggregate emoluments	3,997	3,271
Company contributions paid to defined contribution pension scheme	13	5
	4,010	**3,276**

There are no retirement benefits accruing to directors under the defined contribution scheme (2022: $nil).

Remuneration of highest paid director

	2023 $ 000's	2022 $ 000's
Aggregate emoluments	2,682	2,349
Company contributions paid to defined contribution pension scheme	13	5
	2,695	**2,354**

There are no retirement benefits accruing under the defined contribution scheme (2022: $nil).

26 Long-term incentive plan

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

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

Employee Share Awards vest progressively over the vesting period after the shares are granted, provided that the relevant awardees (i) remain employed by the Company (ii) are made redundant or (iii) are deemed to be 'good leavers'. Effective 1 January 2023, the scheme rules relating to the vesting of shares have been amended, with any share awards granted on or after 1 January 2023 vesting in accordance with the original vesting schedule, instead of vesting immediately on the date of retirement of the awardees. Unless otherwise determined by the HKEX Board, the HKEX Remuneration Committee or the Chief Executive, the vesting period of Employee Share Awards granted was 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 financial statements and an increase to investment in subsidiaries in HKEX's financial statements, with a corresponding credit to employee share-based compensation reserve. Fair values of awarded shares are derived from quoted market prices on the date of purchase. Any reimbursement by the Company to HKEX is offset against the capital contribution.

During 2023, Awarded Sums amounting to $3,705,000 were granted to selected employees (2022: $3,165,000). At 31 December 2023, the allocation of shares had not yet been completed.

Details of the awarded shares vesting in part or in full in 2023:

Date of Award	**Number of shares awarded**	**Average fair value per share $**	**Reference sum award $ 000's**	**Vesting period**
31-Dec-20	79,170	56.57	-	9 Dec-2020 - 9 Dec-2023
31-Dec-21	91,366	58.48	-	9 Dec-2021 - 9 Dec-2024
31-Dec-22	75,567	42.24	-	7 Dec 2022 - 7 Dec-2025
31-Dec-23	-	-	3,705	8 Dec 2023 - 8 Dec-2026

Movement in the number of awarded shares:

	2023	**2022**
Outstanding at 1 January	121,664	147,964
Awarded	75,567	91,366
Vested	(74,042)	(100,295)
Forfeited	(11,471)	(16,898)
Good leavers	(4,389)	(473)
Outstanding at 31 December	**107,329**	**121,664**

Notes to the financial statements (continued)

27 Exchange Members

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

	Number of Members at 31 December 2023	Number of Members at 31 December 2022
Category 1	8	8
Category 2	29	29
Category 3	5	5
Category 4	3	4
Category 5	46	46
Category 6	2	4
Category 7	25	25

Registered Intermediating Brokers	2023	2022
Tier 1	-	-
Tier 2	8	7

28 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 parent 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 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.