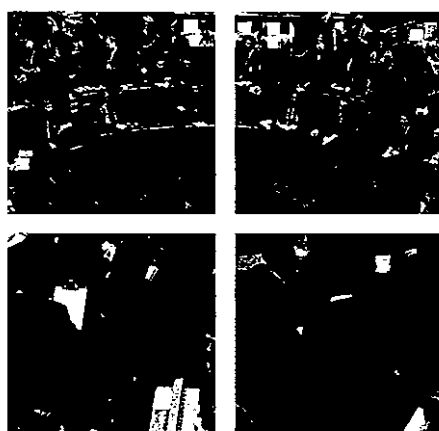


LONDON METAL EXCHANGE  
**FINANCIAL STATEMENTS**

31ST DECEMBER 1996



**THE LONDON METAL EXCHANGE LIMITED**  
A COMPANY LIMITED BY GUARANTEE

56 LEADENHALL STREET LONDON EC3A 2BJ

REGISTERED IN ENGLAND NO 2128666



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# 31ST DECEMBER 1996

## DIRECTORS AND ADVISERS

### DIRECTORS

The Lord Bagri CBE	<i>(Chairman)</i>
R Kestenbaum	<i>(Vice Chairman)</i>
DE King	<i>(Chief Executive)</i>
GD Cohn	
PCF Crowson	
KC Davies	
NK Dentoom	(Appointed 12th June 1996)
CJ Farrow	
MJ Hutchinson	(Resigned 12th June 1996)
D Jackman	
B Jones	
LC Jones	(Resigned 31st December 1996)
MJG Linington	
AR Miele	(Appointed 9th April 1997)
D Normark	
B Östgren	
R Reinert	(Appointed 7th February 1997)
JC Richards	(Resigned 17th March 1997)
GR Slater	

### AUDITORS

Price Waterhouse  
Chartered Accountants  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

### SOLICITORS

Linklaters & Paines  
Barrington House  
59-67 Gresham Street  
London EC2V 7JA

### BANKERS

Lloyds Bank plc  
Fenchurch Street Branch  
72 Fenchurch Street

## CHAIRMAN'S STATEMENT

The year under review marked another milestone in the continuing growth and success of the London Metal Exchange, notwithstanding the difficulties presented by the occurrence of what has become known as the "Hamanaka Affair".

### FINANCIAL PERFORMANCE

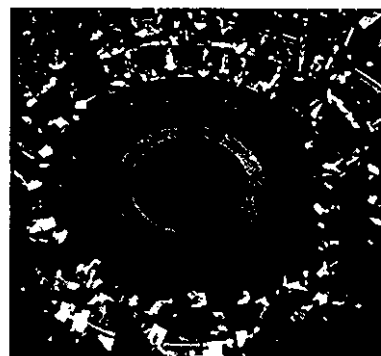
The Exchange turnover of 47.5 million lots, represented over one billion tonnes of metal traded. Higher contract levy rates were the primary source of the year's increased income. Administrative Expenses rose primarily as a direct result of additional legal and professional costs arising out of the Hamanaka Affair, totalling about £1 million for the year.

The Company's policy has been to run an efficient market, adequately but prudently financed. Members will be aware that the Exchange does not have subscribed capital. Our capital consists of the reserves, which have been accumulated from retained profits of past years, which essentially finance the fixed assets of the Exchange such as computer and communications equipment, leasehold improvements, furniture and fittings, as well as providing a modest cushion to protect against the unexpected.

### LME CONTRACTS

The LME Metals' Committees have continued to keep the metals Contract specifications under review in order to ensure that our Contracts continue to meet the industry's needs. The ongoing listing and delisting of approved brands of metals has also continued.

During the course of the year significant work was undertaken on a completely new type of Contract for the trading of average rate options (TAPOS). Two Contracts were launched in February 1997, initially for Copper-Grade A and Primary Aluminium, with a view to bringing onto the Exchange business much of which was already taking place in the less transparent and less well regulated over-the-counter market.



## CHAIRMAN'S STATEMENT

### WAREHOUSING

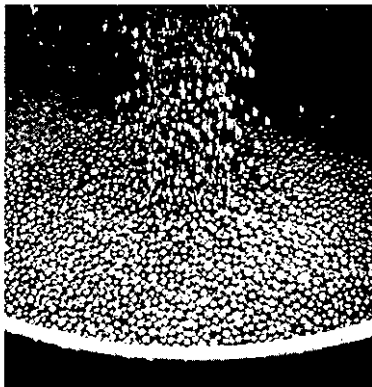
Exchange monitoring of the activities of the warehouse companies approved by it was, as always, very active during the year, even though tonnages of metal stored on LME Warrant have declined significantly in the case of some metals during the period, reflecting increased industrial demand.

### MARKETING AND PUBLICITY

We have continued to provide speakers at a number of major international conferences during the year and have conducted a number of educational seminars both in the UK and overseas. During the latter part of the year, we developed an options seminar which has received substantial praise from attendees. We have also produced a new LME video covering our activities. This video will be available in the French, German, Japanese, Italian, Spanish, Russian and Chinese languages as well as English. LME's promotional Profile brochure will also be available in these languages.

In June 1996, the LME launched its new website - a site providing a "shop window", displaying details of LME Contracts, services, membership and statistical data. This site has proved very popular and as at 31st December 1996 had been accessed by over 40,000 users.

Our vendor feed system continued to grow during the year both in terms of the ever-increasing population of terminals around the globe through which LME data is available and of monies generated from the system.



### SAMPLERS AND ASSAYERS

In order to raise the standards we seek of LME approved Samplers and Assayers, we developed enhanced criteria for their approval. Our aim has been to ensure that market participants are better served by such agencies.

## CHAIRMAN'S STATEMENT

### THE LONDON CLEARING HOUSE LTD. (LCH)

Considerable effort has been invested by the LME Executive during the past two years in negotiating, along with other relevant Recognised Investment Exchanges and Clearing Members, acquisition terms for the purchase of LCH from its banking shareholders. This transaction was finalised during the course of the year and the new structure has worked particularly well, being in essence, a business partnership between the relevant Exchanges and Clearing Members.

### REGULATION

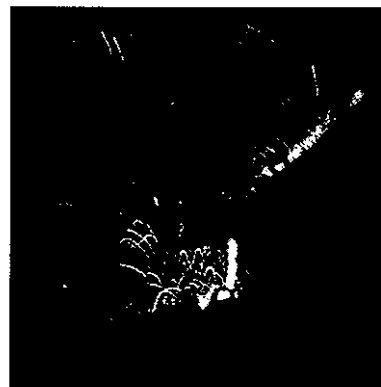
Aside from the Hamanaka Affair, there are a number of other regulatory areas worthy of comment:

As part of its natural evolution, the LME introduced rules and regulations relating to non-market price transactions, give-ups and transfers. The Exchange also worked closely with the Futures and Options Association in addressing the regulatory challenges posed by the introduction of netting rules.

### THE HAMANAKA AFFAIR

In the Autumn of 1995, the Chief Executive, concerned about the structure of the Copper market, instigated an unprecedented and detailed investigation, seeking in the process information relating, inter alia, to the over-the-counter and physical trading activities as well as the on-Exchange LME business of Member firms and their clients. Analysis of this data by the Chief Executive caused him to express concerns to the Board, which in turn authorised the establishment of an independent Committee to address the problem. This Committee worked closely thereafter with the SIB, the SFA and, where appropriate, with the CFTC.

On 14th June 1996, Sumitomo Corporation, a non-Member firm outside of the jurisdiction of the LME and the UK regulatory authorities, announced that through the unauthorised trading of its chief copper trader over a period of ten years it had lost \$1.8 billion. This figure was subsequently revised upwards to \$2.6 billion. The work undertaken by



## CHAIRMAN'S STATEMENT

the LME in close co-operation with the regulatory authorities was, I believe, fundamental to the eventual identification by Sumitomo Corporation of the losses it had incurred.

After the Sumitomo announcement of its losses, questions were naturally asked about the LME's regulatory role. I therefore invited the SIB to undertake a wide-ranging review of the LME and the metals markets so that an independent and authoritative judgement would be available. This review was completed and the results published in December 1996.

Two key and very positive findings of the review were, first, that LME's industrial and commercial clients, save for a very small minority of mainly US respondents, very much like its trading practices and seek no changes thereto and, second, that the SIB identified no significant systemic risks arising from the way the LME operates.



The SIB made a number of recommendations in certain areas. Key among these recommendations were enhancements to transparency, warehousing, information sharing and market monitoring, along with some changes to the Board and Committee structure as well as strengthening of the Executive. LME is taking active steps to implement these recommendations on a timely basis.

### FUTURE PLANS

Along with implementation of the SIB's recommendations in consultation with LME's Members and their clients, the Exchange proposes to review a number of strategic issues over the coming months. These include in particular, the ever-changing technological and regulatory environment in which the LME operates.

I would like to thank my colleagues on the Board and in the Executive for their support and I look forward to their continuing co-operation as we move into 1997 as an even stronger global Exchange.

THE LORD BAGRI CBE  
Chairman 12th May 1997

## DIRECTORS' REPORT

The Directors submit their annual report to the Members together with the audited financial statements for the year ended 31st December 1996.

### ACTIVITIES

The Company's main activity is the provision of administrative and other services to the Members of the London Metal Exchange and the maintenance of proper standards in accordance with its Rules and Regulations and with Schedule IV of the Financial Services Act 1986 in business conducted on the Exchange.

### RESULTS

The profit for the year ended 31st December 1996 before taxation was £561,388 (1995 : £816,844) and after accounting for taxation was £331,512 (1995 : £478,679).

The Directors do not recommend the payment of a dividend (1995 : £Nil).

Other information concerning the events of the year is contained in the Chairman's Statement.

### DIRECTORS

The Directors of the Company who served during the year are listed on page 4.

The Members of the Board retiring by rotation in accordance with the Articles of Association are Messrs G D Cohn, D Jackman, R Kestenbaum and MJG Linington. Mr G.D. Cohn is not offering himself for re-election.

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

### FIXED ASSETS

Movements in fixed assets are shown in Note 7 to the accounts.

### CHARITABLE DONATIONS

The Company made charitable donations during the year totalling £7,025 (1995 : £16,145).

### FUTURE DEVELOPMENTS

Future developments are outlined in the Chairman's statement.



## DIRECTOR'S REPORT

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution will be proposed at the Annual General Meeting for their reappointment as Auditors.

By Order of the Board.

ND Banks

Secretary 12th May 1997



## DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CADBURY CODE OF BEST PRACTICE

The Board of Directors has reviewed the Company's compliance with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. Although The London Metal Exchange Limited is not required to comply with the Code, it wishes to demonstrate high standards of corporate governance through voluntary compliance. The Board believes that The London Metal Exchange Limited complies with the Code, in as far as it is relevant to its constitution and structure.

The Code is principally aimed at companies listed on the London Stock Exchange and, therefore, not all of its requirements are directly applicable to the constitution and structure of The London Metal Exchange Limited. In the context of the Code, the principal differences between The London Metal Exchange Limited and listed companies relate to the composition of the Board and the absence of shareholders. The Articles of Association of The London Metal Exchange Limited prescribe the composition of the Board and the procedures for appointment to it. In practice the Chief Executive is the only member of the Board who is a member of the management of the Exchange, eleven Directors are elected by the Members of the Exchange and the remaining four Invited Directors are appointed by the Board. With effect from 17th March 1997, the permitted number of Invited Directors increased from 4 to 6.

### DIRECTOR'S REMUNERATION

Remuneration is paid only to the Chief Executive and to Invited Directors. The remuneration of Invited Directors is determined by the elected Directors. The pay of the Chief Executive is determined by the Board excluding the Chief Executive and is disclosed in note 5 to the accounts.

### INTERNAL CONTROL

The Directors are responsible for the Company's system of internal financial control which aims to safeguard the Company's assets, ensure proper accounting records are maintained and that the financial information used within the business for publication is reliable. Any system of internal

control, can, however, only provide reasonable, but not absolute, assurance against material misstatement and loss.

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

**Organisation and culture.** The Board seeks to emphasise a culture of integrity, competence, fairness and responsibility.

It meets regularly, focusing on strategic and operational issues and financial performance. The Board determines how the Company operates within a framework of delegated authorities and reserved powers.

**Financial reporting.** There is a comprehensive planning system with an annual budget approved by the Board. Results are reported monthly and compared to the budget.

**Business controls.** The Company operates within a control framework which is communicated throughout the Company by means of a policies and procedures manual. The manual, reviewed by the auditors and approved by the Board, lays down accounting policies and financial control procedures, in addition to controls of a more operational nature. The Audit Committee comprises four directors, two of whom are Invited Directors. The non-executive Chairman of the Board attends meetings of this Committee in his capacity as ex-officio member of all LME Committees. The Chief Executive also attends these meetings. The Chairman of the Audit Committee is one of the two aforementioned Invited Directors. Its terms of reference include the detailed review of the Financial Statements prior to their consideration by the Board.

The Audit Committee has reviewed the operation and effectiveness of this framework, which operated during the period covered by the Directors' Report and Financial Statements.

### GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

We have audited the Financial Statements on pages 13 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 16.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 10 the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

### **OPINION**

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31st December 1996 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*



**Price Waterhouse**

Chartered Accountants  
and Registered Auditors

London  
12th May 1997

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1996**

	1996	1995
	£	£
<b>INCOME</b> (notes 1(b),2)	8,026,171	6,849,165
Administrative expenses (note 3)	(7,790,215)	(6,350,618)
Interest receivable	325,432	318,297
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	561,388	816,844
Tax on profit on ordinary activities (note 6)	(229,876)	(338,165)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	331,512	478,679
Retained profit brought forward	6,119,079	5,640,400
<b>RETAINED PROFIT CARRIED FORWARD</b>	6,450,591	6,119,079

The Company has no recognised gains or losses other than those shown in the profit and loss account above.  
All gains and losses recognised are based on historical cost and arise from continuing operations.

**BALANCE SHEET AS AT 31ST DECEMBER 1996**

	1996	1995
	£	£
<b>FIXED ASSETS</b>		
Tangible fixed assets (Note 7)	3,465,640	4,169,893
Investment (Note 8)	2,725,000	—
<b>CURRENT ASSETS</b>		
Debtors (Note 9)	1,289,892	1,155,182
Cash at bank and in hand	2,862,950	4,084,968
	<u>4,152,842</u>	<u>5,240,150</u>
<b>CREDITORS</b> -amounts falling due within one year (Note 10)	<u>(3,502,285)</u>	<u>(2,765,842)</u>
<b>NET CURRENT ASSETS</b>	<u>650,557</u>	<u>2,474,308</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	6,841,197	6,644,201
<b>CREDITORS</b> -amounts falling due after one year (Note 11)	<u>(390,606)</u>	<u>(525,122)</u>
<b>TOTAL NET ASSETS</b>	<u>6,450,591</u>	<u>6,119,079</u>
<b>RESERVES</b>		
Profit and loss account	<u>6,450,591</u>	<u>6,119,079</u>

These accounts were approved by the Board of Directors on 12th May 1997.

The Lord Bagri CBE  
R Kestenbaum

} Directors

The notes on pages 16 to 21 form part of these accounts.

# **CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1996**

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b> (Note 14a)	1,802,592	1,158,780
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
Interest received	328,118	313,741
<b>TAXATION</b>		
Corporation tax paid	(326,574)	(664,996)
<b>CAPITAL EXPENDITURE</b>		
Purchase of fixed asset investment	(2,725,000)	-
Purchase of tangible fixed assets	(301,235)	(334,125)
Receipts from sales of tangible fixed assets	81	5,626
<b>(DECREASE)/INCREASE IN CASH</b> (Note 14b)	<u>(1,222,018)</u>	<u>479,026</u>

The notes on pages 16 to 21 form part of these accounts.

# NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

## 1: PRINCIPAL ACCOUNTING POLICIES

### (a) Accounting convention.

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### (b) Income.

Income represents fees, subscriptions and sundry receipts which have been shown in the profit and loss account exclusive of value added tax.

### (c) Depreciation.

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

Short leaseholds and leasehold improvements	over ten years
Furniture, fixtures and equipment	20% on assets acquired prior to 31st October 1994 33 $\frac{1}{3}$ % on assets acquired after 31st October 1994
Vendor feed equipment	over the term of the hire purchase agreement. This equipment was fully written down by 31st December 1991.

### (d) Deferred taxation.

Full provision is made for deferred taxation at 33% in respect of timing differences which are expected to reverse within the foreseeable future.

### (e) Leasing and rental agreements.

Payments under non-property leasing agreements are charged against profit in the period in which they become due. The inducement payment and rent-free periods arising on the lease of 56 Leadenhall Street have been accounted for such that the same annual lease cost will be charged to the profit and loss account in the first ten years of the lease.

### (f) Pensions.

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

## NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

**2. INCOME**

Income comprises the following items:

	1996	1995
	£	£
Contract levy	5,246,131	4,132,793
Joining fees and subscriptions	1,221,768	1,198,965
Listing fees	264,548	196,926
Registration fees and Exchange fees receivable in respect of the vendor feed service	775,350	764,655
Warehouse stock levy	285,942	353,790
Other receipts	232,432	202,036
	<u>8,026,171</u>	<u>6,849,165</u>

Registration and Exchange fees receivable in respect of the vendor feed system are shown after deduction of £1,493,535 in respect of the allocation of the vendor feed surplus to contributing members (1995 – £1,411,958).

Other receipts include income from the LME Dinner of £139,861 (1995 – £136,040).

**3: ADMINISTRATIVE EXPENSES**

Operating profit is stated after charging administrative expenses as follows:

	1996	1995
	£	£
Accommodation – including operating lease charges of £331,580 (1995 – £331,580)	1,701,236	1,744,001
Staff costs (Note 4)	1,739,268	1,621,829
Travel and entertaining	236,221	236,243
SIB levy	259,250	215,813
Legal and professional		
– relating to relocation	–	43,509
– Sumitomo Copper problem and the SIB's investigation costs	950,006	–
– other	568,989	519,733
Publicity	412,390	290,833
Cost of LME Dinner	139,735	135,142
Depreciation (Note 7)	1,005,488	935,757
(Profit)/loss on disposal of fixed assets	(81)	3,294
Auditors' remuneration – audit fee	15,600	15,200
– non audit fees	486,038	328,460
Other expenses – including operating lease charges of £9,666 (1995 – £13,139)	276,075	260,804
	<u>7,790,215</u>	<u>6,350,618</u>

The LME dinner is run on the basis that it is substantially self-financing. In the year to 31st December 1996, income as disclosed in note 2 above, exceeded costs by £126 (1995 : £898).



## NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

**4: STAFF NUMBERS AND COSTS**

The average number of persons employed by the Company during the year was as follows:

	1996	1995
Administration	43	42

The aggregate payroll cost of these persons was as follows:

	1996	1995
	£	£
Wages and salaries	1,494,687	1,398,060
Social security costs	139,702	127,766
Other pension costs	104,879	96,003
	<u>1,739,268</u>	<u>1,621,829</u>

**5: DIRECTORS' EMOLUMENTS**

Directors' emoluments including pension contributions, which have been included in staff costs were as follows:

	1996	1995
	£	£
Emoluments	209,667	181,137
Pensions contributions	20,889	17,975
Fees as non-executive directors	37,500	37,500
	<u>268,056</u>	<u>236,612</u>

Not included in the above are fees of £12,500 waived by one non-executive director. The highest paid director was Mr DE King who received emoluments in the year of £209,667 (1995 : £181,137). The Chairman received no emoluments in the year (1995 : Nil). The number of directors, whose remuneration, excluding pension contributions, fell into the following bandings, was as follows:

	1996	1995
£0 - £5,000	13	14
£10,001 - £15,000	3	3
£180,001 - £185,000	-	1
£205,001 - £210,000	1	-
	<u>17</u>	<u>18</u>

Thirteen of the non-executive directors received no emoluments in the year.

**6: TAX ON PROFIT ON ORDINARY ACTIVITIES**

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

	1996	1995
	£	£
UK corporation tax at 33% (1995 - 33%)	319,179	337,395
Deferred taxation	(82,022)	770
Prior year over provision	(7,281)	-
	<u>229,876</u>	<u>338,165</u>

## NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

## 7: TANGIBLE FIXED ASSETS

	Short leaseholds and leasehold improvements	Equipment	Furniture, fixtures and fittings	Total
Cost	£	£	£	£
At 1st January 1996	3,457,014	1,794,214	447,085	5,698,313
Additions	157,372	126,201	17,662	301,235
Disposals	—	(2,492)	—	(2,492)
At 31st December 1996	<u>3,614,386</u>	<u>1,917,923</u>	<u>464,747</u>	<u>5,997,056</u>
Depreciation				
At 1st January 1996	403,318	952,693	172,409	1,528,420
Charge for year	363,211	495,964	146,313	1,005,488
Eliminated on disposal	—	(2,492)	—	(2,492)
At 31st December 1996	<u>766,529</u>	<u>1,446,165</u>	<u>318,722</u>	<u>2,531,416</u>
Net Book Amount				
At 31st December 1996	<u>2,847,857</u>	<u>471,758</u>	<u>146,025</u>	<u>3,465,640</u>
At 31st December 1995	<u>3,053,696</u>	<u>841,521</u>	<u>274,676</u>	<u>4,169,893</u>

Equipment includes items acquired under a finance lease at a cost of £292,593. This equipment was fully written down as at 31st December 1991.

## 8: FIXED ASSET INVESTMENT

On 10th October 1996, 5.45% of the issued share capital of The London Clearing House Limited was acquired for a cash consideration of £2,725,000.

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

## 9: DEBTORS

	1996	1995
	£	£
Contract levy receivable	399,616	310,412
Other debtors	312,660	248,233
Prepayments and accrued income	577,616	596,537
	<u>1,289,892</u>	<u>1,155,182</u>

## NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

**10: CREDITORS - Amounts falling due within one year**

	1996	1995
	£	£
Other creditors	929,166	532,124
Taxation and social security	91,506	42,860
Accruals	2,071,970	1,766,539
Corporation tax	357,149	371,825
Deferred income	52,494	52,494
	<u>3,502,285</u>	<u>2,765,842</u>

**11: CREDITORS - Amounts falling due after one year**

	1996	1995
	£	£
Provision for deferred tax (Note 13)	23,148	105,170
Deferred income	367,458	419,952
	<u>390,606</u>	<u>525,122</u>

**12: OPERATING LEASES**

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

	1996	1995
	£	£
Operating leases which expire:		
– within one year	4,715	–
– within two to five years	507,531	517,182

**13: DEFERRED TAXATION**

Full provision has been made in the Financial Statements for the deferred tax liability calculated at 33% (1995 – 33%) as follows:

	1996	1995
	£	£
Interest receivable	–	(3,232)
Accelerated capital allowances	(23,148)	(101,938)
	<u>(23,148)</u>	<u>(105,170)</u>

Movements in deferred tax are noted as follows:

	£
Balance at 1st January 1996	(105,170)
Profit and loss	82,022
Balance at 31st December 1996 (Note 11)	<u>(23,148)</u>

## NOTES TO THE ACCOUNTS AS AT 31ST DECEMBER 1996

**14: CASHFLOW****(a) Net cash inflow from operations**

	1996	1995
	£	£
Profit before interest and tax	235,956	498,547
Depreciation	1,005,488	935,757
(Profit)/Loss on sale of tangible fixed assets	(81)	3,294
(Increase)/Decrease in debtors	(137,396)	284,120
Increase/(Decrease) in creditors	698,625	(562,938)
	<u>1,802,592</u>	<u>1,158,780</u>

**(b) (Decrease)/Increase in cash**

	1996	1995
	£	£
Cash at 1st January 1996	4,084,968	3,605,942
(Decrease)/Increase in cash	(1,222,018)	479,026
Cash at 31st December 1996	<u>2,862,950</u>	<u>4,084,968</u>

**15: CAPITAL COMMITMENTS**

At 31st December 1996, the Company had capital commitments outstanding as follows:

	1996	1995
	£	£
Authorised and contracted	—	17,500

**16: CONTINGENT LIABILITIES**

The Company has provided a rental guarantee up to a maximum of £620,000 (1995 : £620,000) to the lessor of 56 Leadenhall Street.

**17: MEMBERS**

At 31st December 1996 the number of Members of the Company by category was as follows:

	1996	1995
Category	Number of Members at 31st December	Number of Members at 31st December
i Ring Dealing	17	17
ii Associate Broker Clearing	21	21
iii Associate Trade Clearing	6	6
iv Associate Broker	6	6
v Associate Trade	53	59
vi Individual	20	19

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

## METAL TRADING STATISTICS

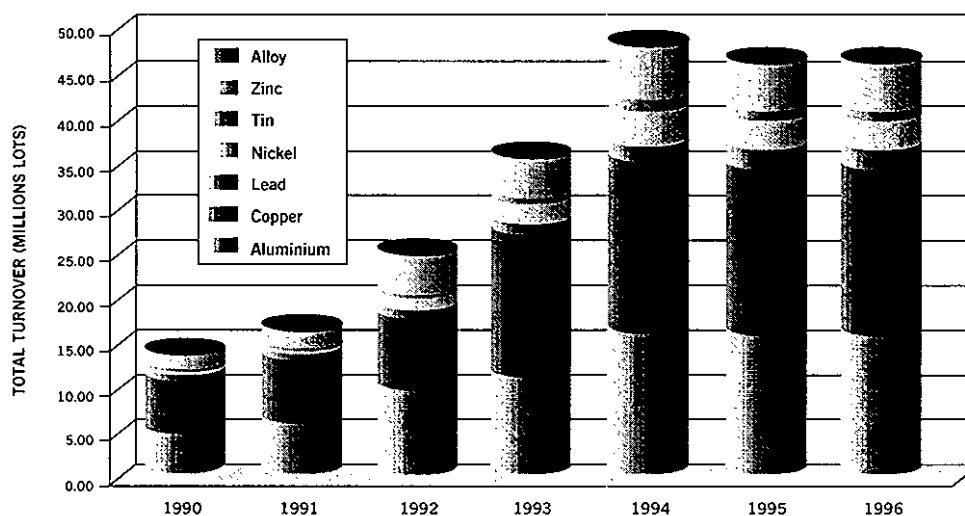
## OFFICIAL TURNOVERS, FUTURES AND OPTIONS, 1990-1996

	1990	1991	1992	1993	1994	1995	1996
Primary Aluminium	4,356	5,732	9,257	10,984	15,836	15,302	15,583
Copper	5,994	7,385	7,945	16,012	19,392	19,743	20,108
Lead	612	707	986	1,038	1,988	1,781	2,234
Nickel	582	732	1,485	2,189	3,547	3,403	3,159
Tin	361	360	534	625	1,219	1,291	1,131
Zinc	1,448	2,022	4,528	4,331	5,557	5,419	4,979
Aluminium Alloy	—	—	7	111	149	211	293
<b>GRAND TOTAL</b>	<b>13,353</b>	<b>16,938</b>	<b>24,742</b>	<b>35,290</b>	<b>47,688</b>	<b>47,150</b>	<b>47,487</b>

All figures above are in 000s of lots. Aluminium Alloy lots are of 20 tonnes, Nickel lots of 6 tonnes, Tin lots of 5 tonnes. For all other metals, lots are of 25 tonnes.

Aluminium Alloy commenced trading 3-months on 6th October 1992, with cash trading commencing on 4th January 1993.

## TOTAL FUTURES AND OPTIONS TURNOVERS 1990 TO 1996



## LONDON METAL EXCHANGE

## METAL TRADING STATISTICS

## AVERAGE OFFICIAL LME PRICES FOR THE YEAR 1996

## IN US DOLLARS PER TONNE

	Primary Aluminium	Aluminium Alloy	Copper Grade A	Standard Lead	Primary Nickel	Tin	Special High Grade Zinc
Cash Buyer	1,503.69	1,298.27	2,288.37	773.08	7,494.01	6,157.98	1,024.34
Cash Seller & Settlement	1,504.47	1,302.84	2,290.46	773.96	7,499.72	6,164.34	1,025.03
Cash Mean	1,504.08	1,300.56	2,289.42	773.52	7,496.87	6,161.16	1,024.68
3-months Buyer	1,534.40	1,331.94	2,221.36	770.80	7,598.60	6,197.35	1,048.43
3-months Seller	1,535.06	1,335.73	2,222.94	771.64	7,603.90	6,202.20	1,049.09
3-months Mean	1,534.73	1,333.83	2,222.15	771.22	7,601.25	6,199.78	1,048.76
15-months Buyer	1,618.63	1,459.94	2,073.52	736.17	7,770.59	6,223.96	1,098.22
15-months Seller	1,623.63	1,479.94	2,084.04	741.19	7,790.59	6,234.00	1,103.22
15-months Mean	1,621.13	1,469.94	2,078.78	738.68	7,780.59	6,228.98	1,100.72
27-months Buyer	1,653.25		2,035.33		7,808.78		1,116.35
27-months Seller	1,658.25		2,045.85		7,828.78		1,121.35
27-months Mean	1,655.75		2,040.59		7,818.78		1,118.85

## LONDON METAL EXCHANGE

## METAL TRADING STATISTICS

HIGHEST AND LOWEST OFFICIAL LME PRICES  
DURING THE YEAR 1996  
IN US DOLLARS PER TONNE

	Primary Aluminium		Aluminium Alloy		Copper Grade A	
	High	Low	High	Low	High	Low
Cash Buyer	1,674.00 (02 Jan)	1,285.00 (10 Oct)	1,460.00 (02 Jan)	1,165.00 (10 Oct)	2,840.00 (9 May)	1,828.00 (27 Jun)
Cash Seller	1,674.50 (02 Jan)	1,286.00 (10 Oct)	1,465.00 (02 Jan)	1,170.00 (10 Oct)	2,841.00 (9 May)	1,830.00 (27 Jun)
Cash Mean	1,674.25 (02 Jan)	1,285.50 (10 Oct)	1,462.50 (02 Jan)	1,167.50 (10 Oct)	2,840.50 (9 May)	1,829.00 (27 Jun)
3-months Buyer	1,697.50 (02 Jan)	1,317.00 (10 Oct)	1,495.00 (02 Jan)	1,190.00 (10 Oct)	2,702.00 (9 May)	1,785.00 (26 Jun)
3-months Seller	1,698.00 (02 Jan)	1,317.50 (10 Oct)	1,505.00 (02 Jan)	1,200.00 (10 Oct)	2,703.00 (9 May)	1,790.00 (26 Jun)
3-months Mean	1,697.75 (02 Jan)	1,317.25 (10 Oct)	1,500.00 (02 Jan)	1,195.00 (10 Oct)	2,702.50 (5 Sep)	1,787.50 (26 Jun)
15-months Buyer	1,768.00 (02 Jan)	1,438.00 (10 Oct)	1,640.00 (02 Jan)	1,315.00 (10 Oct)	2,400.00 (2 Jan)	1,780.00 (24 Jun)
15-months Seller	1,773.00 (02 Jan)	1,443.00 (10 Oct)	1,660.00 (02 Jan)	1,335.00 (10 Oct)	2,410.00 (2 Jan)	1,800.00 (24 Jun)
15-months Mean	1770.50 (02 Jan)	1,440.50 (10 Oct)	1,650.00 (02 Jan)	1,325.00 (10 Oct)	2,405.00 (2 Jan)	1,790.00 (24 Jun)
27-months Buyer	1,765.00 (02 Jan)	1,518.00 (10 Oct)			2,300.00 (2 Jan)	1,780.00 (24 Jun)
27-months Seller	1,770.00 (02 Jan)	1,523.00 (10 Oct)			2,310.00 (2 Jan)	1,800.00 (24 Jun)
27-months Mean	1767.50 (02 Jan)	1,520.50 (10 Oct)			2,305.00 (2 Jan)	1,790.00 (24 Jun)

## LONDON METAL EXCHANGE

## METAL TRADING STATISTICS

Standard Lead		Primary Nickel		Tin		Special High Grade Zinc	
High	Low	High	Low	High	Low	High	Low
900.00	659.50	8,620.00	6,280.00	6,630.00	5,680.00	1,096.00	977.50
(20 Mar)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(30 Dec)	(13 Mar)	(16 Jul)
902.00	660.00	8,625.00	6,290.00	6,635.00	5,685.00	1,097.00	978.00
(20 Mar)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(30 Dec)	(13 Mar)	(16 Jul)
901.00	659.75	8,622.50	6,285.00	6,632.50	5,682.50	1,096.50	977.75
(20 Mar)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(30 Dec)	(13 Mar)	(16 Jul)
852.00	667.00	8,725.00	6,385.00	6,625.00	5,736.00	1,115.00	1,007.00
(23 May)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(17 Dec)	(13 Mar)	(16 Jul)
853.00	667.50	8,730.00	6,390.00	6,626.00	5,738.00	1,116.00	1,008.00
(23 May)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(17 Dec)	(13 Mar)	(16 Jul)
852.50	667.25	8,727.50	6,387.50	6,625.50	5,737.00	1,115.50	1,007.50
(23 May)	(10 Dec)	(02 Feb)	(30 Dec)	(03 May)	(17 Dec)	(13 Mar)	(16 Jul)
818.00	643.00	8,810.00	6,700.00	6,500.00	5,935.00	1,133.00	1,060.00
(08 Aug)	(15 Jan)	(02 Feb)	(30 Dec)	(08 May)	(16 Dec)	(14 May)	(27 Feb)
823.00	648.00	8,830.00	6,720.00	6,510.00	5,945.00	1,138.00	1,065.00
(08 Aug)	(15 Jan)	(02 Feb)	(30 Dec)	(08 May)	(16 Dec)	(14 May)	(27 Feb)
820.50	645.50	8,820.00	6,710.00	6,505.00	5,940.00	1,135.50	1,062.50
(08 Aug)	(15 Jan)	(02 Feb)	(30 Dec)	(08 May)	(16 Dec)	(14 May)	(27 Feb)
		8,750.00	6,930.00			1,153.00	1,065.00
		(02 Feb)	(30 Dec)			(14 May)	(06 Mar)
		8,770.00	6,950.00			1,158.00	1,070.00
		(02 Feb)	(30 Dec)			(14 May)	(06 Mar)
		8,760.00	6,940.00			1,155.50	1,067.50
		(02 Feb)	(30 Dec)			(14 May)	(06 Mar)



## LONDON METAL EXCHANGE

## METAL TRADING STATISTICS

## WAREHOUSE STOCK MOVEMENT, IN TONNES, FOR THE YEAR 1996

	Primary Aluminium	Copper Grade A	Special High Grade Zinc
* 4th January 1996	584,425	296,425	664,700
Delivered in	832,850	399,800	98,400
Delivered out	(466,000)	(570,875)	(256,275)
* 30th December 1996	951,275	125,350	506,825

	Standard Lead	Primary Nickel	Tin
* 4th January 1996	132,250	44,892	12,005
Delivered in	68,675	54,186	22,770
Delivered out	(82,325)	(50,178)	(24,165)
* 30th December 1996	118,600	48,900	10,610

	Aluminium Alloy
* 4th January 1996	62,600
Delivered in	51,040
Delivered out	(39,200)
* 30th December 1996	74,440

\* First and last stock reporting days in the calendar year

## STATEMENT OF REGULATORY OBJECTIVES

The Exchange is required by the SIB, its regulatory overseer in the UK, to agree a statement of LME's Regulatory Objectives and role as a recognised body and that this should then be published.

In accordance with this requirement we print here the LME Regulatory Objectives which are:

- The maintenance of a proper and orderly Market in each of the Contracts traded on the Exchange, in accordance with the Rules and Regulations of the Exchange.
- The promotion and maintenance of high standards of integrity and fair dealing with respect to its Members and in respect of Contracts traded on the Exchange.
- The provision of appropriate monitoring and enforcement procedures and arrangements to investigate complaints in respect of its Members and business.
- Co-operation with appropriate statutory and regulatory bodies both within and outside the United Kingdom.
- The maintenance of adequate financial resources for the proper performance of its functions.
- To ensure the performance of transactions effected on the Exchange, through agreement, by the London Clearing House.
- To fully comply with relevant sections of Schedule IV of the Financial Services Act 1986, other relevant rules and guidance issued by the SIB, and other relevant UK, EU, US and other authorities, where appropriate.

