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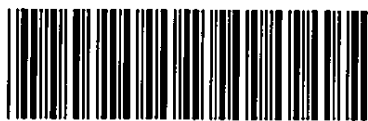
**Ambrian Commodities Limited**

Report and Financial Statements

Year Ended

31 December 2008

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**BDO Stoy Hayward**  
Chartered Accountants

# **Ambrian Commodities Limited**

## **Annual report and financial statements for the year ended 31 December 2008**

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### **Directors**

R F Clegg  
J M Coles  
M A Freeman  
T B Gaffney

### **Secretary and registered office**

J M Coles, Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ.

### **Company number**

5616586

### **Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

# **Ambrian Commodities Limited**

## **Report of the directors for the year ended 31 December 2008**

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The directors present their report and the financial statements of the company for the year ended 31 December 2008.

### **Results and dividends**

The profit for the year, after taxation, amounted to £811,688. The directors have not recommended a dividend.

### **Principal activities and business review**

Ambrian Commodities' London Metal exchange ("LME") metals business made good progress in 2008 and benefited from volatility in metals prices and high customer activity levels. The company has continued to strengthen its presence in the global metals market and at the same time had broadened the geographical client base.

### **Directors**

The directors who served the company during the year were as follows:

R F Clegg  
J M Coles  
M A Freeman  
T B Gaffney

No director had any beneficial interests in the share capital of the company.

J M Coles and T B Gaffney are also directors of the ultimate parent company, Ambrian Capital plc and their interests in the share capital of that company are shown in its financial statements.

### **Financial instruments**

The company has taken advantage of the exemption conferred by Financial Reporting Standard No 29 as detailed in note 16 to the financial statements.

### **Pillar 3 disclosures**

Details of the company's unaudited Pillar 3 disclosures, required under Chapter 11 of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIRPU"), may be found as an annexure to these accounts.

### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

# Ambrian Commodities Limited

## Report of the directors for the year ended 31 December 2008 (*Continued*)

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### Directors' responsibilities (*Continued*)

- 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 that 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 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.

### Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Grant Thornton UK LLP resigned as auditors of the company during the year and BDO Stoy Hayward LLP were appointed as auditors of the company by the directors. BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### By order of the Board

  
J M Coles

### Secretary

27 April 2009

# Ambrian Commodities Limited

## Report of the independent auditors

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### To the shareholders of Ambrian Commodities Limited

We have audited the financial statements of Ambrian Commodities Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

# Ambrian Commodities Limited

## Report of the independent auditors (*Continued*)

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### *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



**BDO STOY HAYWARD LLP**  
*Chartered Accountants  
and Registered Auditors*  
London

**27 April 2009**

# Ambrian Commodities Limited

## Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 As Restated £
Turnover	2	3,376,519	2,000,319
Cost of sales		110,610	3,512
<b>Gross profit</b>		<b>3,265,909</b>	<b>1,996,807</b>
Other operating charges	3	2,701,849	1,988,716
Other operating income		-	(40,230)
<b>Operating profit</b>	4	<b>564,060</b>	<b>48,321</b>
Interest receivable		592,521	490,046
<b>Profit on ordinary activities before taxation</b>		<b>1,156,581</b>	<b>538,367</b>
Tax on profit on ordinary activities	6	344,893	161,510
<b>Profit for the financial year</b>	13	<b>811,688</b>	<b>376,857</b>

All of the activities of the company are classed as continuing.

There are no recognised gains and losses other than the profit for year ended 31 December 2008.

The notes on pages 7 to 14 form part of these financial statements.

# Ambrian Commodities Limited

## Balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 As Restated £	2007 As Restated £
<b>Fixed assets</b>					
Tangible assets	7		13,593		32,977
<b>Current assets</b>					
Current asset investments	8	495,000		512,500	
Debtors	9	6,732,591		3,262,205	
Cash at bank		22,363,990		13,408,503	
		<u>29,591,581</u>		<u>17,183,208</u>	
<b>Creditors: amounts falling due within one year</b>	10	17,721,745		6,088,237	
<b>Net current assets</b>			<u>11,869,836</u>		<u>11,094,971</u>
<b>Total assets less current liabilities</b>			<u>11,883,429</u>		<u>11,127,948</u>
<b>Provisions for liabilities</b>					
Deferred taxation	11		55,168		111,375
			<u>11,828,261</u>		<u>11,016,573</u>
<b>Capital and reserves</b>					
Called up equity share capital	12		10,000,000		10,000,000
Profit and loss account	13		1,828,261		1,016,573
<b>Shareholders' funds</b>	14		<u>11,828,261</u>		<u>11,016,573</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2009.



M A Freeman  
Director



J M Coles  
Director

The notes on pages 7 to 14 form part of these financial statements.



# Ambrian Commodities Limited

## Notes forming part of the financial statements for the year ended 31 December 2008

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments, and in accordance with applicable United Kingdom accounting standards.

The prior year comparative figures have been restated to reclassify certain other income from turnover to other operating income. There has been no change to the profit for the prior financial year.

#### *Turnover*

Turnover comprises commissions charged on trades executed by clients, margins earned on intra-day principal positions and net interest earned on customer balances.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings - 3 years straight line

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured as amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that are expected to result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

# Ambrian Commodities Limited

## Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

### 1 Accounting policies (Continued)

#### *Pension costs*

Contributions to the company's defined contribution scheme are charged to the profit and loss account in the period in which they become payable.

#### *Financial instruments*

Financial assets can be divided into the following categories :

- loans and receivables
- financial assets at fair value through profit and loss

Financial assets are assigned to the different categories on initial recognition depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the income statement or charged directly against equity.

Generally the company recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognised in the income statement under the headings "revenue" and "other operating charges", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's trade and other receivables fall into this category of financial asset and are valued at cost less provision for impairment. Individual receivables are considered for impairment when they are overdue or when there is objective evidence that the debtor will default.

Financial assets at fair value through profit and loss include the company's shareholding in LME Holdings Limited which are included in current asset investments.

The company's financial liabilities comprising trade and other payables are classified as other financial liabilities.

### 2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

### 3 Other operating charges

	2008 £	2007 £
Administrative expenses	<u>2,626,084</u>	<u>1,988,716</u>

# Ambrian Commodities Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)

## 4 Operating profit

	2008 £	2007 £
This has been arrived at after charging/(crediting):		
Depreciation of owned fixed assets	34,455	20,741
Auditors' remuneration - Audit fees	18,000	15,000
Net profit on foreign currency translation	(19,853)	(27,032)

## 5 Directors and employees

	2008 £	2007 £
Staff costs consist of:		
Wages and salaries	1,604,803	1,174,166
Social security costs	189,660	133,079
Pension contributions to money purchase pension schemes	5,500	5,000
	<b>1,799,963</b>	<b>1,312,245</b>

The average number of employees of the company during the year was 16 (2007 - 13).

	2008 £	2007 £
Directors' remuneration consist of:		
Emoluments	286,050	205,000
Pension contributions to money purchase pension schemes	5,500	5,000
	<b>291,550</b>	<b>210,000</b>

During the year no directors participated in defined benefit pension schemes and one director participated in money purchase pension schemes.

## 6 Taxation on ordinary activities

	2008 £	2007 £
Analysis of charge in the year		
Current tax:		
Group relief of corporation tax provided to group undertakings at 28.5%	347,934	-
UK corporation tax based on the results for the year at 28.5% (2007 - 30%)	-	112,760
Adjustment to prior years	53,166	-
Total current tax	<b>401,100</b>	<b>112,760</b>

# Ambrian Commodities Limited

## Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

### 6 Taxation on ordinary activities (Continued)

Deferred tax:

Origination and reversal of timing differences	(56,207)	48,750
Tax on profit on ordinary activities	344,893	161,510

#### Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The difference is explained below.

	2008 £	2007 £
Profit on ordinary activities before taxation	1,156,581	538,367
Profit on ordinary activities by rate of tax	329,626	161,510
Disallowed expenses	10,357	-
Adjustment to prior years	53,166	-
Other adjustments	7,951	-
Origination and reversal of timing differences	-	(48,750)
Total current tax	401,100	112,760

### 7 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 January 2008	64,353
Additions	7,785
Disposals	(29,393)
At 31 December 2008	42,745
Depreciation	
At 1 January 2008	31,376
Charge for the year	15,043
Disposals	(17,267)
At 31 December 2008	29,152

# Ambrian Commodities Limited

Notes forming part of the financial statements  
for the year ended 31 December 2008 (*Continued*)

## 7 Tangible fixed assets (*Continued*)

	Fixtures and fittings £
<i>Net book value</i>	
At 31 December 2008	13,593
	<hr/>
At 31 December 2007	32,977
	<hr/>

## 8 Current asset investments

	Unlisted investment £
<i>Valuation</i>	
At 1 January 2008	512,500
Revaluation	(17,500)
	<hr/>
At 31 December 2008	495,000
	<hr/>

The company's unlisted investment represents its shareholding in LME Holdings Limited, the owner of the London Metals Exchange. A matched bargain share dealing service in the shares of LME Holdings Limited is provided by JP Morgan Cazenove. The directors value these shares by reference to prices quoted by JP Morgan Cazenove at the balance sheet date.

## 9 Debtors

	2008 £	2007 As Restated £
Trade debtors	1,323,967	1,732,533
Amounts owed by group undertakings	3,961,641	1,000,000
Other debtors	1,129,960	484,513
Other taxation and social security	12,591	20,614
Prepayments and accrued income	304,432	24,545
	<hr/>	<hr/>
	6,732,591	3,262,205
	<hr/>	<hr/>

**Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)**

	2008	2007
	£	As Restated £
Trade creditors	16,181,779	5,368,216
Other creditors	-	15,559
Amounts owed to group undertakings	775,574	151,470
Corporation tax	88,548	120,382
Other taxation and social security	58,201	22,391
Accruals and deferred income	617,643	410,219
	<hr/>	<hr/>
	17,721,745	6,088,237

	2008 £	2007 £
Provision brought forward	111,375	62,625
Profit and loss account movement arising during the year	(56,207)	48,750
	<hr/>	<hr/>
Provision carried forward	55,168	111,375

	2008 £	2007 £
Other timing differences	55,168	111,375

	Authorised			
	2008 Number	2007 Number	2008 £	2007 £
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
	Allotted, called up and fully paid			
	2008 Number	2007 Number	2008 £	2007 £
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000

# Ambrian Commodities Limited

## Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

<b>13 Profit and loss account</b>	<b>£</b>
At 1 January 2008	1,016,573
Profit for the financial year	811,688
	<hr/>
At 31 December 2008	<b>1,828,261</b>
	<hr/>

### 14 Reconciliation of movements in shareholders' funds

	2008 £	2008 £	2007 £	2007 £
Profit for the financial year		811,688		376,857
New ordinary share capital subscribed		-		5,000,000
		<hr/>		<hr/>
Net addition to shareholders' funds		811,688		5,376,857
Opening shareholders' funds as previously stated	11,016,573		5,493,591	
Prior year adjustment	-		146,125	
	<hr/>		<hr/>	
Opening shareholders' funds as restated		11,016,573		5,639,716
		<hr/>		<hr/>
Closing shareholders' funds		11,828,261		11,016,573
		<hr/>		<hr/>

### 15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 'Related party disclosures' and has not disclosed transactions with group undertakings.

There were no other related party transactions.

### 16 Financial instruments

The company has taken advantage of the disclosures exemption conferred by Financial Reporting Standard No 29 on the grounds that at least 90% of the voting rights in the company are controlled within the Group headed by Ambrian Capital plc and the company is included in the publicly available consolidated financial statements which include disclosures that comply with this standard.

### 17 Cash flow statement

The company has taken advantage of the exemption from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as during the year as it was a wholly owned subsidiary undertaking of Ambrian Capital plc, whose consolidated financial statements include those of the company and are publicly available.

## **Ambrian Commodities Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2008 (*Continued*)**

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### **18 Ultimate parent company**

The ultimate controlling party of this company is Ambrian Capital plc, a company registered in England and Wales. Ambrian Capital plc is considered to be the company's ultimate controlling party by virtue of its 100% ownership of the ordinary share capital of the company.

The largest group of undertakings for which group financial statements have been drawn up is headed by Ambrian Capital plc. Copies of the group financial statements can be obtained from Ambrian Capital plc, Old Change House, 128 Queen Victoria Street, London EC4V 4BJ.



**Ambrian Commodities Limited**

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The pages which follow do not  
form part of the statutory  
financial statements of the company

# Ambrian Commodities Limited

## Pillar Three Disclosures for the year ended 31 December 2008

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### Disclosure Basis

There is no UK Consolidation Group for UK regulatory purposes under BIPRU 8 Annex 1R. Consequently the disclosures are made on an individual basis under BIPRU 11.2.1.

### Disclosure Policy

The BIPRU 11 requirements allow firms to omit one or more of the disclosures listed under BIPRU 11.5 if the information provided by such disclosures is not regarded as material. The requirements similarly allow firms to omit items of information from the BIPRU 11.5 disclosures if the information is regarded as proprietary or confidential. The directors review any such omissions as part of the overall approval process.

### Risk Management

Risk management focuses on the major areas of liquidity risk, credit risk, market risk and operational risk. The Risk Committee reports to the Board of Directors. The Risk Committee comprises senior management of the company including the Group CEO, the Finance Director and Head of Compliance.

The Risk Committee is responsible for the risk framework of process and policy which achieves these objectives set by the Board and the Group. This framework includes; governance, identification, measurement, monitoring and reporting and mitigation.

The Committee works with the directors of the company in the execution of appropriate risk management discipline within the framework of policy.

The company manages its internal capital levels for both current and future activities through the management of resources. It considers potential impacts on the company of any changes in business activities or new activities.

### Pillar 1 Capital

The company has Tier 1 capital, comprising permanent share capital and audited profit and loss accounts. At 31 December 2008, this amounted to £11,828,261.

### Market Risk

Market Risk is the risk of loss arising from adverse movements in the level or volatility of interest rates, foreign exchange rates and commodity prices.

#### Interest rate risk in the non-trading book

The company is exposed to interest rate risk as it has significant cash deposits. Exposures are managed by depositing funds on short term floating and fixed rate terms or placed on overnight deposits with banks. Interest rate and maturity profiles are regularly monitored in the light of current performance and the economic environment.

#### Commodity Position Risk Requirement

The Trading Mandate ensures that the company is acting within their overall risk strategy. Position limits are set both for intra-day and overnight trading and are established for each metal and precious metal product. All exposures are marked to market and monitored on a daily basis.

# Ambrian Commodities Limited

## Pillar Three Disclosures for the year ended 31 December 2008 (*Continued*)

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### Foreign Currency Position Risk Requirement

The company has significant balances in foreign currencies, particularly US dollars. Exposures are monitored in the light of current and long term exchange rates and maturity of obligations. At 31 December 2008, the Foreign Currency PRR amounted to £887,000.

### **Credit Risk**

Credit risk is the risk of default by a counterparty. The company deals with client counterparties which are granted credit facilities for margin calls, and market counterparties, principally the London Metal Exchange.

All counterparties are assessed for credit purposes by a credit committee which will allocate credit facilities where appropriate. These facilities are reviewed on a regular basis and at least annually by the committee.

Counterparty positions are monitored on a daily and intra-day basis and where appropriate, margin collateral is collected.

Credit risk arises principally from margin calls from clients taking into account how long the margin call has been outstanding.

The counterparty risk requirement is variable and dependent upon the credit facilities granted, level of business activity and clients on margin call. At 31 December 2008, the Counterparty Risk Requirement amounted to £5,864,000.

### **Operational Risk**

Operational risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The regulated environment, in which the company operates, imposes extensive reporting requirements and continuing self assessment and appraisal. The company seeks continually to improve its operating efficiencies and standards.

The company uses the Basic Indicator Approach to calculate the Operational Risk Capital Requirement, namely 15% of the relevant indicator that is the 3 year average sum of the firm's net interest income and net non-interest income and excluding realised profits/losses from the sale of non-trading book items, extraordinary or irregular items.

The company's Operational Risk Capital Requirement at 31 December 2008 amounted to £449,148.

### **Summary**

At 31 December 2008, the company had total Tier 1 Capital after deductions of £11,828,261 from which a Total Variable Capital Requirement of £8,174,000 has now been deducted, resulting in a surplus of own funds of £3,654,261. The Total Variable Capital Requirement comprises an Operational Risk Requirement, Counterparty Risk Requirement and Market Risk Capital Requirements.