

INTL FCSTONE LTD

Report and Financial Statements

30 September 2016

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INTL FCSTONE LTD

REPORT AND FINANCIAL STATEMENTS

30 September 2016

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INTL FCSTONE LTD

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S R Bailey
S J Branch (resigned 12/11/2015)
S M O'Connor
P A Smith
M J Wilde
L J McNeile

SECRETARY

Catherine O Odigie

REGISTERED OFFICE

1st Floor Moor House
120 London Wall
London
EC2Y 5ET

AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Company Registration Number 5616586

INTL FCSTONE LTD

STRATEGIC REPORT

30 September 2016

The directors present the Strategic report of the Company for the year ended 30 September 2016 in accordance with Companies Act 2006, section 414C.

Business Model and Strategy

INTL FCStone Ltd is the main non-US operating entity of INTL FCStone Inc ("Group") to pursue the Group's strategy of offering regulated as well as unregulated products and services to customers in the European, Middle Eastern, and African time zones from London.

The Company is authorised and regulated by the Financial Conduct Authority.

To this end the Company provides a range of services:

- The global payments division delivers 138 currencies to more than 180 countries for aid agencies and banks;
- It is a category 1 member of the London Metal Exchange (LME), and a member of ICE Futures Europe, LCH Enclear, Euronext, the European Energy Exchange, Eurex, and Norexco. Through its affiliates, IFL provides customers with access to various other global exchanges, focusing on providing hedging services for customers in base metals, soft, agricultural and other commodities;
- It acts as broker in foreign exchange and precious metals;
- Provides hedging and physical trading services in precious metals, being a member of the London Bullion Markets Association and the London Platinum and Palladium Markets Association and
- It provides hedging advice to clients in the area of agricultural, energy, and dairy sectors.

In providing these services the Company makes markets in currencies and certain financial instruments but does not take proprietary risk as a matter of policy.

The Company operates in close concert with Group entities especially in New York, Chicago, Singapore, Dubai, and Hong Kong. Specifically it:

- provides clearing services to New York and Chicago.
- receives trading services from New York, Chicago, Singapore and Hong Kong.
- provides operational trade support for precious metal trading activity to Singapore and Dubai.

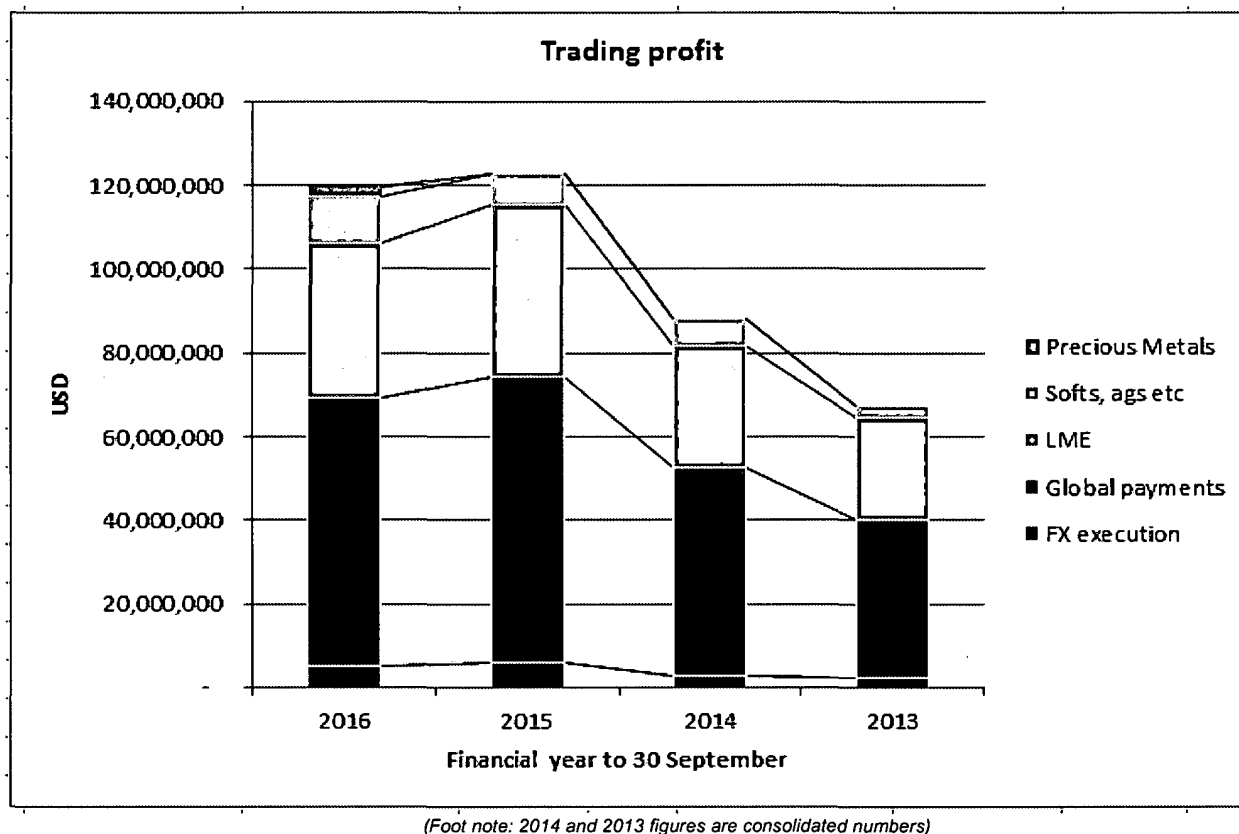
Business review

The Company's main activities are:

- Global Payments Services (non-derivatives);
- Clearing Services on the London Metal Exchange;
- Clearing on European and, via affiliates, US exchanges for clients in agricultural and soft commodities;
- FX Prime Brokerage (execution) services;
- Trading in precious metals.

30 September 2016

Their shares of trading profit in recent years have been as follows:



The main generator of trading profit continued to be the Global Payments business. Market conditions surrounding some currencies were unusually favourable in the final quarter of the previous financial year, but reverted to normal in the year under review.

Following a decision to substantially restructure the Group's Precious Metals business the Company started trading metals in its own right, and providing hedging services to affiliates in April 2015.

In June 2015 the Softs and Agricultural hedging business was augmented with the addition of a small team, since when it has grown organically. The LME and FX Prime Brokerage businesses both showed slight reductions in revenues as a result of competitive market conditions.

Throughout the year, the Company added additional personnel involved in support functions to help within a number of business areas as regulatory complexity has increased. In addition, projects to upgrade trading systems and platforms in the financial years 2017 and 2018 were commissioned, with an associated increase in IT and project staffing. Although the increase in number of staff during 2016 was moderate when compared with prior years, it was enough to require the opening of a second office in London.

Subsequent to the year end the Company committed to enter into a purchase agreement on 1 October 2016 to acquire a number of trading personnel from the Oil Brokerage business of ICAP to be employed by INTL FCStone Ltd and to generate an additional revenue stream.

30 September 2016

Key Performance Indicators (KPIs)

The Board of the ultimate parent sets the overall strategy and monitors progress. Individual operating divisions across the Group are monitored regardless of legal entity in which they reside.

At a Company level, management monitors those same businesses with each one assessed for profitability by reference to absolute targets, specifically as to capital employed, including such capital as may be required in the form of liquidity required to manage exceptional market movements.

Subsequent to the start-up phase, the Group measures entity performance on the basis of return on equity. In the financial year under review the Company achieved a pre-tax rate of return of 20% (2015: 36%) of average capital employed, which the Company's Board considers more than adequate.

Risk Management

The Company is regulated as a 730k firm and is subject to the EU's CRD IV and associated regulations, and the FCA's ILAS regime with regards to liquidity. Frameworks and assessments have been developed with reference to these regulations, with close oversight also exercised by the Group's risk department.

Risk is inherent in the Company's business and its activities. Exposures to risk are managed continually to ensure that such exposures are within capital constraints and justified by the profitability of any initiative that the Company may pursue.

The principle risks faced by the Company are:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk
- Regulatory Risk
- Reputational Risk
- Conduct Risk

The mathematical expression of the Company's appetite for the first three risks mentioned above must always be less than that of the Group, and is reviewed regularly, notably as part of the Internal Capital Adequacy Process (ICAAP, 'Pillar II'). New projects or unforeseen events trigger a review of all of the above risks as part of the ICAAP.

Credit risk is managed by setting authorised trading limits on all counterparties and constant monitoring of client positions to ensure adherence to those limits.

In line with Group policy, the Company does not take directional positions but the Group's strategy is that it is a market maker in certain commodities and currencies. Position and other market risk limits are imposed on all trading teams where there is market making. These are monitored daily.

Regulatory capital (Pillar I) requirements are computed and reported at least every three days. These cover credit, concentration, market, and operational risks.

Liquidity risk is monitored daily by reference to internally designed stresses and at least every three days by stress models used by the FCA. Liquidity management is designed to ensure utilisation by each business segment does not exceed pre-agreed capital allocation. The Company has access to contingency funding, and maintains appropriate buffers as laid down by regulation.

INTL FCSTONE LTD

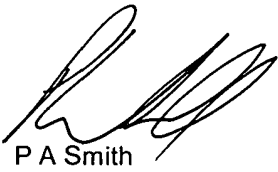
STRATEGIC REPORT

30 September 2016

Prospective regulatory challenges

The Group has analysed its business activities within the EU and amongst a range of possible actions, depending on the outcome of the 'Brexit' negotiations, is considering as its preferred option the reinstatement of its Irish entity as a free standing, regulated, limited liability Company. This would enable the Group to service its European client base using the capabilities of INTL FCStone Ltd with minimal disruption.

On behalf of the Board



P A Smith
Director

23 January 2017

INTL FCSTONE LTD

DIRECTOR'S REPORT

30 September 2016

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/2015 Cycle) issued in July 2015 and effective immediately have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Principal activities

The Company provides pricing and execution services in over 138 currencies with delivery to more than 180 countries. The Company also operates as a broker-dealer and advisor in commodity and foreign exchange risk management by providing a comprehensive range of customised financial services to help clients manage volatility and protect themselves against margin exposure.

Results and dividends

The profit for the year, after taxation, amounted to \$23,584,166 (2015: \$34,684,319). The Company did not pay a dividend in the year and directors have not recommended a final dividend (2015: nil).

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Post Balance Sheet events and future developments

INTL FCStone Ltd committed to enter into a purchase agreement to acquire the employment of a number of trading personnel on 2 October 2016 from the Oil Brokerage business of ICAP. As at 30 September 2016 the purchase price had been deposited into a holding account with the solicitors, initial payment was made on 2 October 2016 and the final net settlement completed 13 January 2017 all in accordance with the agreement.

Going Concern

After making appropriate enquiries which assessed strategy, profitability, funding, risk management and capital resources, the directors consider the Company to be a going concern as the Company has adequate capital and liquid resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Insurance

The Company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of their employment.

Financial instruments

Information regarding the financial risk management objectives and policies are set out within the strategic report.

Pillar 3 disclosures

Details of the Company's unaudited Pillar 3 disclosures, as required by the European Union's Capital Requirements Directive IV may be found in INTL FCSTONE Inc. financial statements, which can be found at www.intlfcstone.com.

INTL FCSTONE LTD

DIRECTOR'S REPORT 30 September 2016

Political contributions:

The Company made no political donations (2015: nil) or incurred any political expenditure during the year.

Overseas Branches

The Company has one overseas branch, in Ireland, which has been included in the reported results.

Directors

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

S R Bailey
S J Branch (resigned 12/11/2015)
S M O'Connor
P A Smith
M J Wilde
L J McNeile

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

On behalf of the Board



P A Smith
Director

23 January 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
30 September 2016

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

30 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTL FCSTONE LIMITED

We have audited the financial statements of INTL FCStone Limited for the year ended 30 September 2016 set out on pages 11 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INTL FCSTONE LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTL FCSTONE LIMITED 30 September 2016

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Michael T McGarry
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 January 2017

INTL FCSTONE LTD

INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

Year ended 30 September 2016

	Note	2016 \$	2015 \$
TRADING PROFIT	4	119,111,460	123,901,403
Administrative and operating expenses		(89,621,812)	(80,157,731)
OPERATING PROFIT	5	29,489,648	43,743,672
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		29,489,648	43,743,672
Tax on profit on ordinary activities	6	(5,905,482)	(9,059,353)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,584,166	34,684,319

All current year activities of the Company were classified as continuing.

The notes on pages 14 to 37 form part of these financial statements.

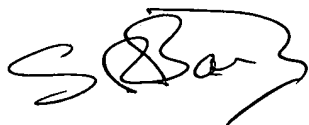
INTL FCSTONE LTD

STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	2016	2015
		\$	\$
Non-current assets			
Intangible assets	7	1,474,125	2,024,514
Property, plant and equipment	8	3,320,816	1,983,531
Investments – available for sale	9	<u>3,711,522</u>	<u>4,029,956</u>
		8,506,463	8,038,001
Current assets			
Inventory	12	9,492,438	13,427,219
Deferred taxation	14	493,352	300,556
Trade and other receivables	10	11,535,737,851	7,420,397,572
Cash at bank	13	<u>149,538,641</u>	<u>131,469,842</u>
		11,695,262,282	7,565,595,189
Current liabilities	11	<u>(11,541,649,322)</u>	<u>(7,435,097,933)</u>
Net current assets		<u>153,612,960</u>	<u>130,497,256</u>
Net assets		<u>162,119,423</u>	<u>138,535,257</u>
Capital and reserves			
Called up share capital	15	90,000,000	90,000,000
Retained earnings		<u>72,119,423</u>	<u>48,535,257</u>
Total equity		<u>162,119,423</u>	<u>138,535,257</u>

The financial statements were approved by the board of directors and authorised for issue on 17 January 2017 and are signed on their behalf by:



S R Bailey
Director

Company Registration No. 5616586

The notes on pages 14 to 37 form part of these financial statements

INTL FCSTONE LTD

STATEMENT OF CHANGES IN EQUITY

As at 30 September 2016

	Share Capital	Retained earnings	Total
	\$	\$	\$
At 1 October 2014	90,000,000	13,850,938	103,850,938
Comprehensive income for the year	-	34,684,319	34,684,319
At 30 September 2015	90,000,000	48,535,257	138,535,257
Comprehensive income for the year	-	23,584,166	23,584,166
At 30 September 2016	90,000,000	72,119,423	162,119,423

The notes on pages 14 to 37 form part of these financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/2015 Cycle) issued in July 2015 and effective immediately have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken;

- The requirements of IAS 7 *Statement of Cash Flows*;
- The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, *Changes in Accounting Estimates and Errors*;
- The requirements of IFRS 2 *Share based Payment*, with exemption from most disclosures, but for the disclosure of the description of the schemes and details about options exercised in the years and options outstanding at year end;
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- The requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction wholly owned by such member;
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of a third Balance Sheet for comparative purposes.

In the transition to FRS 101, The Company has applied IFRS 1 whilst ensuring that its asset and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 25.

In the opinion of the directors, the presentation of turnover, cost of sales and gross profit envisaged by the Companies Act 2006 is not applicable to brokerage companies. The appropriate presentation therefore is for the profit and loss account to begin with "trading profit" which comprise all income and an expense related to the Company's trading activities.

Functional and presentation currency

The Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"); this is US Dollars (\$). The financial statements are presented in US Dollars (\$), the Company's presentation currency.

Going Concern

After making appropriate enquiries which assessed strategy, profitability, funding, risk management and capital resources, the directors consider the Company to be a going concern as the Company has adequate capital and liquid resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Accounting policies – continued

Changes in accounting policies and disclosures

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2016 or later periods, but the Company has not early-adopted them:

IFRS 9 Financial Instruments (effective date 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was issued in July 2014. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS also provides guidance on the application of hedge accounting. The classification and measurement of the Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrecoverable option at inception to present changes in fair value in other comprehensive income. There is a new expected credit-loss based impairment model that replaces the incurred loss impairment model used in IAS 39. The Company has yet to quantify the impact of this standard. Additional analysis will be undertaken by the Company prior to the adoption date to clarify and estimate the effect on the financial statements.

IFRS 15 Revenue from contracts with customers presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Company has yet to quantify the impact of this standard. Additional analysis will be undertaken by the Company prior to the adoption date to clarify and estimate the effect on the financial statements.

IFRS 16 Leases (effective date 1 January 2019). IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs). There will also be an increased amount of leases which are required to be recognised on the statement of financial position. The Company has yet to quantify the impact of this standard. Additional analysis will be undertaken by the Company prior to the adoption date to clarify and estimate the effect on the financial statements.

Trading profit

Trading profit represents realised and unrealised profits on trading, commission and fee income, and revenues and costs recharged to affiliates, after deduction of the costs of trading, such as brokerage etc.

Intangible assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of a business combination are capitalised at their fair value where this can be measured reliably.

Customer files and software purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives as follows:

Customer Files	3 years straight line
Software	5 years straight line (subsequent enhancements attract accelerated amortisation rates to the same assumed expected useful life)

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Accounting policies – continued

Property, plant, equipment and depreciation

Depreciation is used to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer Equipment	3-5 years straight line
Leasehold improvements and Equipment	Straight line to the termination of the lease
Fixtures and Fittings	3 years straight line
Non-motorised Vehicles	1 year straight line

Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. If any such indication exists, the assets recoverable amount which is estimated by taking the higher of the assets fair value less costs of disposal and the assets value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment of the financial assets

The Company assesses at each Statement of Financial Position date whether there is objective evidence of impairment

- Available for sale - Investments at cost, all Company investments are held at cost less impairment.
- Financial assets and liabilities at fair value through profit and loss, financial assets at fair value through profit and loss comprise unsettled trades. These financial assets are initially recognised at fair value and subsequently measured at fair value with gain or loss taken to profit and loss.

Taxation

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

Current tax is measured as amounts expected to be paid using the tax rates and laws that have been enacted or substantively 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 at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been substantively enacted by the Balance Sheet date. The measurement reflects the Company's expectation as to how the manner in which the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Accounting policies – continued

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the Balance Sheet date. Non-monetary assets and liabilities are translated into US Dollar at the effective historical rate used on the date of initial recognition. All differences are booked to the Income Statement.

Pension costs

Contributions to the Company's defined contribution scheme are charged to the profit and loss account in the period in which they are accrued.

Financial instruments:

Financial assets

Financial assets are classified into the different categories of financial assets on initial recognition depending on the characteristics of the financial asset acquired or created and the reason behind entering into an agreement that results in a financial asset being recognised. A financial asset category is important as it drives how the financial asset is to be measured and whether the resulting income and expenses are recognised in the Income Statement or recognised in equity.

The Company classifies its financial assets into one of the following categories:

Fair value through profit or loss

This category included financial assets held for trading. They are carried in the Balance Sheet at fair value with changes in the fair value recognised in the Income Statement; the changes in fair value on "held for trading" assets are recognised through the Income Statement. Gains and losses realised on disposal or redemption of "held for trading" assets are recognised directly through the Income Statement.

The Company classes its trading assets as fair value through profit or loss. Trading assets include:

- amounts presently due for settlement under commodity contracts
- unrealised gains and losses arising from the valuation of forward positions
- forward commissions receivable or payable
- cash margin received or paid
- intercompany trading balances

The majority of these instruments are short term, and due for settlement within three months.

- **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value at trade date including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest rate method less any provision for impairment. Loans and receivables include cash held at bank, non-trading balances with group companies and other receivables.

- **Available for sale**

Non-derivative financial assets not included in the above categories are classified as available for sale, comprising investments in trading exchanges and unlisted corporate entities. They are carried at cost because the fair values of the equity shares are not readily available in the market and the shares trade within an illiquid market.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Accounting policies – continued

In the case of unlisted investments the Directors assess the market value by reference to the underlying net assets of the investment and to all other available factors which relate to these investments.

Where a decline in the fair value of available for sale financial asset shows evidence of impairment, the amount of the impairment loss is removed from equity and recognised in the Income Statement.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed.

Fair value through profit or loss

This category included financial liabilities held for trading. They are carried on the Balance Sheet at fair value with changes in the fair value recognised in the Income Statement; the changes in fair value on “held for trading” liabilities are recognised through the Income Statement. Gains and losses realised on disposal or redemption of “held for trading” liabilities are recognised directly through the Income Statement.

The Company classes its trading liabilities as fair value through profit or loss.

Trading liabilities include:

- amounts presently due for settlement under commodity contracts
- unrealised gains and losses arising from the valuation of forward positions
- forward commissions receivable or payable
- cash margin received or paid
- intercompany trading balances

The majority of these instruments are short term, and due for settlement within three months.

Amortised cost

All financial liabilities not classified as held for trading are classified as financial liabilities at amortised cost. These liabilities are initially measured at fair value net of transaction costs at trade date. Subsequently, they are measured at amortised cost using the effective interest rate method.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Client Money and Trading Positions

The Company holds money on behalf of some clients in accordance with the client money rules of the Financial Conduct Authority. Such monies and the corresponding amounts due to clients are not shown on the face of the Balance Sheet as the Company is not beneficially entitled thereto.

Share based payments

The share option programme allows certain employees and directors to acquire shares in the ultimate parent company at a strike price equal to the market value at the time of the award. The fair value of these options at the time that they are awarded is determined using Black Scholes model and are amortised over the number of years during which they vest and recognised as an expense with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Accounting policies – continued

Inventory

Inventory is stated at fair value less costs to sell. Changes in the fair value net of costs to sell are recognised in profit or loss in the period of the change.

Operating leases

Operating lease payments are charged to the Income Statement on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight line basis over the lease term.

Critical accounting estimates and judgements

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future actual results may differ from the planned assumptions and estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed.

Fair value of financial instruments – Available for sale

The Company determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used; including discount rates and estimates obtained from independent experts or quoted market prices of comparable instruments. The derived fair value estimates cannot be substantiated by comparison with independent markets and in some cases not be capable of being realised immediately.

Credit impairments

Each quarter the Company considers whether an impairment should be recognised against its financial assets and other receivables. This impairment loss assessment is made using all relevant information available to management and by applying judgement on whether there is objective evidence that a financial asset or portfolio of assets is impaired as a result of occurred loss events. The calculation of an impairment loss is management's best estimate of losses incurred at Balance Sheet date and reflects the expected future cash flows likely if the trade receivable is written off.

2. Particulars of Employees

	2016	2015
	\$	\$
Staff costs including directors consist of:		
Salaries and performance related remuneration	37,399,043	36,481,039
Share based payments	400,149	302,133
Social security costs	4,801,172	4,822,081
Pension contributions	1,216,442	1,154,525
	<u>43,816,806</u>	<u>42,759,778</u>

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Particulars of Employees – continued

The average number of employees of INTL FCStone Ltd and its subsidiaries including directors during the year analysed by category was as follows:

	2016	2015
Traders and sales	95	79
Operations	47	41
Administration	52	43
	<u>194</u>	<u>163</u>

3. Directors Emoluments

	2016	2015
	\$	\$
Directors' remuneration consists of:		
Emoluments for services as directors of INTL FCStone Ltd	2,406,449	3,226,022
Pension contributions	<u>51,204</u>	<u>54,138</u>
	<u>2,457,653</u>	<u>3,280,160</u>
Emoluments of highest paid director:		
Emoluments	1,319,418	1,497,096
Pension	<u>30,025</u>	<u>32,410</u>

During the year 2 of the directors participated in Defined Contribution pension schemes (2015: 2). None of the directors participated in Defined Contribution pension schemes during 2016 (2015: none).

During the current year, 1 director (2015: 2 directors) exercised share options that had been awarded in prior periods. The total gain made by the director was \$10,345 (2015: \$384,808). 4 (2015: 4) of the Company's directors are shareholder representatives and employees of other Group entities. The highest paid director was given a £45,406 interest free advance during the financial year 2016, which was repaid in full prior to 30 September 2016.

4. Trading profit

Trading profit is wholly attributable to the principal activities of the Company and arises solely from activities within the United Kingdom and the Republic of Ireland.

	2016	2015
	\$	\$
Trading and market making profits	87,164,811	98,946,368
Commission and fee income	26,235,708	19,285,889
Revenues received from affiliates	3,690,166	2,316,709
Costs recharged to affiliates	1,303,041	1,584,570
Foreign exchange profit	<u>643,106</u>	<u>1,728,098</u>
	<u>119,036,832</u>	<u>123,861,634</u>
Net interest comprises:		
Interest and commitment fees receivable	<u>74,628</u>	<u>39,769</u>
	<u>119,111,460</u>	<u>123,901,403</u>

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

5. Operating profit

	2016	2015
	\$	\$
Operating profit is stated after charging:		
Depreciation and amortisation	1,911,382	1,757,650
Loss on disposal of leasehold improvements & equipment	383,108	-
Fees payable to Auditor's - audit of the annual accounts	146,700	185,206
Fees payable to the auditor and its associates for other services:		
- audit related assurance services	-	75,192
- other non-audit services	16,219	7,704
Operating lease costs	1,225,166	1,234,521
Finance cost – Interest expense	968,553	256,983

Additional audit fees of £32,490 were incurred in the audit of this Company in 2015 and are not included in the table above.

6. Taxation on ordinary activities

	2016	2015
	\$	\$
Analysis of charge in the year		
<i>Current tax:</i>		
In respect of the year		
UK corporation tax based on the results for the year	6,178,525	9,168,575
Adjustment to prior years	(80,247)	(81,627)
Total current tax	6,098,278	9,086,948
<i>Deferred tax</i>		
Origination and reversal of timing differences	(192,796)	(27,595)
Total deferred tax (note 14)	(192,796)	(27,595)
Tax on profit on ordinary activities	5,905,482	9,059,353

The tax computed on the profit on ordinary activities for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015 – 20.5%). The difference is explained below.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Taxation - continued

	2016	2015
	\$	\$
Profit on ordinary activities before taxation	29,489,648	43,743,672
Profit on ordinary activities by rate of tax:		
Rate 20% (2015 – 20.5%)	5,897,930	8,905,515
<i>Reconciling Items:</i>		
<i>Tax effect of timing differences</i>		
Expenses not deductible for tax purposes	87,102	106,363
Tax effect off share incentives provided by the ultimate parent	38,891	60,421
Depreciation for the year in excess of capital allowances	146,722	58,919
Other timing differences	7,880	37,357
Adjustment to prior years	(80,247)	(81,627)
Total current tax	6,098,278	9,086,948

Reductions in the UK Corporation Tax Rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's tax charge accordingly. An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016.

7. Intangible Assets

	Customer Files	Software	Total Intangible
	\$	\$	\$
Cost			
As at 1 Oct 2015	1,000,000	3,407,911	4,407,911
Additions	-	441,889	441,889
Carried forward	1,000,000	3,849,800	4,849,800
Amortisation			
As at 1 Oct 2015	1,000,000	1,383,397	2,383,397
Charge for the year	-	992,278	992,278
Carried forward	1,000,000	2,375,675	3,375,675
Net book value			
At 30 Sep 2016	-	1,474,125	1,474,125
At 30 Sep 2015	-	2,024,514	2,024,514

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

8. Property, plant and equipment

	Fixtures and Fittings \$	Non- Motorised Vehicles \$	Computer Equipment \$	Leasehold improvements & equipment \$	Total Tangible Asset \$
Cost					
As at 1 Oct 2015	302,140	10,562	1,909,718	1,369,305	3,591,725
Additions	261,560	3,038	273,720	2,101,179	2,639,497
Disposal	-	-	-	(490,857)	(490,857)
Carried forward	563,700	13,600	2,183,438	2,979,627	5,740,365
Depreciation					
As at 1 Oct 2015	160,997	8,849	1,158,937	279,411	1,608,194
Disposal	-	-	-	(107,749)	(107,749)
Charge for the year	140,617	2,775	502,502	273,210	919,104
Carried forward	301,614	11,624	1,661,439	444,872	2,419,549
Net book value					
At 30 Sep 2016	262,086	1,976	521,999	2,534,755	3,320,816
At 30 Sep 2015	141,143	1,713	750,781	1,089,894	1,983,531

During the year the Company made improvements to leasehold property, plant and equipment to the value of \$2,101,179. The work carried out was to modernise the Moor House and Holland House properties.

9. Investments – Available for sale

At 30 September 2016 the Company had investments as follows:

	2016 \$	Foreign exchange movement \$	2015 \$
Shares in LME – B Shares	3,401,121	-	3,401,121
Shares in Industrial and General Insurance PLC	170,455	318,434	488,889
Shares in SWIFT	139,946	-	139,946
	3,711,522	318,434	4,029,956

The Company owns 25,000 'B' Shares of in LME Holdings Limited as required to become a Category 1 ring dealing and clearing member of the London Metal Exchange (LME).

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

10. Trade and other receivables: amounts falling due within one year

	2016	2015
	\$	\$
Trade receivables carried at fair value through profit and loss	11,339,944,891	7,299,011,643
Balances at clearing houses: Trading balances	125,216,192	73,945,056
Amounts owed by group undertakings	38,571,358	24,100,788
Trade receivables	11,503,732,441	7,397,057,487
Balances at clearing houses: default fund deposits	19,126,031	12,687,482
Other debtors	1,021,439	5,024,930
Other taxation and social security	796,913	646,574
Prepayments and accrued income	11,061,027	4,981,099
	11,535,737,851	7,420,397,572

Trade receivables consist of receivables concluded under ISDA master netting agreements, FIA standard agreements, and some tailored agreements. Trade receivables subject to ISDA agreements or other agreements that do not have a legal enforceable right to offset assets against liabilities in the normal course of business and as such have not been netted on the balance sheet. Although these agreements do not net on the balance sheet, they always offset in the event of bankruptcy or default, and as such are net settled when closed out net of cash margin. The impact of this further offsetting has been shown on Note 18 *Offsetting of financial assets and financial liabilities*.

Trade receivables that are subject off/to master netting agreements where net settlement can be imposed in the normal course of business have been offset on the Balance Sheet and have been shown net of cash collateral, as shown in note 18 *Offsetting of financial instruments* which details the Company's gross and net exposures.

11. Trade and other payables: amounts falling due within one year

	2016	2015
	\$	\$
Trade payables carried at fair value through profit and loss	11,520,663,602	7,412,223,928
Amounts owed to group undertakings	3,004,020	2,039,340
Accruals and deferred income	14,714,609	14,992,857
Other taxation and social security	3,267,091	5,841,808
	11,541,649,322	7,435,097,933

At 30 September 2016 included within trade creditors is cash margin money received from clients amounting to \$238,210,410 (2015: \$200,788,412).

Trade payables consist of payables concluded under ISDA master netting agreements, FIA standard agreements, and some tailored agreements. Trade payables subject to ISDA agreements or other agreements do not have a legal enforceable right to offset liabilities against assets in the normal course of business and as such have not been netted on the balance sheet. Although these agreements do not net on the balance sheet, they always offset in the event of bankruptcy or default, and as such are net settled when closed out net of cash margin. The impact of this further offsetting has been shown on Note 18 *Offsetting of financial assets and financial liabilities*.

Trade payables that are subject to master netting agreements where net settlement can be imposed have been offset on the Balance Sheet and have been shown net of cash collateral, as shown in note 18 *Offsetting of financial instruments* which details the Company's gross and net exposures.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

12. Inventory

	2016	2015
	\$	\$
Precious Metals Inventory	5,333,306	13,427,219
Soft Commodities - Grain Inventory	4,159,132	-
	<u>9,492,438</u>	<u>13,427,219</u>

The Inventory is held at the fair value with changes in fair value reported in the Income Statement for the year. The soft commodities consist of grains inventory which has been purchased under various resale agreements. The Company will resell the last of its grain inventory to the counterparty by close of business on 15 December 2016.

13. Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank	<u>149,538,641</u>	<u>131,469,842</u>

14. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2016	2015
	\$	\$
Asset brought forward	300,556	272,961
<i>Origination and reversal of temporary differences during the year</i>	<u>192,796</u>	<u>27,595</u>
Asset carried forward	<u>493,352</u>	<u>300,556</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2016	2015
	\$	\$
Accelerated capital allowances	157,308	52,329
Deferred share based payment	255,346	175,408
Other expenses to be claimed against future tax years	<u>80,698</u>	<u>72,819</u>
	<u>493,352</u>	<u>300,556</u>

The deferred tax asset at 30 September 2016 has been calculated based on the rates of 17% substantively enacted at the Balance Sheet date.

15. Share Capital

	Allotted, called up and fully paid			
	2016	2015	2016	2015
	Number of shares		\$	
Ordinary shares of \$1 each	90,000,000	90,000,000	90,000,000	90,000,000

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

16. Commitments

Operating leases

At 30 September 2016 the Company had commitments under non-cancellable operating leases as follows:

	2016 Land and Buildings \$	Other \$	2015 Land and Buildings \$	Other \$
Operating leases commitments:				
Within one year	1,325,223	33,690	1,485,654	39,270
After 1 year with 5 years	5,185,635	98,064	5,861,728	149,803
Over five years	4,837,645	-	6,890,300	2,695
	<u>11,348,503</u>	<u>131,754</u>	<u>14,237,682</u>	<u>191,768</u>

Other commitments

INTL FCStone Ltd entered into a purchase agreement on 1 October 2016 to acquire a number of trading personnel from the Oil Brokerage business of ICAP. As at 30 September 2016 the purchase price for the transfer of traders had been prepaid into a holding account with the solicitors and was settled on 2 October 2017. INTL FCStone Ltd has also committed to invest \$193,168 in hardware for the ICAP team.

17. Financial instruments

Fair value

The carrying amounts of all financial assets and liabilities are approximate to their respective fair values.

	Fair value and Book Value 2016 \$	Fair value and Book Value 2015 \$
Financial assets		
<i>Trading assets</i>		
Trade receivables	11,465,161,083	7,372,956,699
Amounts owed by group undertakings	38,571,358	24,100,788
<i>Loans and receivables</i>		
Cash and cash equivalents	149,538,641	131,469,842
Other debtors	12,879,377	10,652,603
Balances at clearing houses: Guaranteed deposit	19,126,031	12,687,482
<i>Available for sale</i>		
Investments	3,711,522	4,029,956
	<u>11,688,988,012</u>	<u>7,555,897,370</u>

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Financial instruments - continued

Financial liabilities

Fair value through profit and loss

Trade liabilities	11,520,663,602	7,412,223,928
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At amortised cost

Other creditors	17,981,700	20,834,665
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Amounts owed to group undertakings	3,004,020	2,039,340
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	<u>11,541,649,322</u>	<u>7,435,097,933</u>
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Fair value hierarchy - fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- **Level 1 – Quoted market price:** Quoted prices in active markets for identical financial instruments.
- **Level 2 – Observable input:** Valuation techniques based on inputs, other than quoted prices within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3 – Non observable input:** Valuation techniques based on inputs for the assets and liabilities that are not based on observable market data. The valuation is primarily based on generally accepted valuation techniques.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of fair value hierarchy have been defined above.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 September 2016				
Assets				
Physical commodities inventory	9,492,438	-	-	9,492,438
Cash and cash equivalents	149,538,641	-	-	149,538,641
Investments – Available for sale	-	-	3,711,522	3,711,522
Deposits and receivables from exchange –clearing organisations: derivatives	169,859,204	-	-	169,859,204
Deposits and receivables from broker-dealers, clearing organisations and counterparties: derivatives	11,185,153,171	148,720,066	-	11,333,873,237
Total assets	11,514,043,454	148,720,066	3,711,522	11,666,475,042
Liabilities				
Trade payables – owing to broker dealers, clearing organisations and counterparties.	11,370,442,127	150,221,475	-	11,520,663,602
Total liabilities	11,370,442,127	150,221,475	-	11,520,663,602

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Financial instruments - continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 September 2015				
<i>Assets</i>				
Physical commodities inventory	13,427,219	-	-	13,427,219
Cash and cash equivalents	131,469,842	-	-	131,469,842
Investments – Available for sale	-	-	4,029,956	4,029,956
Deposits and receivables from exchange – clearing organisations: derivatives	102,646,350	-	-	102,646,350
Deposits and receivables from broker-dealers, clearing organisations and counterparties: derivatives	7,121,695,624	172,715,513	-	7,294,411,137
Total assets	7,369,239,035	172,715,513	4,029,956	7,545,984,504
<i>Liabilities</i>				
Trade payables – owing to broker dealers, clearing organisations and counterparties.	7,250,391,602	161,832,327	-	7,412,223,928
Total liabilities	7,250,391,602	161,832,327	-	7,412,223,928

Fair value – Level 2

The amounts falling within the level 2 category are those contracts owing by and to the Company's clients and counterparties in the Global Payments business. These are carried at published market values in the financial statements but in view of the fact that the markets are at times illiquid they are classified as falling within level 2.

Fair value – Level 3 Investments

The Company's investments consist of B Shares in London Metals Exchange Holdings Limited (\$ 3,401,121) which enables the Company to trade directly on the London Metals Exchange. The Company holds additional investments which consist of shares in SWIFT (\$ 139,946) and Industrial and General Insurance (IGI) Plc of Nigeria (\$ 170,455), all three of these investments are treated as available for sale.

The Company cannot determine the fair value of these investments as a) the shares are unlisted b) the shares trade infrequently within an illiquid market c) fair value cannot be determined with comparison to similar companies in the market due to lack of appropriate companies and d) No offer of purchase existed at the Balance Sheet date for these investments. Management has therefore valued the investments at the consideration paid on date of acquisition adjusted for revaluation due to foreign exchange rate changes.

30 September 2016

18. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Within the disclosure table below the financial instruments and cash collateral columns represent the 'amounts not set off within the Statement of Financial Position' for trade & other receivable or payable to / from clients, brokers and clearing houses includes transactions where:

- The counterparty has an offsetting exposure with the Company and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- Cash collateral has been received/ pledged in respect of transactions described above.

Offsetting of financial assets and financial liabilities – continued

	Amounts subject to enforceable netting arrangements			Amounts not set off in the Statement of Financial Position		
	Gross amounts \$ 000's	Amounts offset \$ 000's	Net amounts in the Balance Sheet \$ 000's	Financial instruments \$ 000's	Cash collateral \$ 000's	Net amount \$ 000's
2016						
Financial assets						
Trade receivable due from brokers, clients, clearing houses and Group undertakings	26,536,206	(15,032,475)	11,503,731	(11,135,043)	(4,041)	364,647
Financial liabilities						
Trade payables due to brokers, clients and group undertakings	(26,553,137)	15,032,475	(11,520,662)	11,135,043	4,041	(381,580)

Note10: Note that trade receivables due from Brokers, Clients, Clearing houses and Group undertakings is an aggregate (trade debtors \$11,340m, Clearing houses \$125m and Group companies \$39m).

Note11: Note that trade payables due to Brokers, Clients and Group undertakings is an aggregate (trade creditors \$11,542m)

	Amounts subject to enforceable netting arrangements			Amounts not set off in the Statement of Financial Position		
	Gross amounts \$ 000's	Amounts offset \$ 000's	Net amounts in the Balance Sheet \$ 000's	Financial instruments \$ 000's	Cash collateral \$ 000's	Net amount \$ 000's
2015						
Financial assets						
Trade receivable due from brokers, clients and clearing houses	20,800,149	(13,403,092)	7,397,057	(7,014,659)	(12,797)	369,601
Financial liabilities						
Trade payables due to brokers, clients and clearing houses	(20,815,315)	13,403,092	(7,412,223)	7,014,659	12,797	(384,768)

Note10: Note that trade receivables due from Brokers, Clients, Clearing houses and Group undertakings is an aggregate (trade debtors \$7,299m, Clearing houses \$74m and Group companies \$24m).

Note11: Note that trade payables due to Brokers, Clients and Group undertakings is an aggregate (trade creditors \$7,412m)

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

19. Country-by-country reporting

Trading profit represents realised and unrealised profits on customer trading, commissions receivable (after deduction of brokerage and similar charges), fee income from issuing contracts, and net interest receivable on trading balances, after deduction of the costs of trading, excluding value added tax.

Geographical analysis

The geographical analysis has been compiled on the basis of location of the office where the transactions are recorded.

Country-by-country reporting – continued

Name	Nature of activities	Geographical	Turnover	Profit before tax	Corporation tax paid	Average number of employees
2016						
INTL FCStone Ltd	Broker/Dealer	United Kingdom	116,885,551	28,741,005	8,076,964	187
INTL FCStone Ltd Dublin branch	Broker/Dealer	Ireland	2,225,909	748,644	114,193	7
			119,111,460	29,489,649	8,191,157	194

Name	Nature of activities	Geographical	Turnover	Profit before tax	Corporation tax paid	Average number of employees
2015						
INTL FCStone Ltd	Broker/Dealer	United Kingdom	122,524,740	43,143,572	6,628,550	156
INTL FCStone Ltd Dublin branch	Broker/Dealer	Ireland	1,376,663	297,967	44,289	7
			123,901,403	43,441,539	6,672,839	163

No public subsidies were received during the current or prior reporting periods.

The geographical analysis has been prepared in accordance with Capital Requirements (Country-by-Country Reporting) Regulations 2013.

20. Post Balance Sheet subsequent events

INTL FCStone Ltd committed to enter into a purchase agreement on 1 October 2016 to acquire the employment of a number of key trading personnel from the Oil Brokerage business of ICAP to be employed by the company. As at 30 September 2016 the purchase price had been deposited into a holding account with the solicitors; the final settlement of the transaction was duly completed on 13 January 2017 in accordance with the agreement.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

21. Defined contribution Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to \$1,216,442 (2015: \$1,154,525).

There were contributions payable to the scheme at 30 September 2016 of \$148,652 (2015: \$139,912).

22. Segregated balances

The Group and Company also holds the following segregated balances on behalf of clients in accordance with the client money rules of the Financial Conduct Authority.

	2016	2015
	\$	\$
Cash at bank and in hand	54,638,065	42,376,799
Balances held at brokers	36,623,739	52,058,791
Balances at clearing houses	55,874,838	53,693,211

23. Financial Risk Review

The Company is exposed to the following risks:

- Credit – that clients or counterparties might default while being in debt to the Company
- Market – that market values of positions in foreign exchange or metals move materially adversely to the cost of the Company
- Liquidity – that the Company will not be able to pay its liabilities as they fall due
- Operational – that the failure of any processes negatively affect the efficient and profitable running of the Company

Credit risk

In managing credit risk the Company divides its exposures into two categories:

- Derivative contracts with clients and counterparties. These are in respect of: London Metal Exchange contracts, softs and agricultural commodities, Foreign Exchange prime brokerage services, and bullion.
- Foreign Exchange to be received in respect of Global Payment services (92% of which was due within 2 days of 30 September 2016)

Derivative instruments

Derivatives are marked to market daily with margining arrangements in place to collect deficits from clients in the form of G8 currencies. The credit status of all clients is reviewed every 18 months, or 12 months if any margin thresholds are granted.

At 30 September 2016 a provision of \$3,218,219, including a \$2,855,605 provision brought forward from 2015, (2015: \$2,853,776) was made for receivables past due and a charge of \$542,049 (2015 - \$646,039) to the Income Statement because customers were unable to pay.

Notwithstanding the accounting treatment of instruments governed by ISDA master agreements (treated as 'gross' on the face of the Balance Sheet and per note 18) settlements with clients are generally net except where they wish to deliver gross, in which case for amounts in excess of certain pre-agreed limits, they are required to pay first. Settlements with banks are sometimes made gross with the Company paying first, in line with approved policies.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Financial Risk Review – *continued*

The geographic distribution of derivative contracts with valuations owing to the Company, including clearing houses/exchanges after deducting cash received as collateral as at 30 September was:

Geographic Location	% of Exposure	
	2016	2015
Europe	71.95%	62.40%
Asia	3.34%	6.41%
North America	23.69%	28.38%
Latin America	0.92%	2.81%
Africa	0.00%	0.00%
Australasia	0.10%	0.00%
Total	100.00%	100.00%

An analysis of net amounts receivable, after deduction of any collateral received was as follows:

	2016	2015
Clearing houses	36%	23%
Banks	7%	17%
Affiliate – INTL FCStone Inc *	10%	5%
Clients	47%	55%
Total	100%	100%

* Futures Commission Merchant Regulated by CFTC in USA

Note 18 shows the gross value of each leg, receivable and payable in respect of derivative contracts. Each of those legs is subject to market moves that might result in increased amounts due to the Company. Subject to the adequacy of collateral received such market moves might result in margin calls due to the Company the following day.

Credit – non derivative instruments

For the Global Payments business all unpaid amounts due to the Company three days after contracted value date are investigated.

At 30 September 2016 trades for delivery that were recorded by management systems as past due date by five days totalled \$5,913,101 (2015: \$2,876,181), with all of these being settled within a few days of the year end. Of this \$12,012 remained outstanding at 17 October (2015: \$10,116 remained outstanding at 19 October), and reasons for non-payment subsequently resolved. Bad debts incurred in the financial year totalled \$5,083 (2015 - \$9,940), being mainly small amounts written off as trade errors.

Liquidity risk

Liquidity risk arises mainly from timing differences between margin payments called on the Company by exchanges and brokers, and subsequent collection from clients. This is managed by parameters set by the Board to constrain total gross and net positions held with each such institution. The Company is subject to the ILAS regime per the FCA's handbook (BIPRU 12), by which it is required to keep the certain buffers to handle potential margin call stress, and must manage its liquidity as a standalone entity, not dependent on any liquidity resources that are shared with other group companies.

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Financial Risk Review – *continued*

A maturity analysis of financial instruments as shown below

	2016		
	1 month	1 -3 months	3 months - 1 year
Liabilities			
Net Financial instruments	381,578,575	-	-
Amounts owed to group undertakings	3,004,020	-	-
	<u>384,582,595</u>	<u>-</u>	<u>-</u>
Asset			
Net Financial instruments	364,647,414	-	-
Balances at clearing houses: Guaranteed deposit	-	-	19,126,031
Other debtors	1,021,437	-	-
Prepayments	6,543,923	52,622	247,339
Inventory	5,333,306	4,159,132	-
Cash at bank	149,538,641	-	-
	<u>527,084,721</u>	<u>4,211,754</u>	<u>19,373,370</u>
Other Net Current Assets	12,474,290	-	-
Net Current Assets	<u>130,027,836</u>	<u>4,211,754</u>	<u>19,373,370</u>

	2015		
	1 month	1 -3 months	3 months - 1 year
Liabilities			
Net Financial instruments	384,768,002	-	-
Amounts owed to group undertakings	2,039,340	-	-
	<u>386,807,342</u>	<u>-</u>	<u>-</u>
Asset			
Net Financial instruments	369,601,561	-	-
Balances at clearing houses: Guaranteed deposit	-	-	12,687,482
Other debtors	5,024,930	-	-
Prepayments	213,970	-	-
Inventory	13,427,219	-	-
Cash at bank	131,469,842	-	-
	<u>519,737,522</u>	<u>0</u>	<u>12,687,482</u>
Other Net Current Assets	15,120,406	-	-
Net Current Assets	<u>117,809,774</u>	<u>0</u>	<u>12,687,482</u>

INTL FCSTONE LTD

NOTES TO THE ACCOUNTS

30 September 2016

Financial Risk Review – continued

Market risk

The Company does not take positional risk as a strategy, but is prepared to take some risk as market maker in accordance with risk approved limits.

The largest ten FX positions in the Global payments business each year (the most active market maker in foreign exchange) expressed in \$:

Net Position \$		
2016		
Currency	Long	Short
Bangladeshi Taka	-	(692,435)
Kenyan Shilling	-	(646,782)
Malaysian Ringgit	-	(3,254,502)
Mozambican Metical	-	(2,878,364)
Rwandan Franc	-	(1,083,007)
Tanzanian Shilling	-	(511,305)
Costa Rican Colon	-	(1,380,368)
Myanmar Kyat	-	(590,621)
Pakistani Rupee	-	(880,777)
New Taiwan Dollar	-	(445,424)
Other	1,058,758	(3,551,209)
Total	1,058,758	(15,914,795)

Net Position \$		
2015		
Currency	Long	Short
Ethiopian Birr	575,278	-
Indonesian Rupiah	-	(678,727)
Mozambican Metical	-	(871,623)
Papua New Guinean Kina	454,194	-
Rwandan Franc	-	(1,305,127)
Vietnamese Dong	764,259	-
Egyptian Pound	-	(2,503,574)
Nigerian Naira	-	(406,183)
Central African CFA Franc	470,049	-
Yemeni Rial	-	(3,892,577)
Other	695,055	(3,412,754)
Total	2,958,835	(13,070,565)

The Company's ring team on the floor of the London Metal Exchange is the other division in the Company that exposes the Company to market risk. During the financial year there were 3 days when the ring team lost between \$100,000 and \$200,000.

All the Company's physical inventory is hedged, to mitigate market risk.

NOTES TO THE ACCOUNTS

30 September 2016

Financial Risk Review – continued**Operational Risk**

Operational risk management (ORM) forms part of the day-to-day responsibilities of management at all levels. The ORM framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures. The framework is based around risk and control self-assessments (RCSA), key risk indicators (KRIs) and incident reporting. All incidents are reported to the executive directors, as are KRI reports. In addition the Operational Risk Department escalates where appropriate to work with management to mitigate any risks.

While routine operational risk mitigation is embedded by application of necessary controls at all levels of management, and can be the subject of internal audit, the Company's Board also focusses on, and reviews potentially high impact, low frequency losses, where there is no loss experience to assess future exposures. Mitigating steps are taken where possible.

All ORM incidents are logged, regardless of any losses incurred, and analysed to ensure that adequate management action is taken in respect of the cause of losses. The detail of incidents is included in the Company's regular assessment of the adequacy of the pillar 2 capital requirement.

Assessments are continuous but, at the financial year end, the four specific operational risks were identified with a potential for the material adverse financial impact after mitigation. These are:

- Business continuity (failure of data lines, server centres, inability to access offices)
- System failure (third party or internally built software/systems failure)
- Failure to comply with all regulations in the safeguarding of client assets under various regimes
- Client and Company data loss or compromise from external, third party, action

Each of these risks has received the full attention of management, and effective mitigation designed and implemented, as have all others with the potential to incur material financial cost (pre mitigation). Mitigation includes: back up data server centres across two continents with tested failover processes; duplicate data lines into London offices; operation across to two offices; available serviced offices for critical staff, well-resourced internal audit and compliance departments, and a dedicated data security department.

New projects and products are subjected to Operational Risk review before proposals are accepted.

All identified risks are reviewed by the Operational Risk department and at least once a year the whole management team is invited to challenge the impact and effectiveness of mitigation, in a process overseen by the Board of the Company.

Capital risk

This is the risk that the Company's capital and leverage ratios fall short of the requirements imposed by regulation. The Company calculates both in accordance with the EU's Capital Requirements Directive IV and associated Regulations at least every three days. All the Company's capital is classed as Tier 1, and at each financial year end the ratios were as follows:

	2016	2015
	\$,000	\$,000
Capital and retained earnings	162,119	138,535
Less: intangible assets	(1,474)	(2,024)
Less: temporarily eligible items	(134)	(3,608)
Eligible capital at 30 September	160,511	132,903
Capital ratio	12.9%	14.5%
Leverage ratio	7.6%	7.9%-

New initiatives are assessed by reference to externally imposed and internally calculated capital requirements.

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NOTES TO THE ACCOUNTS

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24. Ultimate parent Company

The Company is controlled by INTL Netherlands BV, a Company registered in the Netherlands. The ultimate controlling party of this Company is INTL FCStone Inc., a Company registered in Delaware, United States. INTL FCStone Inc. which is considered to be the Company's ultimate controlling party by virtue of its 100% ownership of the ordinary share capital of the Company through intermediate subsidiaries.

The largest Group of undertakings for which consolidated financial statements have been drawn up is headed by INTL FCStone Inc. These financial statements and further information on INTL FCStone Inc is available at <https://intlfcstone.com>.

25. Transition to FRS 101

For all periods up to and including the year ended 30 September 2015, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 September 2016, are the first financial statements the Company had prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 October 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening Balance Sheet as at 1 October 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for first-time adoption of FRS 101. As such, this note explains the principle adjustments made by the Company in restating its Balance Sheet as at 1 October 2015.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards"

	Notes	Previously reported under UK GAAP 30 September 2015 \$000	Effect of transition to FRS 101 \$000	FRS 101 Total \$000
Non-current assets				
Intangible assets		2,024	-	2,024
Property, plant and equipment		1,984	-	1,984
Investments – Available for sale	1	3,401	629	4,030
		<u>7,409</u>	<u>629</u>	<u>8,038</u>
Current assets				
Inventory		13,427		13,427
Investments	1	629	(629)	-
Deferred taxation		301		301
Trade and other receivables	2	243,284	7,177,113	7,420,397
Cash at bank		131,470		131,470
		<u>389,111</u>	<u>7,176,484</u>	<u>7,565,595</u>
Current liabilities				
	2	257,985	7,177,113	7,435,098
Net current assets		131,126	(629)	130,497
Net assets		<u>138,535</u>	<u>-</u>	<u>138,535</u>
Capital and reserves				
Called up share capital		90,000	-	90,000
Retained earnings		48,535	-	48,535
Total equity		<u>138,535</u>	<u>-</u>	<u>138,535</u>

Transition to FRS 101 – continued

Restatement of equity from UK GAAP to FRS101

1. Valuation of financial assets – Investments

Previously under UK GAAP, investments are held at cost less impairment. Under IFRS, management has decided to recognise and measure investments at fair value as available for sale investments.

2. Offsetting of financial assets and financial liabilities

Previously under UK GAAP, trade receivables and trade payable were being represented on the Balance Sheet at net liquidation value (Assets net off liabilities and cash margin) without reference to legal enforceable rights to offset and intention to offset under master netting agreements. The transition to FRS101 requires that the Company apply the offsetting rules as required by IAS 32 and IFRS 7.

Trade receivables / payables consist of receivables / payables concluded under ISDA master netting agreements, Precious metal master netting agreements and non ISDA & Precious metals master netting agreements. Trade receivables / payables subject to an ISDA agreement or Precious metal agreement do not have a legal enforceable right to offset assets against liabilities in the normal course of business and as such have not been netted on the balance sheet. Although these agreements do not net on the Balance Sheet, they always offset in the event of bankruptcy or default, and as such are net settled when closed out net of cash margin. Please refer to note 18 *Offsetting of financial instruments* which details the Company's gross and net exposures and shows the impact of this further offsetting off Balance Sheet within the disclosures.