

BOCI Global Commodities (UK) Limited
Registered number: 7695444

Annual report and financial statements for the year ended
31 December 2014

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BOCI Global Commodities (UK) Limited

Annual report for the year ended 31 December 2014

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BOCI Global Commodities (UK) Limited

Directors and advisers

Directors

Ying Lu (Chairperson)

Tong Li

Chung Mun Wong

Siu Hong Fan

Konstandinos Kakoulli

Zhongze Wang

Secretary

c/o Hackwood Secretaries Limited

One Silk Street

London

EC2Y 8HQ

Registered office and business address

1 Lothbury

London, United Kingdom

EC2R 7DB

Bankers

The Company's bankers are

HSBC Bank plc.

62-76 Park Street

London, SE1 9DZ

And

JP Morgan Chase Bank, N.A.

25 Bank Street,

London, E14 5JP

Solicitors

The Company, from time to time, uses the services of:

Linklaters

One Silk Street

London

EC2Y 8HQ

Independent auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of BOCI Global Commodities (UK) Limited ("the Company", Company number 7695444) for the year ended 31 December 2014.

The immediate parent Company is BOCI Global Commodities Holdings Limited (a company incorporated in Hong Kong). The immediate holding company of BOCI Global Commodities Holdings Limited is BOC International Holdings Limited ("BOCI Holdings", a company incorporated in Hong Kong) and is the wholly-owned investment banking arm of Bank of China Limited (a company incorporated in China). The parent company of Bank of China Limited is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), which owned 65.52% of the ordinary shares of Bank of China Limited as at 31 December 2014 (31 December 2013: 67.75%). Both Huijin and CIC are companies incorporated in China.

Under section 414B of the Companies Act 2006 the Company is entitled to the exemption from preparing a strategic report as the Company would have been entitled to prepare accounts for the year in accordance with the small companies' regime if it wasn't a member of an ineligible group.

Principal activities

The Company commenced trading on 25 July 2012 and its main activity is the broking of futures on the London Metal Exchange ("LME").

The Company was granted authorisation by the then Financial Services Authority ("FSA") later replaced by the establishment of two new bodies the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ("FCA") on 19 January 2012, obtained LCH membership on 21 March 2012 (on 22 September 2014, LCH was replaced by LME Clear), LME board approval on 24 April 2012 and ICE Europe membership on 27 November 2012.

Results and dividends

The loss after taxation amounted to \$4,216,225 (2013: \$3,950,195). The Company did not pay interim dividends during the years 2014 and 2013.

Review of business and future development

As in previous years, the directors anticipate the Company's activities will develop in line with the growth and business activities of BOCI Holdings, which is based in Hong Kong.

On 1 July 2014 the Company went live on its own clearing platform (Eclipse) that replaced the ICAP platform the Company had been using since inception (which was costing \$100,000 per month plus transaction costs). The Eclipse platform had significantly improved the business development initiative of current and potential clients. On the new platform the Company will be able to offer many more products and market entries such as options, ICE, bullion and CME.

The Company is the first and most established company that is part of a Chinese group companies who is a member of the LME and ICE. The Company has the full support of its ultimate parent (Bank of China Limited). Being a state owned enterprise (SOE) the fellow SOE metal companies and other Chinese metals/commodities companies are happy to deal with the Company. It will continue to leverage the Bank of China (the "BOC") network.

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014(Continued)

In 2014 client numbers increased to 30 (2013: 22) and generated revenues of \$6.5m (2013:\$1.4m).

Principal risks and uncertainties

The principal risk to the business is if the anticipated clients do not come on board and use the Company's services in the quantity anticipated.

To manage and mitigate this risk the Company is building relationships with existing and new clients. The Company anticipates taking on a number of new clients in the forthcoming year.

Key performance indicators (KPI)

The KPI that the Company uses is revenue and expense.

US\$	2014 actual	2013 actual
Net revenue	6,534,167	1,449,925
Expenses	8,240,868	5,083,632

Risk management objectives and policies

The Company is managed through its board and management oversight functions. The Company ensures that a high level review of all processes, risk management, compliance oversight and internal audit services for operational matters of the regulated company is maintained consistently.

Risk management

The activities of the Company expose it to the financial risks described below. The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's Board, in conjunction with BOC International Holdings Limited, provides a set of fundamental principles for overall risk management, as well as written policies covering specific areas, such as market risk, and credit risk.

(a) Credit risk

Credit risk is the exposure to the possibility of financial loss resulting from a counterparty's failure to meet its financial obligations. The Company's maximum exposure to credit risk relates to its major classes of financial assets, which are cash and balances with banks of \$20,037,750 (2013: \$2,193,155), trade and other receivable balances of \$76,058,745 (2013: \$28,115,219) derivative financial asset balances of \$215,224,818 (2013: \$33,229,074) and available-for-sale financial asset balances of \$2,804,223 (2013: \$2,975,944).

The Company has credit risk in maintaining deposit relationships with JP Morgan Chase Bank, N.A. ("JPM") (2014: \$19,801,507; 2013: \$1,719,266) and Hong Kong Shanghai Banking Corporation ("HSBC") (2014: \$236,243; 2013: \$473,890). Most of the Group's credit risk is to other entities in the BOC group, mainly those entities within the BOC International Limited group (see related party transactions in note 24).

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014 (Continued)

The Company has policies which limit the amount of credit exposure to any one entity or group.

The following elements constitute the credit risk on a counterparty:

- Mark to market exposure on open positions
- Non payment of settled transactions
- Settlement exposure
- Contractual claims
- Other short term credit exposure

The Company has credit risk with its clients. It manages this risk by assessing qualitative and quantitative data relating to the financial credibility of the client to make a calculated assessment of the client's financial suitability for any client margin. This suitability is continually assessed and measured within strict risk based parameters. Each type of credit risk is operated within specific types of credit lines, limits or arrangements. The Company mainly undertakes credit risk through credit lines or payment arrangements granted to its counterparties. It is also exposed to credit risk up until the counterparty has paid its margin calls (by providing cash or acceptable collateral). Credit risk concerns counterparties exceeding their credit lines and counterparties without any credit facility. To manage credit risk exposure, the Company has developed a Credit Management Policy, which governs the principals and practices in place to mitigate credit losses. As at 31 December 2014 the Company had 30 (2013: 22) clients outside the Group (Group means any counterparties that is a related party) which have internally approved credit limits.

No financial assets were past due or impaired.

(b) Liquidity risk

As can be seen from the maturity profile table (see note 3 (b)) all of the cash is held at short notice. The Company's treasury policy requires the matching of maturities of liabilities with an equal value and maturity of asset (with the restriction that the maximum maturity of any 'cash' asset is no longer than six months).

The management of the Company ensures the continued development of the Company in meeting its operational objectives. Management's responsibility is to ensure operational targets are achieved in order to facilitate the development of the Company. In doing so, they ensure a system of internal controls is developed and an active management of the Company's financial performance is maintained.

(c) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to Great British Pounds ("GBP") (United States Dollars ("USD") being its functional currency).

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. See note 3 for the FX rates and FX currency exposure amounts.

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014 (Continued)

(d) Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. It includes the risk of failing to comply with applicable laws, regulations and BOC internal policies. Operational risk does not include credit, market, liquidity and reputation risk. The Company participated in, and is subject to, the BOCI Group's "Operational Risk and Control Assessment Procedure" manual dated 13 February 2007. The various processes are tested and reviewed each year and updated as required. There is no operational gain or loss earned or incurred by the Company during the year (2011/13: Nil).

Directors and their interests

The following were directors of the Company during the year and up to the date of signing this report:

Ying Lu (Chairperson)
Tong Li
Chung Mun Wong
Siu Hong Fan
Konstandinos Kakoulli
Zhongze Wang

Independent auditors

The financial statements on pages 11 to 39 have been audited by Ernst & Young LLP and they have expressed their willingness to continue in office as auditors.

Regulation

The UK's supervisory framework for financial services changed with the establishment of two new bodies, PRA and FCA, replacing FSA on 1 April 2013.

All further references to this regulatory body will refer to the FCA.

As a company that is authorised by the FCA to conduct investment business, BOCI Global Commodities (UK) Limited is required by the EU Capital Requirements Directive ("CRD") to make public disclosure of its risk management objectives and policies in accordance with the requirements of Pillar 3 of the Directive.

Pillar 3 disclosure

The Pillar 3 disclosure is made in accordance with the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") which is required to be made on an annual basis.

The firm is a broad scope exempt BIPRU commodities firm.

Terminology and basis of consolidation

~~As this section is a FCA regulatory requirement "the Company" is referred to as "the Firm"~~

Definitions of assets and capital may differ between the regulatory capital adequacy rules of the FCA and IFRSs. In these Pillar 3 disclosures we use the definitions as set out in regulatory capital adequacy rules of the FCA.

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014 (Continued)

Pillar 3 disclosure (continued)

Application of Capital Requirements Directive ("CRD") disclosures

In accordance with the Pillar 3 requirements all relevant disclosures will be made for the firm.

Capital Resources

Tier 1 Capital

The Firms Tier 1 capital comprises ordinary shares and retained earnings

US\$	2014	2013
Ordinary shares	22,000,000	22,000,000
Accumulated losses	(10,287,870)	(6,071,645)
Other reserves	10,441	182,162
Total	11,722,571	16,110,517

Tier 2 Capital

The Firms has no tier two capital resources.

Remuneration policy

The Firm established a framework for the remuneration policy which incorporated detailed rules relating to remuneration that are contained in a binding FCA Remuneration Code, which applies to the Firm.

The policy has been designed to align individual rewards with the long-term objectives of the Firm, its performance and the interests of its shareholders and customers in a manner that is consistent with, and promotes, effective risk management.

The remuneration system will normally consist of both fixed and variable elements. It has been the Firm's normal practice to pay fixed remuneration in the form of annual salary and variable remuneration in the form of a cash bonus, awarded annually and on a wholly discretionary basis. Fixed remuneration is reviewed annually by the local CEO taking into account items such as local market trends, employee's annual appraisal, team and the Firm's performance, with any recommendations being put forward to appropriate management at the parent company for their consideration. In respect to variable remuneration, the criteria used would consist of individual performance and contribution made to the BOC International Holdings Limited's operating results. Forty per cent of the discretionary cash bonus is deferred for 1 year or 3 years depending on the bonus amount.

For the avoidance of doubt the Firm's business area comprised of only one business area.

BOCI Global Commodities (UK) Limited

Directors' report for the year ended 31 December 2014 (Continued)

Remuneration policy (continued)

The table below gives aggregate quantitative information on remuneration for senior management and members of staff whose actions have a material impact on the risk profile of the Firm (i.e. "Code Staff").

All values in \$	2014	2013
Fixed remuneration	827,186	640,516
Variable remuneration	1,085,639	553,843
Pension	20,088	18,924
Other	48,201	25,747
Total	1,981,114	1,239,030
Number of staff	2	2
As at the end of the year the amount of variable remuneration awarded but not yet paid.	1,245,269	600,684

All variable remuneration is paid in cash/deferred cash.

The financial statements and accompanying notes on pages 11 to 39 were approved by the Board of Directors on 27 April, 2015 and signed on its behalf by:

Siu Hong Fan
CEO



London, 27 April, 2015

BOCI Global Commodities (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 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.

Statement of disclosure of information to auditors

Each director has responsibility for ensuring that:

- as far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware, and that
- he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BOCI Global Commodities (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOCI GLOBAL COMMODITIES (UK) LIMITED

We have audited the financial statements of BOCI Global Commodities (UK) Limited for the year ended 31 December 2014 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Reporting Standards (IFRSs) as adopted by the European Union.

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 statement of directors' responsibilities 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

BOCI Global Commodities (UK) Limited

INDEPENDENT AUDITORS' REPORT (Continued)

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.

Ernst & Young LLP

Kenneth Eglinton (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 27 April 2015

BOCI Global Commodities (UK) Limited

Statement of comprehensive income for the year ended 31 December 2014

	Note	2014 \$	2013 \$
Revenue	4	6,534,167	1,449,925
		<u>6,534,167</u>	<u>1,449,925</u>
Staff costs	5	(5,342,706)	(3,645,033)
Depreciation	11	(155,705)	(144,895)
Other operating expenses	6	(2,839,316)	(2,509,958)
Foreign exchange gains		96,859	17,800
Operating expenses		<u>(8,240,868)</u>	<u>(6,282,086)</u>
Operating loss	7	<u>(1,706,701)</u>	<u>(4,832,161)</u>
Interest income		864	4,734
Interest expense	10	(934,641)	(71,818)
Loss on ordinary activities before taxation		<u>(2,640,478)</u>	<u>(4,899,245)</u>
Taxation (charge)/credit	9	(1,575,747)	949,050
Loss for the year		<u>(4,216,225)</u>	<u>(3,950,195)</u>
Other comprehensive (loss)/income for the year		(171,721)	67,502
Total comprehensive loss for the year attributable to the owners		<u>(4,387,946)</u>	<u>(3,882,693)</u>

The accompanying notes are an integral part of these financial statements.

BOCI Global Commodities (UK) Limited

Statement of financial position as at 31 December 2014

	Note	2014 \$	2013 \$
Non-current assets			
Plant and equipment	11	309,272	390,443
Available-for-sale financial assets	18	2,804,223	2,975,944
Deferred tax	9	-	1,575,747
		<u>3,113,495</u>	<u>4,942,134</u>
Current assets			
Trade and other receivables	13	76,058,745	28,115,219
Derivative financial assets	14	215,224,818	33,229,074
Inventory holdings	15	70,132,899	-
Cash and balances with banks	12	20,037,750	2,193,155
		<u>381,454,212</u>	<u>63,537,448</u>
Current liabilities			
Trade and other payables	19	106,292,140	32,887,739
Derivative financial liabilities	14	140,313,658	15,121,081
Short term borrowings from group companies		126,239,338	4,360,245
		<u>372,845,136</u>	<u>52,369,065</u>
Net current assets		<u>8,609,076</u>	<u>11,168,383</u>
Net assets		<u>11,722,571</u>	<u>16,110,517</u>

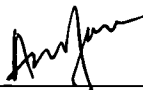
BOCI Global Commodities (UK) Limited

Statement of financial position as at 31 December 2014 (Continued)

	Note	31 December 2014 \$	31 December 2013 \$
Equity			
Share capital	20	22,000,000	22,000,000
Accumulated losses		(10,287,870)	(6,071,645)
Other reserves		10,441	182,162
Total equity		11,722,571	16,110,517

The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 27 April 2015 and signed on its behalf by



Siu Hong Fan
CEO
27 April 2015

BOCI Global Commodities (UK) Limited

Statement of changes in equity for the year ended 31 December 2014

	Note	Share capital \$	Accumulated losses \$	Other reserves \$	Total \$
As at 1 January 2014	20	22,000,000	(6,071,645)	182,162	16,110,517
Loss for the year		-	(4,216,225)	-	(4,216,225)
Total other comprehensive loss		-	-	(171,721)	(171,721)
As at 31 December 2014		<u>22,000,000</u>	<u>(10,287,870)</u>	<u>10,441</u>	<u>11,722,571</u>

	Note	Share capital \$	Accumulated losses \$	Other reserves \$	Total \$
As 1 January 2013	20	22,000,000	(2,121,450)	114,660	19,993,210
Loss for the year		-	(3,950,195)	-	(3,950,195)
Total other comprehensive income		-	-	67,502	67,502
As at 31 December 2013		<u>22,000,000</u>	<u>(6,071,645)</u>	<u>182,162</u>	<u>16,110,517</u>

The accompanying notes are an integral part of these financial statements.

BOCI Global Commodities (UK) Limited

Statement of cash flows for the year ended 31 December 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Cash used in operations	21	(103,092,799)	(18,566,111)
Interest paid		(864,154)	(26,250)
Net cash outflow from operating activities		<u>(103,956,953)</u>	<u>(18,592,361)</u>
Cash flows from investing activities			
Purchases of plant and equipment		(74,534)	(50,172)
Interest received		949	4,647
Net cash outflow from investing activities		<u>(73,585)</u>	<u>(45,525)</u>
Cash flows from financing activities			
Short term borrowing		121,879,093	4,360,245
Net cash inflow from financing activities		<u>121,879,093</u>	<u>4,360,245</u>
Increase/(decrease) in cash and cash equivalents		17,848,555	(14,277,641)
Net foreign exchange difference		(3,960)	-
Cash and cash equivalents at the beginning of the year		2,193,155	16,470,796
Cash and cash equivalents at the end of the year	12	<u>20,037,750</u>	<u>2,193,155</u>

The accompanying notes are an integral part of these financial statements.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

1 General Information

The Company is a limited liability Company incorporated and domiciled in the United Kingdom whose business and registered address is 1 Lothbury, London, EC2R 7DB.

The Company commenced trading on 25 July 2012 and its main activity is the broking of futures on the London Metal Exchange ("LME").

The immediate parent company is BOCI Global Commodities Holdings Limited (a company incorporated in Hong Kong). The immediate holding company of BOCI Global Commodities Holdings Limited is BOC International Holdings Limited ("BOCI Holdings", a Company incorporated in Hong Kong) and is the wholly-owned investment banking arm of Bank of China Limited (a company incorporated in China). The parent company of Bank of China Limited is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), which owned 65.52% of the ordinary shares of Bank of China Limited as at 31 December 2014 (31 December 2013: 67.75%). Both Huijin and CIC are companies incorporated in China.

2 Accounting policies

(a) Basis for preparation

The financial statements of the Company have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Companies Act 2006 applicable to companies reporting under IFRS and have been prepared under the historical cost convention unless stated otherwise. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies and the accounting policies have been applied consistently.

The principal accounting policies adopted in the preparation of these financial statements are set out below. The directors view the Company as a going concern and therefore these financial statements were prepared on a going concern basis.

(b) New accounting standards pronouncements

- (i) Effective in the financial year beginning 1 January 2014 and relevant to the Company.
 - IFRS 13 Fair Value Measurement: Short-term receivables and payables. The IASB clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately and there were no significant changes to the Company's financial statements.
- (ii) Issued but not effective for the financial year beginning 1 January 2014 and not early adopted.
 - IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018: In September 2014, final version of IFRS 9 was issued, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The standard is effective from 1 January 2018, however, the standard has not yet been endorsed by EU. The Company expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

2 Accounting policies (Continued)

(b) New accounting standards pronouncements (Continued)

- IFRS 15, 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017: IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Company expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.
 - Amendments to IAS 16 and IAS 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016: Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2016 as the Company has not used a revenue-based method for the calculation of depreciation of its non-current assets.
 - Annual Improvements 2010-2012 Cycle, 'Amendments to a number of IFRSs', effective for annual periods beginning on or after 1 July 2014: The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs and the Company expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Company.
- (iii) Early adoption
- No new standards were early adopted as none were applicable to these financial statements.

(c) Revenue

Revenue comprises commission and trading income. Trading income also includes revaluation of futures metals positions. Transactions are recognised in the statement of comprehensive income on trade date, being the date the Company is entitled to the revenue.

(d) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accruals basis.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

2 Accounting policies (Continued)

(e) Foreign currency translation

(1) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

(2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the end of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(f) Derivative financial instruments

Derivatives are initially accounted for and measured at fair value on the date the contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement. All derivatives are included in assets when their value is positive and liabilities when their value is negative after taking account of any master netting agreements that are in place.

(g) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at cost and they are subsequently held at fair value. Gains and losses arising from fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Where it is not possible to determine a reliable estimate of fair value, the amounts are held at cost less any impairment in value.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

(h) Plant and equipment

All plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Computers – hardware	3 years
Computers – software	3 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

BOCI Global Commodities (UK) Limited

Notes to the financial statements

2 Accounting policies (Continued)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(i) Netting

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

(j) Cash and balances with banks

Cash and balances with banks include cash in hand and deposits held at call and on placement with banks.

Cash and cash equivalents include cash in hand and deposits held at call and on placement with banks with original maturities of three months or less.

(k) Share capital

Ordinary shares are classified as equity.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(m) Tax and deferred income tax

Corporation tax payable is provided on taxable profits at the current rate.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

2 Accounting policies (Continued)

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

(n) Employee benefits

The Company operates a defined contribution plan called a Group Personal Pension Plan ("GPPP"). The Company pays contributions to privately administered pension insurance plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on an accruals basis.

(o) Provisions

A provision will be made when:

- An entity has a present obligation (legal or constructive) arising from a past event;
- An outflow of resources is probable; and
- A reliable estimate can be made of the expected outflow.

Provisions shall be reviewed at the end of each reporting year and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

A provision shall be used only for expenditures for which the provision was originally recognised.

(p) Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 9.

(q) Directors' remuneration

According to The Small Companies and Groups (Accounts and Directors' Report) Regulation 2008, there is no requirement of disclosure of highest paid director. The Company would like to take exemption of directors' remuneration disclosure. The highest paid director will not be disclosed in the note.

(r) Inventory

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the market price in a liquid market.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

3 Financial risk management

Financial risk factors

The activities of the Company expose it to the financial risks which are described below. The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's Board, in conjunction with BOCI Global Commodities Holdings Limited (the Company's intermediate parent company in Hong Kong), provide a set of fundamental principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, liquidity risk, credit risk and operational risk.

(a) Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Great British Pounds ("GBP") with United States Dollars ("\$\$") being the Company's functional currency.

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The original currency values in the below tables were translated into US\$ at the following rates.

FX rates	2014	2013
HK\$	7.7558	7.754
GBP	1.5579	1.6533
EUR	1.2152	1.3766

The Company operates its foreign exchange exposure on a matched asset / liability basis for each currency, or at least as close as it can. This applies to all currencies except its functional currency.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

3 Financial risk management (Continued)

Sensitivity analysis

Using the balances as at the end of the year, a one percent appreciation in the currencies against the United States Dollar would have the following effect on the income statement.

Currency	2014	2013
	\$	\$
GBP (\$ equivalent)	20,228	10,608
HK\$ (\$ equivalent)	(27,231)	(2,202)
EUR (\$ equivalent)	7	37

A one percent depreciation would have an equal and opposite effect. All movements in FX rates are reflected in the statement of comprehensive income. The FX impact on equity will be the same.

The tables below show the currency analysis of the net assets/(liabilities).

2014	USD	GBP	HKD	EUR	Total
Non-current assets					
Plant and equipment	309,272	-	-	-	309,272
Available-for-sale financial assets	-	2,804,223	-	-	2,804,223
	309,272	2,804,223	-	-	3,113,495
Current assets					
Trade and other receivables	75,929,455	128,530	-	760	76,058,745
Derivative financial assets	215,224,818	-	-	-	215,224,818
Inventory holdings	70,132,899	-	-	-	70,132,899
Cash and balances with banks	19,925,469	112,281	-	-	20,037,750
	381,212,641	240,811	-	760	381,454,212
Current liabilities					
Trade and other payables	102,552,321	1,045,186	2,694,633	-	106,292,140
Derivative financial liabilities	140,313,658	-	-	-	140,313,658
Short term borrowings	126,239,338	-	-	-	126,239,338
	369,105,317	1,045,186	2,694,633	-	372,845,136
Net current assets/(liabilities)	12,107,324	(804,375)	(2,694,633)	760	8,609,076
Net assets/(liabilities)	12,416,596	1,999,848	(2,694,633)	760	11,722,571

BOCI Global Commodities (UK) Limited
Notes to the financial statements

3 Financial risk management (Continued)

2013	USD	GBP	HKD	EUR	Total
Non-current assets					
Plant and equipment	390,443	-	-	-	390,443
Available-for-sale financial assets	-	2,975,944	-	-	2,975,944
Deferred tax	1,575,747	-	-	-	1,575,747
	1,966,190	2,975,944	-	-	4,942,134
Current assets					
Trade and other receivables	27,932,625	178,994	-	3,600	28,115,219
Derivative financial assets	33,229,074	-	-	-	33,229,074
Cash and balances with banks	1,736,889	456,266	-	-	2,193,155
	62,898,588	635,260	-	3,600	63,537,448
Current liabilities					
Trade and other payables	30,110,979	2,558,934	217,826	-	32,887,739
Derivative financial liabilities	15,121,081	-	-	-	15,121,081
Short term borrowings	4,360,245	-	-	-	4,360,245
	49,592,305	2,558,934	217,826	-	52,369,065
Net current assets/(liabilities)	13,306,283	(1,923,674)	(217,826)	3,600	11,168,383
Net assets/(liabilities)	15,272,473	1,052,270	(217,826)	3,600	16,110,517

BOCI Global Commodities (UK) Limited

Notes to the financial statements

3 Financial risk management (Continued)

(b) Liquidity risk

As can be seen from the maturity profile table below all of the cash is held at short notice. The Company's treasury policy requires the matching of maturities of liabilities with an equal value and maturity of asset (with the restriction that the maximum maturity of any 'cash' asset is no longer than six months).

The maturity profile of financial assets and liabilities are summarised as follows:

2014	On demand \$	Within 3 months or less \$	After 3 months but within 1 year \$	Greater than 1 year \$	Undated \$	Total \$
Cash and balances with banks	20,037,750	-	-	-	-	20,037,750
Trade and other receivables	6,8021,001	7,603,534	434,210	-	-	76,058,745
Derivative financial assets	-	153,333,837	61,522,684	368,297	-	215,224,818
Available-for-sale financial assets	-	-	-	-	2,804,223	2,804,223
Inventory holdings	70,132,899	-	-	-	-	70,132,899
Trade and other payables	71,130,244	821,185	33,498,716	841,995	-	106,292,140
Derivative financial liabilities	-	103,284,379	36,849,157	180,122	-	140,313,658
Short term borrowings	-	126,239,338	-	-	-	126,239,338
2013	On demand \$	Within 3 months or less \$	After 3 months but within 1 year \$	Greater than 1 year \$	Undated \$	Total \$
Cash and balances with banks	2,193,155	-	-	-	-	2,193,155
Trade and other receivables	-	28,002,320	112,899	-	-	28,115,219
Derivative financial assets	-	15,902,021	17,293,659	33,394	-	33,229,074
Available-for-sale financial assets	-	-	-	-	2,975,944	2,975,944
Deferred tax asset	-	-	-	-	1,575,747	1,575,747
Trade and other payables	-	25,335,528	6,896,044	656,168	-	32,887,739
Derivative financial liabilities	-	3,673,045	11,413,230	34,806	-	15,121,081
Short term borrowings	-	4,360,245	-	-	-	4,360,245

BOCI Global Commodities (UK) Limited

Notes to the financial statements

3 Financial risk management (Continued)

Fair value estimation

Due to the majority of all derivative assets and liabilities being with near maturity, their book value approximates to their fair value.

(c) Credit risk

Credit risk is the exposure to the possibility of financial loss resulting from a counterparty's failure to meet its financial obligations. The Company's maximum exposure to credit risk relates to its major classes of financial assets, which are cash and balances with banks of \$20,037,750 (2013: \$2,193,155), trade and other receivable balances of \$76,058,745 (2013: \$28,115,219) derivative financial asset balances of \$215,224,818 (2013: \$33,229,074) and available-for-sale financial asset balances of \$2,804,223 (2013: \$2,975,944).

The Company has credit risk in maintaining deposit relationships with JP Morgan Chase Bank, N.A. ("JPM") (2014: \$19,801,507; 2013: \$1,719,266) and Hong Kong Shanghai Banking Corporation ("HSBC") (2014: \$236,243; 2013: \$473,890). Most of the Group's credit risk is to other entities in the BOC group, mainly those entities within the BOC International Limited group (see related party transactions in note 24).

Credit risk is the exposure to the possibility of financial loss resulting from a counterparty's failure to meet its financial obligations.

The Company has policies which limit the amount of credit exposure to any one entity or group.

The following elements constitute the credit risk on a counterparty:

- Mark to market exposure on open positions
- Non payment of settled transactions
- Settlement exposure
- Contractual claims
- Other short term credit exposure

The Company has credit risk with its clients. It manages this risk by assessing qualitative and quantitative data relating to the financial credibility of the client to make a calculated assessment of the client's financial suitability for any client margin. This suitability is continually assessed and measured within strict risk based parameters. Each type of credit risk is operated within specific types of credit lines, limits or arrangements. The Company mainly undertakes credit risk through credit lines or payment arrangements granted to its counterparties. It is also exposed to credit risk up until the counterparty has paid its margin calls (by providing cash or acceptable collateral). Credit risk concerns counterparties exceeding their credit lines and counterparties without any credit facility. To manage credit risk exposure, the Company has developed a Credit Management Policy, which governs the principles and practices in place to mitigate credit losses. As at 31 December 2014 the Company had 30 (2013: 22) clients outside the Group which have internally approved credit limits.

No financial assets were past due or impaired.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

3 Financial risk management (Continued)

(d) Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. It includes the risk of failing to comply with applicable laws, regulations and BOC internal policies. Operational risk does not include credit, market, liquidity and reputation risk. The Company participated in, and is subject to, the BOCI Group's "Operational Risk and Control Assessment Procedure" manual dated 13 February 2007. The various processes are tested and reviewed each year and updated as required. There is no operational gain or loss earned or incurred by the Company during the year (20113: Nil).

4 Revenue

	2014	2013
	\$	\$
Fee and commission income	3,825,994	650,766
Fee and commission expense	(934,077)	(298,392)
Net realised/unrealised gain on financial assets and financial liabilities	<u>3,642,250</u>	<u>1,097,551</u>
	<u>6,534,167</u>	<u>1,449,925</u>

5 Staff costs

	2014	2013
	\$	\$
Wages and salaries	4,503,108	2,700,736
Social security costs	600,265	416,374
Pension costs (see note 23)	94,126	64,325
Other staff costs	145,207	463,598
	<u>5,342,706</u>	<u>3,645,033</u>

BOCI Global Commodities (UK) Limited
Notes to the financial statements

5 Staff costs (Continued)

The monthly average number of persons (including executive director) employed during the year was:

	<u>2014</u>	<u>2013</u>
Front office	6	4
Back office	11	8
	<u>17</u>	<u>12</u>

6 Other operating expenses

	<u>2014</u>	<u>2013</u>
	\$	\$
Transaction services	730,455	1,241,955
Professional fees	993,237	208,238
Premises	271,304	251,841
Information services	140,517	120,277
Information technology	40,455	27,871
Communication	52,481	43,997
Service charges from an affiliate	262,313	307,755
Others	348,554	308,024
	<u>2,839,316</u>	<u>2,509,958</u>

7 Operating loss

Operating loss is stated after charging:

	<u>2014</u>	<u>2013</u>
	\$	\$
Operating lease charges - property	149,658	141,487
Operating lease charges - photocopier	3,479	3,626
Depreciation of owned assets	155,705	144,895
Auditors' remuneration- Auditors remuneration for the audit of the Company's statutory financial statements and FCA client assets audit	32,987	25,152

There were no non-audit services provided to the Company during the year.

BOCI Global Commodities (UK) Limited
Notes to the financial statements

8 Directors' remuneration

	2014	2013
	\$	\$
Aggregate remuneration	<u>1,986,299</u>	<u>1,243,139</u>

Retirement benefits are accrued to 1 director (2013:1) under a money purchase pension scheme.

9 Taxation/deferred tax asset

(a) Taxation	2014	2013
	\$	\$
Current tax:		
- Arising on profits for the year	-	-
- Adjustments in respect of previous years	-	-
Deferred tax (Note9(b)):		
- Origination and reversal of temporary differences	1,613,245	(1,134,099)
- Adjustments in respect of previous years	-	20,373
- Impact of change in tax rates	(37,498)	164,676
Total deferred tax	<u>1,575,747</u>	<u>(949,050)</u>
Total tax (credit)/charge for the year	<u>1,575,747</u>	<u>(949,050)</u>

BOCI Global Commodities (UK) Limited
Notes to the financial statements

9 Taxation/deferred tax asset (Continued)

(a) Taxation (continued)

	2014	2013
	\$	\$
Loss on ordinary activities before taxation	(2,640,478)	(4,899,245)
Corporation tax on loss on ordinary activities 2014 at the corporation tax rate in the United Kingdom of 21.5% (2013: 23.25%).	(567,703)	(1,139,074)
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	25,805	4,975
Adjustments in respect of accounting to the deferred rate from the corporation tax rate	(37,498)	164,676
Temporary differences against which no deferred tax has been recognised	541,898	-
Adjustments to tax in respect of previous years	-	20,373
Write off of previously recognised deferred tax	1,613,245	-
Total tax charge/(credit) for the year	1,575,747	(949,050)

(b) Deferred tax asset

2014

	Trading losses	Capital allowances	Provision for bonuses and pensions	Total
	\$	\$	\$	\$
At 1 January 2014	1,379,787	6,582	189,378	1,575,747
Charge to statement of comprehensive income	(1,379,787)	(6,582)	(189,378)	(1,575,747)
At 31 December 2014	-	-	-	-

2013

	Trading losses	Capital allowances	Provision for bonuses and pensions	Total
	\$	\$	\$	\$
At 1 January 2013	583,137	(11,843)	55,403	626,697
Credit from statement of comprehensive income	796,650	18,425	133,975	949,050
At 31 December 2013	1,379,787	6,582	189,378	1,575,747

Deferred tax was not recognised on gross temporary differences of \$1,904,541 and taxable trading losses of \$8,115,815 as the Directors do not foresee sufficient taxable profits.

BOCI Global Commodities (UK) Limited
Notes to the financial statements

10 Interest expense

	2014	2013
	\$	\$
Interest expenses charged by related parties	813,269	9,599
Bank and other interest	121,372	62,219
	<u>934,641</u>	<u>71,818</u>

11 Plant and equipment

	Computer hardware	Computer software	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2014	130,604	78,958	100,562	281,813	591,937
Additions	74,534	-	-	-	74,534
At 31 December 2014	<u>205,138</u>	<u>78,958</u>	<u>100,562</u>	<u>281,813</u>	<u>666,471</u>
Accumulated depreciation					
At 1 January 2014	55,965	38,143	28,492	78,894	201,494
Depreciation charge for the year	51,965	27,265	20,112	56,363	155,705
At 31 December 2014	<u>107,930</u>	<u>65,408</u>	<u>48,604</u>	<u>135,257</u>	<u>357,199</u>
Net book value					
At 31 December 2014	<u>97,208</u>	<u>13,550</u>	<u>51,958</u>	<u>146,556</u>	<u>309,272</u>
At 31 December 2013	<u>74,639</u>	<u>40,815</u>	<u>72,070</u>	<u>202,219</u>	<u>390,443</u>

12 Cash and balances with banks

	2014	2013
	\$	\$
Cash at bank with non-group companies	<u>20,037,750</u>	<u>2,193,155</u>

BOCI Global Commodities (UK) Limited

Notes to the financial statements

13 Trade and other receivables

	2014	2013
	\$	\$
Trade receivables	67,236,731	24,441,176
Deposits with exchanges and clearing agents	6,635,051	2,892,890
Accrued interest income – non group	-	87
Accrued commission income – non group	888,078	319,088
Prepayments	435,707	79,359
Other trade debtors – non group	784,270	254,358
Non-trade debtors – non group	78,908	128,261
	<u>76,058,745</u>	<u>28,115,219</u>

14 Derivative financial instruments

	2014	2013
	\$	\$
Derivative financial assets with group companies	9,544	-
Derivative financial assets with non-group companies	215,215,274	33,229,074
	<u>215,224,818</u>	<u>33,229,074</u>
Derivative financial liabilities with group companies	6,089,700	1,008,825
Derivative financial liabilities with non-group companies	134,223,958	14,112,256
	<u>140,313,658</u>	<u>15,121,081</u>

Derivative financial instruments are held for trading and recognised at fair value.

15 Inventory holdings

As at the end of year 2014, the Company had inventory of warrants with total value of \$ 70,132,899 (2013: Nil). Warrant is a document of possession, issued by the warehouse company, for each lot of LME-approved metal held within an LME-approved facility. Warrants are used as the means of delivering metal under LME contracts.

BOCI Global Commodities (UK) Limited
Notes to the financial statements

16 Offsetting of financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off	Net amount of financial assets presented in the statement of financial position	Amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2014	\$	\$	\$	\$	\$	\$
Assets	984,717,343	769,492,525	215,224,818	-	-	215,224,818
Liabilities	(909,806,183)	(769,492,525)	(140,313,658)	-	-	(140,313,658)

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off	Net amount of financial assets presented in the statement of financial position	Amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2013	\$	\$	\$	\$	\$	\$
Assets	78,729,371	45,500,297	33,229,074	-	-	33,229,074
Liabilities	(60,621,378)	(45,500,297)	(15,121,081)	-	-	(15,121,081)

BOCI Global Commodities (UK) Limited

Notes to the financial statements

17 Financial assets and liabilities

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Inventory holdings	70,132,899	-	-	70,132,899
Derivative financial assets	215,224,818	-	-	215,224,818
Available-for-sale financial assets	-	2,804,223	-	2,804,223
Total assets	285,357,717	2,804,223	-	288,161,940
Derivative financial liabilities	140,313,658	-	-	140,313,658
Total liabilities	140,313,658	-	-	140,313,658
<hr/>				
2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Derivative financial assets	33,229,074	-	-	33,229,074
Available-for-sale financial assets	-	2,975,944	-	2,975,944
Total assets	33,229,074	2,975,944	-	36,205,018
Derivative financial liabilities	15,121,081	-	-	15,121,081
Total liabilities	15,121,081	-	-	15,121,081

BOCI Global Commodities (UK) Limited

Notes to the financial statements

18 Available-for-sale financial assets

	2014 \$	2013 \$
At 1 January	2,975,944	2,908,442
Exchange differences recognised through other comprehensive income	(171,721)	67,502
At 31 December 2014	<u>2,804,223</u>	<u>2,975,944</u>

The available-for-sale financial asset is the investment by the Company in the B shares of the London Metal Exchange required for membership.

19 Trade and other payables

	2014 \$	2013 \$
Trading liabilities	71,337,790	24,932,131
Accruals (including bonuses for management and staff)	3,580,400	2,217,262
Amounts due to a group company	569,499	307,722
Subordinated loan from group company	30,000,000	5,000,000
Accrued interest payable – group subordinated loan	104,319	44,304
Accrued interest payable – group	1,403	36
Accrued interest payable – non group	10,333	1,228
Payable to UK Inland Revenue concerning PAYE	153,479	85,977
Payable to UK Inland Revenue concerning National Insurance	534,917	299,079
	<u>106,292,140</u>	<u>32,887,739</u>

All trade and other payables are financial liabilities are measured at amortised cost.

As at 31 December 2014, the Company was provided a subordinated loan of US\$30,000,000 (2013: US\$5,000,000) from BOC International Holdings Limited (“BOCI Holdings”, a company incorporated in Hong Kong), maturing as per below:

	2014 \$
Sub loan maturing on 14 September 2015	10,000,000
Sub loan maturing on 14 August 2015	10,000,000
Sub loan maturing on 20 July 2015	5,000,000
Sub loan maturing on 27 January 2015	5,000,000
	<u>30,000,000</u>

BOCI Global Commodities (UK) Limited

Notes to the financial statements

19 Trade and other payables (Continued)

The subordinated loan is unsecured and bears interest at an annual rate of 1-month HIBOR plus 50 basis points.

The subordinated loan was approved by FCA as a liability subject to satisfactory subordination agreement for the deduction from liabilities in the computation of minimum capital requirements pursuant to Chapter 3 of the FCA IPRU-INV handbook.

20 Share capital

2014
\$

Authorised

50,000,000 ordinary shares of \$1 each 50,000,000

Allotted and fully paid

22,000,000 ordinary shares of \$1 each 22,000,000

2013
\$

Authorised

50,000,000 ordinary shares of \$1 each 50,000,000

Allotted and fully paid

22,000,000 ordinary shares of \$1 each 22,000,000

All shares are of the same class, ordinary, and carry equal rights and there are no restrictions on dividends.

BOCI Global Commodities (UK) Limited
Notes to the financial statements

21 Cash used in operating activities

(a) Reconciliation of loss on ordinary activities before taxation to cash used in operating activities.

	2014	2013
	\$	\$
Loss on ordinary activities before taxation	(2,640,478)	(4,899,245)
Adjustments for:		
- Finance expense	934,641	71,818
- Finance income	(864)	(4,734)
-Foreign exchange difference	3,960	-
- Depreciation	155,705	144,895
- Increase in trade and other receivables	(47,943,611)	(26,357,159)
- Increase in trade and other payables	73,333,914	30,544,391
- Increase in derivative financial instruments – unrealised profit	(181,995,744)	(30,389,060)
- Increase in inventory	(70,132,899)	-
- Increase in derivative financial instruments – unrealised loss	125,192,577	12,322,983
Cash used in operations	<u>(103,092,799)</u>	<u>(18,566,111)</u>

(b) Analysis of cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank	<u>20,037,750</u>	<u>2,193,155</u>

BOCI Global Commodities (UK) Limited

Notes to the financial statements

22 Commitments

As of 1 April 2012 a commitment was made to rent the Company's office from Bank of China Limited. This commitment will expire on 31 March 2017.

As of 1 April 2012 a commitment was made to lease the printer. This commitment will expire on 11 July 2017.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

2014	Less than 1 year \$	1-5 years \$	Total \$
Office leasehold	208,880	260,957	469,837
Photocopier	3,459	5,287	8,746
	212,339	266,244	478,583

2013	Less than 1 year \$	1-5 years \$	Total \$
Office leasehold	180,062	360,125	540,187
Photocopier	3,661	9,228	12,889
	183,723	369,353	553,076

23 Pension costs

The pension cost of \$94,126 (2013: \$64,325) represents the contributions accrued by the Company. Outstanding contributions payable at the year-end are \$584 (2013: \$81,711).

24 Related-party transactions

The compensation of key management of the Company (which includes the directors - both executive and non-executive) is treated as a related party transaction and is shown below.

	2014 \$	2013 \$
Short term employee benefits	1,961,026	1,220,106
Post employment benefits	20,088	18,924
	1,981,114	1,239,030

BOCI Global Commodities (UK) Limited
Notes to the financial statements

24 Related-party transactions (continued)

The following transactions were carried out with related parties.

Category	2014 \$	2013 \$	Corresponding Entity
Statement of comprehensive income			
Commission	64,746	-	BOCI Commodities & Futures Limited
Staff costs	29,785	12,439	Bank of China Limited, London Branch
Management fee	262,313	307,755	Bank of China International (UK) Limited
Occupancy costs	259,067	248,465	Bank of China Limited, London Branch
Other costs	2,770	-	Bank of China Limited, London Branch
Interest costs	303,495	17,914	Bank of China Limited, London Branch
Interest costs	-	607	Bank of China (UK) Limited
Interest costs	509,774	44,304	BOC International Holdings Limited
Statement of financial position			
Trade and other payables	-	12,958,131	BOCI Global Commodities Limited
Trade and other payables	30,000,000	5,000,000	BOC International Holdings Limited
Derivative financial assets	9,544	-	BOCI Commodities Trading Singapore Pte Limited
Derivative financial liabilities	6,089,700	1,008,825	BOCI Global Commodities Limited
Management fees accrued	569,499	307,722	Bank of China International (UK) Limited
Short term borrowings	126,239,338	4,360,245	Bank of China (UK) Limited
Interest payable	1,403	36	Bank of China Limited, London Branch
Interest payable	104,319	44,304	BOC International Holdings Limited

*None of above corresponding entities is the Company's immediate parent company.

BOCI Global Commodities (UK) Limited

Notes to the financial statements

25 Ultimate parent company

The immediate parent company is BOCI Global Commodities Holdings Limited (a company incorporated in Hong Kong). The immediate holding company of BOCI Global Commodities Holdings Limited is BOCI Holdings and is the wholly-owned investment banking arm of Bank of China Limited (a company incorporated in China). The parent company of Bank of China Limited is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), which owned 65.52% of the ordinary shares of Bank of China Limited as at 31 December 2014 (31 December 2013: 67.75%). Both Huijin and CIC are companies incorporated in China.

The largest and smallest group which includes the Company, and which prepares publicly available consolidated financial statements is Bank of China Limited. Copies of its consolidated financial statements are publicly available from the Head Office of the Bank of China Limited, 1 Fuxingmen Nei Dajie, Beijing, People's Republic of China, 100818.

26 Country-by-country reporting

The below table fulfills the Company's requirements with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting (CBCR).

Country	Income \$	Loss before tax \$	Tax paid \$	Subsidy received \$	Average Full Time Equivalent staff including temporary staff FTE
UK	6,534,167	(2,640,478)	-	-	11
Total	6,534,167	(2,640,478)	-	-	11

The main activity of the Company is broking of futures on the London Metal Exchange ("LME").

27 Subsequent event

On 2 February 2015, as part of a group reorganisation, for a consideration of HK\$99,398,522 (US\$12,817,677), Bank of China International Holding Limited (a UK registered company) purchased the entire share capital of BOCI Global Commodities (UK) Limited (22,000,000 shares with nominal value per share of US\$1).