

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017**

Company Registration No. 1459469

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CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED

**Registered Address:
111 Old Broad Street
London
EC2N 1AP**

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CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST AUGUST 2017

The directors present their Annual Report, together with the audited financial statements of the Company, for the year ended 31st August 2017.

The Strategic Report on page 3 contains details of the principal activities of the Company and provides information on the future developments of the Company's business.

The financial risk management objectives and policies are detailed in Note 19.

GOING CONCERN STATEMENT

The Company is expected to continue to have access to adequate funding for the foreseeable future.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue within its current banking arrangements.

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors of the Company, who held office during the year and to the date of signing, were as follows:

Mr A W Gooch (appointed 11th December 2017)
Mr N K Dentoom (resigned 10th December 2017)
The Hon, Mr A Bagri (Non-executive director)
Dr Zhanghong Hu (Non-executive director)
Mr Wei Wei (Non-executive director)

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

DIVIDENDS

The directors have not recommended the payment of an ordinary dividend for the year ended 31st August 2017 (2016: \$nil).

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 2017

NON-CURRENT ASSETS

Details of movements during the year are set out in notes 10 and 11 to the financial statements.

REGULATORY DISCLOSURES

The Company's regulatory disclosures, as required by FCA regulations and Part 8 of the Capital Requirements Regulation, can be found on the Company's website, www.ccbimetdist.com.

INDEPENDENT AUDITORS

This statement is made and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each director has taken all 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 auditors are aware of that information.

By Order of the Board



Mr M J Thompson (Company Secretary)
18th December 2017

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31ST AUGUST 2017

The directors present their strategic report for the year ended 31st August 2017.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is metal trading. The Company is authorised and regulated by the Financial Conduct Authority (FCA) and is a Category 1 Member of The London Metal Exchange.

BUSINESS REVIEW AND FUTURE OUTLOOK

The Company continues to operate as a metal broker and dealer and as a Category 1 Member of the London Metal Exchange.

The results for the year are shown in the income statement on page 7. The loss for the financial year was \$6,692,227 (2016: \$2,581,343). The total shareholders' funds at the year-end are \$39,144,014 (2016 restated: \$45,801,195).

Following the acquisition by CCB International Securities Limited in 2016, the company is currently going through a significant expansion programme investing in its core infrastructure, systems and personnel. This investment in the company is the reason for the loss incurred during the financial year as the business goes through this transitional period, which is a key stage of the business plan. The directors are therefore satisfied with the performance of the company during the year.

Due to the current transitional nature of the Company, the directors are of the opinion that the analysis using Key Performance Indicators are not currently meaningful for an understanding of the development, performance or position of the business.

PRINCIPAL RISKS

The Company activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and cash flow risk as explained in note 19. The company's overall risk management programme focuses on the unpredictability of relevant markets and seeks to minimise potential adverse effects on the company's financial performance.

The company is also exposed to operational and regulatory risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The company provides the structure to identify, monitor and manage these risks.

Regulatory risk is the risk associated with the potential for laws related to a given industry, country, or type of security to change and impact relevant investments. Regulatory risk is also the risk of non-compliance. The company uses relevant services to keep updated on current affairs in order to be aware of changes in regulatory requirements.

By Order of the Board



Mr M J Thompson (Company Secretary)
18th December 2017

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN REGARDS TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
FOR THE YEAR ENDED 31ST AUGUST 2017**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, CCBI Metdist Global Commodities (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 August 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
FOR THE YEAR ENDED 31ST AUGUST 2017**

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
FOR THE YEAR ENDED 31ST AUGUST 2017**

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18th December 2017

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31ST AUGUST 2017

	NOTE	2017 \$	2016 \$
NET TRADING INCOME		1,025,857	909,142
Administrative expenses	4	(8,005,807)	(3,562,230)
		<hr/>	<hr/>
OPERATING LOSS		(6,979,950)	(2,653,088)
Other operating income		13,341	53,737
Interest receivable and similar income	7	322,928	19,870
Interest payable and similar expenses	8	-	(1,862)
		<hr/>	<hr/>
LOSS BEFORE TAXATION	4	(6,643,681)	(2,581,343)
Tax on loss	9	(48,546)	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		<u>(6,692,227)</u>	<u>(2,581,343)</u>

All recognised gains and losses are dealt with in the income statement.

All the Company's activities are classed as continuing.

The notes on pages 11 to 30 form part of these financial statements.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST AUGUST 2017

	2017 \$	2016 \$
Loss for the financial year	(6,692,227)	(2,581,343)
Items that may be reclassified subsequently to profit or loss:		
Revaluation of available-for-sale financial asset	(43,200)	(691,380)
Deferred tax:		
-On the revaluation of available-for-sale financial asset	78,246	138,276
	_____	_____
Total comprehensive loss for the year	(6,657,181)	(3,134,447)
	=====	=====

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
BALANCE SHEET
AS AT 31ST AUGUST 2017

	NOTE	2017		2016	
		\$	\$	\$	\$
NON-CURRENT ASSETS					
Tangible assets	10		1,664,830		-
Available-for-sale financial asset	11		<u>2,320,200</u>		<u>2,363,400</u>
			3,985,030		2,363,400
CURRENT ASSETS					
Trade and other receivables	12	30,106,064		16,875,735	
Derivative financial instruments	18	25,494,835		13,754,324	
Cash at bank and in hand		<u>26,117,140</u>		<u>29,181,543</u>	
		81,718,039		59,811,602	
CURRENT LIABILITIES					
Trade and other payables	13	(20,272,058)		(2,654,341)	
Derivative financial instruments	18	<u>(25,844,017)</u>		<u>(13,246,786)</u>	
NET CURRENT ASSETS			35,601,964		43,910,475
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>\$39,586,994</u>		<u>\$46,273,875</u>
NON-CURRENT LIABILITIES					
Deferred tax liability	14		<u>(442,980)</u>		<u>(472,680)</u>
NET ASSETS			<u>\$39,144,014</u>		<u>\$45,801,195</u>
CAPITAL AND RESERVES					
Called up share capital	15		41,632,000		41,632,000
Available for sale reserve	16		1,925,766		1,890,720
Retained earnings			<u>(4,413,752)</u>		<u>2,278,475</u>
TOTAL SHAREHOLDERS' FUNDS			<u>\$39,144,014</u>		<u>\$45,801,195</u>

The financial statements on pages 7 to 10 were approved by the Board of Directors on 18th December 2017 and signed on its behalf by:


Mr A W Gooch (Director)

Company Registration Number: 1459469

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST AUGUST 2017

	Called up Share Capital	Available for Sale Reserve	Retained Earnings	Total shareholders' funds
	\$	\$	\$	\$
Balance at 1st September 2015	11,632,000	2,443,824	4,859,818	18,935,642
Loss for the financial year	-	-	(2,581,343)	(2,581,343)
Other Comprehensive loss	-	(553,104)		(553,104)
Issue of Share Capital	30,000,000	-	-	30,000,000
Balance at 31st August 2016	<u>41,632,000</u>	<u>1,890,720</u>	<u>2,278,475</u>	<u>45,801,195</u>
Loss for the financial year	-	-	(6,692,227)	(6,692,227)
Other comprehensive income	-	35,046	-	35,046
Balance at 31st August 2017	<u><u>41,632,000</u></u>	<u><u>1,925,766</u></u>	<u><u>(4,413,752)</u></u>	<u><u>39,144,014</u></u>

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

1. GENERAL INFORMATION

CCBI Metdist Global Commodities (UK) Limited is domiciled in England and Wales and its legal form is a private limited Company incorporated under the laws of the United Kingdom under the Companies Act. The address of the registered office is given within the contents page. The nature of the Company's operations and its principal activities are set out in the business review on page 3.

These financial statements are presented in the United State Dollars (US\$), unless otherwise stated.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash-flow statement, standards not yet effective and disclosure of key management personnel compensation. Where required, equivalent disclosures are given in the groups consolidated financial statements of China Construction Bank Corporation. The group consolidated financial statements of China Construction Bank Corporation are available to the public and can be obtained as set out in note 21.

As detailed in the Directors Report, the going concern assumption has been used in preparing these financial statements.

(b) Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards that are effective for the year ended 31 August 2017, have had any material impact on the company. The principal accounting policies adopted are set out below.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

2. ACCOUNTING POLICIES (CONTINUED)

(c) Net Trading Income

Given the nature of the Company's operations, the directors do not consider the disclosure of turnover to be meaningful. The directors consider it more appropriate to begin with net trading income. This represents dealing profits and losses, commissions and other related income, net of direct costs, receivable on dealings on the London Metal Exchange.

The results of trading on the London Metal Exchange, an organised futures market, include provisions for both profits and losses on forward contracts outstanding on the last trading date in the financial year, open positions being valued at the prices at which they could have been realised on that date. Where such a market does not exist, the results include provisions for known losses.

The Company's entire revenue is generated from a single class of business, namely broking and dealing for clients in metal derivatives. In the opinion of the directors, the company trades with customers in a single international market. Therefore, no business or geographic segmental information has been provided.

(d) Interest Receivable and Payable

Interest receivable and payable are recognised in the income statement on an accruals basis.

(e) Depreciation

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Tangible fixed assets are reviewed for any impairment on an annual basis. Depreciation is provided on a straight-line method over the expected useful lives of each category of tangible fixed asset as follows;

Computer equipment and software	3-5 years
Fixtures and Fittings	3 years

(f) Foreign Currencies

The currency of the primary economic environment in which the Company operates (its functional currency) is pound sterling. The financial statements are presented in United States dollars which is the Company's presentational currency because all business operations are denominated in this currency.

Monetary assets and liabilities in foreign currencies have been expressed in US dollars at the closing mid-market rates of exchange ruling on the last trading date in the financial year. Non-monetary items are expressed at historic rates. The exchange profits and losses are included in the administrative expenses within the income statement.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

2. ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

Current tax, including UK corporation tax, is recorded at amounts expected to be recovered or 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 timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which these are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(h) Commission

Commissions earned for executing the purchase or sale of commodities are included in net trading income within the income statement when the contracts are transacted.

(i) Financial instruments

The Company classifies its financial assets measured at fair value through profit and loss in to following categories on initial recognition: financial assets held for trading, financial assets available-for-sale and loans and receivables.

The Company classifies its financial liabilities into the following categories on initial recognition: Financial liabilities held for trading and financial liabilities at amortised cost.

(i) Financial instruments held for trading

Open commodity futures and options positions and forward foreign exchange contracts and commodities held for resale are valued based on market prices prevailing at the balance sheet date. Changes in the valuation of these positions are recorded in net trading income within the profit and loss account.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

2. ACCOUNTING POLICIES (CONTINUED)

(ii) Available-for-sale financial asset

The Company's equity investment is classified as an available-for-sale financial asset. The investment is initially recognised at cost. It is subject to regular impairment review and is subsequently measured at fair value. Changes in the fair value of available-for-sale financial assets are reported in other comprehensive income until disposal, when the cumulative gain or loss is recognised in profit or loss.

Fair values for financial assets not quoted in an active market are determined using appropriate valuation techniques which maximise the use of observable data where it is available.

(iii) Loans and receivables and financial liabilities at amortised cost

These amounts include trade debtors and creditors, short-term and subordinated loans and sundry receivables and payables. These are non-derivative financial assets or liabilities with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over its expected life. The effective interest rate is a rate that exactly discounts estimated future cash flows to the instruments initial carrying amount.

(iv) Impairment of financial assets

Financial assets, other than those at fair value to profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss for all financial assets.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the income statement in the period.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

2. ACCOUNTING POLICIES (CONTINUED)

(v) Derivative Financial Instruments

Derivative financial instruments are measured at fair value, being the relevant quoted market prices ruling at the balance sheet date. The profits and losses arising from this valuation are included in the income statement and are recorded in the balance sheet within debtors and creditors as appropriate.

(j) Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to reduce the asset and liability simultaneously.

(k) Pensions Costs

The Company operates a defined contribution personal pension scheme. The amount charged to the income statement in respect of pension costs for each employee in the pension scheme is the contribution payable for the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to contribution payable for the period, which is presented within other operating expenses in the income statement.

(l) Operating Leases

Leases of assets under which all the risks and benefits of ownership are retained by the licensor are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired any payment required to be made to the licensor by way of penalty is recognised in the period in which the termination takes place. (Refer to note 6).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting estimates are:

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Available for Sale investments

AFS investments are initially recognised at historical cost and are revalued at fair value with any gains or losses taken through the available for sale reserves. The investment has been reinstated for prior year to take into consideration the change in exchange rates.

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Note:	2017	2016
		\$	\$
Auditors' remuneration – audit fees		75,075	34,961
– other fees		-	1,618
Rent		488,849	202,103
Depreciation	9	274,971	-
Staff costs	4	4,663,196	1,939,737

5. STAFF COSTS

The average number of full time equivalent persons employed by the company was as follows:

	2017	2016
	No.	No.
Administrative	11	5
Operational	11	8
Directors	<u>1</u>	<u>1</u>
	<u>23</u>	<u>14</u>

Employee costs including directors' remuneration:

	2017	2016
	\$	\$
Wages and Salaries	3,947,898	1,688,612
Social security costs	473,259	216,171
Other pension costs	242,039	34,954
	<u>4,663,196</u>	<u>1,939,737</u>

Directors' remuneration

The remuneration of the highest paid director was £439,230 (2016: £161,255)

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

6. OPERATING LEASE COMMITMENTS

At 31st August 2017, the Company has future minimum operating payments under non-cancellable operating lease agreements which fall due as follows;

	2017	2016
	\$	\$
Not later than one year	173,319	176,546
	<u> </u>	<u> </u>

Operating lease commitments relate to a “licence to occupy” office premises from China Construction Bank (London) Limited. The licence is to be reviewed at least every five years.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	\$	\$
Bank interest receivable	228,756	9,417
Other interest receivable	94,172	10,453
	<u>322,928</u>	<u>19,870</u>
	<u> </u>	<u> </u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	\$	\$
Other interest payable	-	1,862
	<u> </u>	<u> </u>

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

9.(a) TAXATION ON LOSS

	2017	2016
	\$	\$
Current tax:		
UK Corporation tax on loss for the year	-	-
Deferred tax:		
Timing differences – capital allowances	(48,546)	-
	<u> </u>	<u> </u>
Tax on Loss	(48,546)	-
	<u> </u>	<u> </u>
Tax income included in other comprehensive loss		
Deferred tax:		
Effect of revaluation of available-for-sale financial asset	78,246	138,276
	<u> </u>	<u> </u>
Total tax included in other comprehensive loss	78,246	138,276
	<u> </u>	<u> </u>

9.(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.58% (2016: 20%). The differences are explained below.

	2017	2016
	\$	\$
Loss before taxation	(6,643,681)	(2,581,343)
	<u> </u>	<u> </u>
Loss multiplied by the standard rate of tax in the UK of 19.58% (2016: 20%)	(1,300,833)	(516,269)
Effects of:		
Expenses not deductible for tax purposes	6,368	5,715
Losses carried forward	1,294,465	510,554
Deferred Tax – accelerated capital allowances	(48,546)	-
	<u> </u>	<u> </u>
Total tax charge for the year (Note 9(a))	(48,546)	-
	<u> </u>	<u> </u>

A deferred tax asset of \$1,811,525 (2016: \$802,470) has not been recognised in respect of timing differences relating to unutilised tax losses as there is insufficient evidence to prove it cannot be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

10. TANGIBLE ASSETS

	<u>Fixtures & Fittings</u> \$	<u>Computer Equipment</u> \$	<u>Total</u> \$
COST			
At 1 st September 2016	-	19,538	19,538
Additions	722,398	1,218,090	1,940,488
Disposal	(824)	(19,538)	(20,362)
	<hr/>	<hr/>	<hr/>
At 31 st August 2017	721,574	1,218,090	1,939,664
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
DEPRECIATION			
At 1 st September 2016	-	19,538	19,538
Charge for the year	105,609	169,362	274,971
Disposals	(137)	(19,538)	(19,675)
	<hr/>	<hr/>	<hr/>
At 31 st August 2017	105,472	169,362	274,834
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
NET BOOK VALUES			
At 31 st August 2017	616,102	1,048,728	1,664,830
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 st August 2016	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

11. AVAILABLE-FOR-SALE FINANCIAL ASSET

	<u>LME Shares</u>	<u>Total</u>
	\$	\$
At 31 st August 2016 (restated)	2,363,400	2,363,400
Revaluation to Fair Value	(43,200)	(43,200)
	2,320,200	2,320,200
At 31 st August 2017	2,320,200	2,320,200
	2,320,200	2,320,200
Shareholding	<u>No</u>	<u>Basis of Valuation</u>
LME Holdings Limited "B" Shares	25,000	Last offered Price

The Company continues to hold 25,000 "B" shares in LME Holdings Limited. There was no cost to the Company in acquiring these shares. The shares are level 3 assets in the hierarchy set out in FRS101 and are recognised at £72 per share in accordance with the Company's accounting policy for valuing available-for-sale financial asset (see note 2). The revaluation to fair value represents the change in the exchange rate during the year. The restatement of the brought forward balance is to reflect the USD equivalent using the exchange rate at the balance sheet date, rather than the historic rate.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Trade debtors	28,166,602	15,485,523
Other debtors	1,318,665	1,167,563
Prepayments and accrued income	620,798	222,649
	30,106,065	16,875,735
	30,106,065	16,875,735

Of the other debtors shown above, \$1,000,000 (2016: \$1,000,000) relates to the LME Clear Member Default Fund. Although this balance may fluctuate during the year it is deemed to be significantly, if not wholly, due after more than one year.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

13. TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
Amounts falling due within one year:		
Amounts due to related parties	18,751,817	2,169,306
Other creditors	408,746	167,451
Other taxes and social security	-	95,312
Accruals	1,111,495	222,272
	<u>20,272,058</u>	<u>2,654,341</u>
	<u>20,272,058</u>	<u>2,654,341</u>

14. DEFERRED TAX

The provision for deferred tax consists of the following deferred tax assets/(liabilities) and is provided at a rate of 17% (2016: 20%) as follows;

At 1st September 2016 (restated)	(472,680)
Credit other comprehensive loss:	
- on the revaluation of available-for-sale investment	8,640
- change in tax rates	69,606
Charge to the income statement:	
Accelerated capital allowances	(48,546)
	<u>(442,980)</u>
At 31st August 2017	<u>(442,980)</u>

The brought forward balance has been restated due to the restated available for sale investment brought forward balance which has changed the deferred tax liability.

15. CALLED UP SHARE CAPITAL

	2017	2016
	\$	\$
As at 31st August 2016 and 31st August 2017	<u>Allotted, Issued & Fully Paid</u>	<u>Allotted, Issued & Fully paid</u>
	£	£
Ordinary shares of £1 each	21,103,436	21,103,436
	<u>21,103,436</u>	<u>21,103,436</u>
	\$	\$
Dollar equivalent (fixed)	41,632,000	41,632,000
	<u>41,632,000</u>	<u>41,632,000</u>
	<u>41,632,000</u>	<u>41,632,000</u>

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

15. CALLED UP SHARE CAPITAL (CONTINUED)

The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one vote at any general meeting.

16. AVAILABLE FOR SALE RESERVE

This represents the valuation of the Company's available for-sale financial assets (LME "B" shares), adjusted for the corresponding deferred tax liability.

17. FINANCIAL INSTRUMENTS

Objectives and policies

Please refer to Note 19 – Financial Risk Management for details on the Company's financial instrument risk management objectives strategies and procedures to minimise their potential adverse effect on Company performance.

Analysis of financial instruments

The Company's financial instruments may be analysed as follows;

	2017		2016	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Cash at bank and in hand	26,117,140	26,117,140	29,181,543	29,181,543
Financial assets measured at Fair value through profit or loss	25,494,835	25,494,835	13,754,324	13,754,324
Financial assets that are debt instruments measured at amortised cost	29,485,266	29,485,266	16,653,086	16,653,086
Available-for-sale financial asset (2016 restated)	2,320,200	2,320,200	2,363,400	2,363,400
Financial liabilities measured at fair value through profit or loss	25,844,017	25,844,017	13,246,786	13,246,786
Financial liabilities measured at amortised cost	19,160,564	19,160,564	2,559,029	2,559,029

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

17. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and liabilities measured at fair value through profit or loss comprise derivative financial instruments.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts due from fellow group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to fellow group undertakings, other creditors and accruals.

Fair Value

Financial assets and liabilities are recorded in the financial statements at fair value, which is calculated using market prices prevailing at the balance sheet date. Where such prices are not available, fair values are derived using internally developed valuation methodologies based on available market information.

All changes in the fair value of instruments are recognised in the profit and loss account as they arise. The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable;

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$
31 August 2017				
<i>Financial Assets</i>				
Fair value through profit and loss:				
Derivative financial instruments	25,494,835	-	-	25,494,835
<i>Available-for-sale financial asset</i>				
Available-for-sale investment	-	-	2,320,200	2,320,200
<i>Financial liabilities</i>				
Fair value through profit and loss:				
Derivative financial instruments	(25,844,017)	-	-	(25,844,017)
	<u>(349,182)</u>	<u>-</u>	<u>2,320,200</u>	<u>1,971,018</u>

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

17. FINANCIAL INSTRUMENTS (CONTINUED)

	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$
31 August 2016				
<i>Financial Assets</i>				
Fair value through profit and loss:				
Derivative financial instruments	13,754,324	-	-	13,754,324
<i>Available-for-sale financial asset</i>				
Available-for-sale investment	-	-	2,363,400	2,363,400
<i>Financial liabilities</i>				
Fair value through profit and loss:				
Derivative financial instruments	(13,246,786)	-	-	(13,246,786)
	<u>507,538</u>	<u>-</u>	<u>2,363,400</u>	<u>2,870,938</u>

Reconciliation of Level 3 fair value measurements of financial assets:

	Total 2017 \$
Balance at 1 September 2016	2,363,400
Total gains and losses recognised in: Other Comprehensive loss	(43,200)
Balance at 31 August 2017	<u>2,320,200</u>

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NOTES TO THE FINANCIAL STATEMENTS
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18. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 \$	2016 \$
Financial assets at fair value through profit and loss		
Derivative financial instruments:		
Futures – LME Clear	12,096,285	12,748,995
Derivative financial instruments:		
Futures – Related parties	13,398,550	1,005,329
	25,494,835	13,754,324
	25,494,835	13,754,324
Financial liabilities at fair value through profit and loss		
Derivative financial instruments:		
Futures – LME Clear	24,423,956	8,713,349
Derivative financial instruments:		
Futures – Related parties	1,420,061	4,533,437
	25,844,017	13,246,786
	25,844,017	13,246,786

19. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: price/market risk, credit risk, operational risk, liquidity risk and interest rate risk. The company's overall risk management programme focuses on the unpredictability of relevant markets and seeks to minimise potential adverse effects on the Company's financial performance. The Board of Directors determines the level of risk acceptable to the company by setting limits within which senior managers monitor the company's operations.

Price Risk:

This risk arises from adverse movements in the price of derivatives in which the company trades. The company's objective is to be aware, control and minimise this risk. The Company's principal business involves acting as a broker and dealer in commodity derivatives. Open trading positions held by the Company are small and largely result from client facilitation activities. Where open positions are held, the Company is exposed to adverse price movements in the price of commodities in which it trades and holds positions. The company has a policy to create trade limits which have been set that take into account each commodity's volatility. These limits are monitored on daily basis against both marked to market movement and position structure.

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk:

Credit Risk arises from a counterparty defaulting on a contractual obligation involving cash and cash equivalents, deposits with banks and financial institutions and from derivative financial instruments transactions. The company has credit policies and procedures in place and credit lines granted by the Company are approved within the approved credit management policy. All customer positions are marked to market on a daily basis and monitored against credit lines granted. The company calls margin for cover should net exposures covered by netting agreements exceed the lines granted.

Operational Risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal risk. This broad category extends across all departments throughout the company. The company strives to mitigate operational risks through reviewing processes and controls continuously. Employee retention is managed in accordance with good practice standards through the Company's remuneration policy on reward, compensation benefits and continued employee development.

Competition is managed through competitive pricing strategies and transparency of the market.

Liquidity Risk:

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate reserves and banking facilities. The facilities cover funding for daily operational requirements to the company to LME Clear. At the balance sheet date the company had adequate unutilised facilities.

Interest rate risk:

The company has an excess of current assets over current liabilities and are exposed to minimal cash flow interest rate risk. Surplus cash is invested on term deposits. Interest is not charged or incurred on outstanding derivative asset and liabilities with brokers or clients.

Capital Risk Management:

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity mix. The capital structure of the company consists of equity holders of 75% share by CCB International Securities Limited and 25% share by Minmetco Limited, comprised of issued share capital, reserves and retained earnings as disclosed in the Statement of changes in equity.

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the company's total financial assets and liabilities into relevant maturity groups based on the following year from the balance sheet date:

As at 31 August 2017	Less than 1 month	1-3 Months	3-12 Months	More than 1 year	Total
	\$	\$	\$	\$	\$
<u>Assets</u>					
Derivative financial instruments – LME Clear	5,184,594	6,652,666	258,281	743	12,096,285
Derivative financial instruments – Related Parties	-	9,235,569	-	4,162,981	13,398,550
Trade Debtors	28,166,602	-	-	-	28,166,602
Other Debtors	1,577,607	135,642	226,214	-	1,939,463
Term Deposits	4,000,000	9,000,000			13,000,000
Cash at bank and in hand	13,117,140	-	-	-	13,117,140
Total	52,045,942	25,023,877	484,495	4,163,725	81,718,039
<u>Liabilities</u>					
Derivative financial instruments – LME Clear	3,788,337	6,646,814	9,530,044	4,458,760	24,423,956
Derivative financial instruments – Related Parties	1,027,690	317,181	75,190	-	1,420,061
Amounts due to related parties	18,751,817	-	-	-	18,751,817
Other Creditors	1,088,065	-	432,176	-	1,520,241
Total	24,655,910	6,963,996	10,037,410	4,458,760	46,116,075

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 August 2016	Less than 1 month \$	1-3 Months \$	3-12 Months \$	More than 1 year \$	Total \$
<u>Assets</u>					
Derivative financial instruments – LME Clear	2,225,028	3,352,601	7,166,410	4,955	12,748,994
Derivative financial instruments – Related Parties	897,561	78,434	29,334	-	1,005,329
Trade Debtors	15,485,523	-	-	-	15,485,523
Other Debtors	1,265,269	80,822	44,120	-	1,390,211
Term Deposits	22,500,000	-	-	-	22,500,000
Cash at bank and in hand	6,681,543	-	-	-	6,681,543
Total	49,054,924	3,511,857	7,239,864	4,955	59,811,602
<u>Liabilities</u>					
Derivative financial instruments – LME Clear	2,684,954	4,377,878	1,492,364	158,152	8,713,347
Derivative financial instruments – Related Parties	-	-	4,533,437	-	4,533,437
Amounts due to related parties	2,169,306	-	-	-	2,169,306
Other Creditors	485,035	-	-	-	485,035
Total	5,339,295	4,377,878	6,025,800	158,152	15,901,124

CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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20. RELATED PARTY TRANSACTIONS

Minmetco Limited retains 25% share of the company.

During the financial year the Company had the following transactions with the following fellow member companies under the Minmetco group;

The Company received \$376,323 and \$27,278 in commissions from Metdist Limited and Metdist Enterprises respectively.

As at 31st August 2017 the Company was due \$13,398,550 and \$(Nil) from Metdist Limited and Metdist Enterprises respectively.

As at 31st August 2017 the Company owed \$499,410 and \$920,659 to Metdist Limited and Metdist Enterprises respectively.

21. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The Company is a 75% owned subsidiary of CCB International Securities Limited, a Company incorporated in Hong Kong. CCB International Securities Limited is a wholly-owned subsidiary of China Construction Bank Corporation ("CCBC"). Central Huijin Investment Ltd is the controlling party of CCBC, and it is a wholly-owned subsidiary of China Investment Corporation which is a wholly state-owned company in the People's Republic of China engaging in foreign currency investment and management. CCBC produces financial statements available for public use and are available from their registered office.