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# AMBRIAN CAPITAL

Annual Report & Accounts 2009

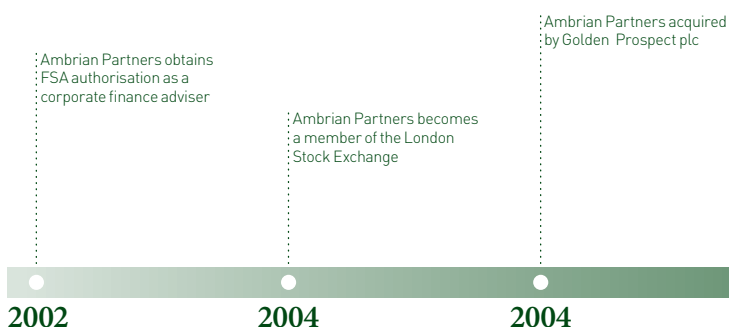
## Our objective

We are committed to building a business that has intrinsic value substantially in excess of net asset value based on a differentiated business model and an enduring franchise.

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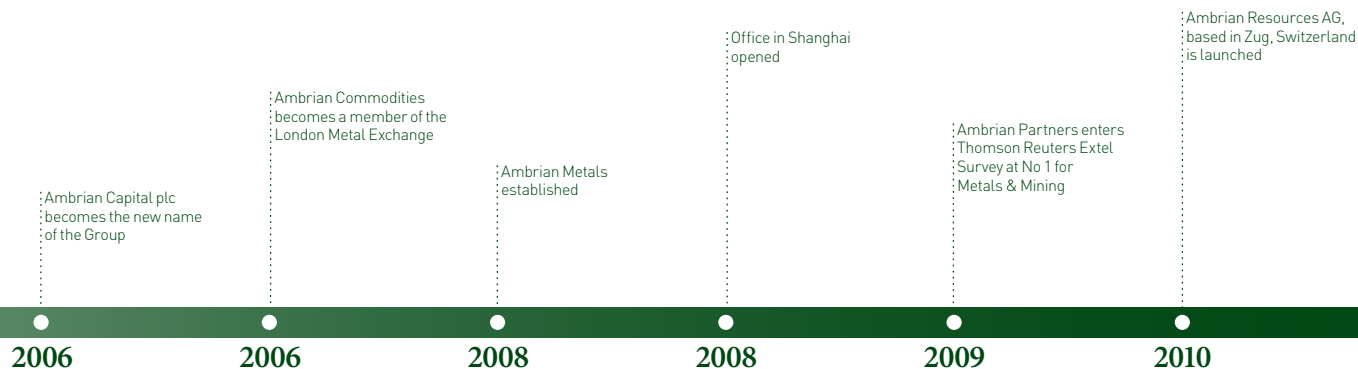
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## Our development



## Divisions

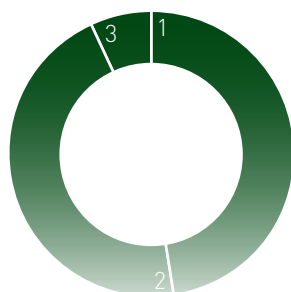
<p><b>Corporate Finance &amp; Equities</b></p>	<p><b>Commodities</b></p>	<p><b>Principal Investments</b></p>
<p><b>Ambrian Partners Limited</b></p>	<p><b>Ambrian Commodities Limited</b></p>	<p><b>Ambrian Asset Management Limited</b></p>
<p>Specialist investment bank focused on the Metals &amp; Mining, Oil &amp; Gas and Cleantech sectors.</p>	<p>Trader and broker specialising in London Metal Exchange cleared base metals futures and options.</p>	<p>Manages Ambrian Principal Investments Limited, a wholly-owned Jersey investment company.</p>
<p>Services include:</p>	<p>FSA authorised</p>	<p>FSA authorised</p>
<ul style="list-style-type: none"> <li>• Corporate finance advisory</li> <li>• Nomad services</li> <li>• Corporate broking</li> <li>• Equity sales and trading</li> <li>• Research</li> <li>• Market making</li> </ul>	<p>FSA authorised</p>	<p>FSA authorised</p>
<p>FSA authorised</p>	<p><b>Ambrian Metals Limited</b></p>	<p><b>Ambrian Resources AG</b></p>
	<p>Physical metals merchant.</p>	<p>Arranges and manages strategic principal investments.</p>
	<p>Focus on:</p>	<ul style="list-style-type: none"> <li>• Majority-owned Swiss subsidiary</li> </ul>
	<ul style="list-style-type: none"> <li>• Copper (wire-rod/cathode)</li> <li>• Aluminium</li> <li>• Lead</li> </ul>	
	<p>Offices in London and Shanghai and agents in:</p>	
	<ul style="list-style-type: none"> <li>• New York</li> <li>• Santiago</li> <li>• São Paulo</li> <li>• Seoul</li> <li>• Tokyo</li> </ul>	



## Financial highlights 2009

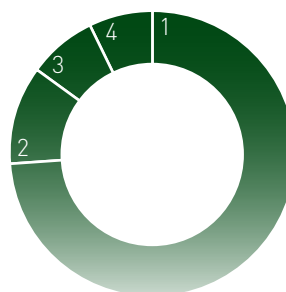
- Total income £18.78 million in 2009 compared to negative total income of £(1.07) million in 2008.
- Revenue £17.51 million in 2009, up 82% compared to 2008 (excluding gains and losses from the Investment Portfolio).
- Corporate Finance & Equities revenue £8.95 million in 2009, up more than two and a half times compared to 2008.
- Commodities revenue £8.56 million in 2009, an increase of 34% compared to 2008.
- Profit before share-based payment charges and tax £4.01 million compared to a loss on the same basis of £(16.30) million in 2008.
- Ambrian ranked 1st in small cap metals and mining research (*Thomson Reuters Extel Survey 2009*) and 1st by number of retained corporate clients in the AIM Basic Materials Sector (*Hemscott Fourth Quarter 2009*).
- Ambrian handled 213,382 tonnes of refined copper in 2009, an amount equivalent to approximately 6.9% of China's total imports of refined copper in 2009.
- Net tangible asset value per share increased 7.23% during the year to 31.18p at 31 December 2009.
- Basic earnings per share 2.76p in 2009 compared to a loss per share of (12.92)p in 2008.
- Second interim dividend of 0.75p per share declared and no final dividend proposed, taking total dividends for the year to 1.50p per share, unchanged from 2008.

2009 Total income by division £m (%)



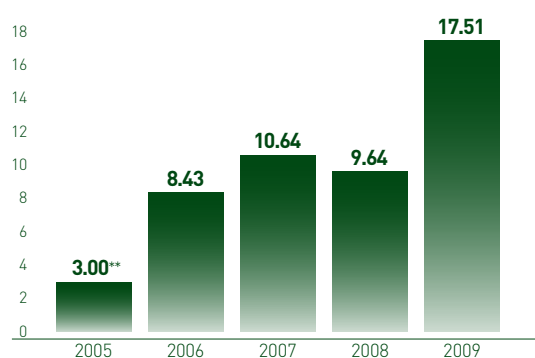
1 Corporate finance & equities	<b>8.95</b>	(48%)
2 Commodities	<b>8.56</b>	(46%)
3 Principal investments	<b>1.27</b>	(6%)
Total income	<b>18.78</b>	

Net asset value breakdown at 31/12/09 £m (%)

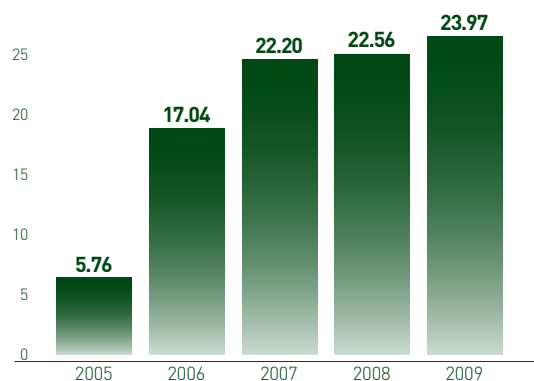


1 Own cash	<b>23.97</b>	(74%)
2 Working capital and fixed assets	<b>3.64</b>	(11%)
3 Principal investments	<b>2.53</b>	(8%)
4 Intangible assets	<b>2.29</b>	(7%)
Total net assets	<b>32.43</b>	

Operating revenue\* (£m)



Own cash (£m)



\* Excludes Investment portfolio

\*\* UK GAAP

## Chairman's statement

“The current year will no doubt provide further challenges in a fragile economic world but there will also be opportunities for Ambrian.”

Ambrian's financial and operating performance in 2009 demonstrated continued progress in meeting our strategic objective. We are committed to building a business that has intrinsic value substantially in excess of net asset value based on a differentiated business model and an enduring franchise.

The growth in revenue and profit in 2009, in both Corporate Finance & Equities and in Commodities, demonstrates the success of our natural resources focused model. Ambrian continues to emphasise return on capital, cost control and maintenance of a strong financial position. This year we have taken a charge to Ambrian's consolidated statement of comprehensive income for the fair value of share options granted to staff by the Ambrian Capital Employee Benefit Trust in accordance with IFRS 2. We have also restated the 2008 accounts to reflect this charge. Our remuneration policies are designed to retain and incentivise our most talented staff and recruit the best people in the market in order to drive growth in shareholder value. We are in the process of putting in place a more effective share incentive scheme for our staff.

Ambrian Partners continued to strengthen its position in the UK small- and mid-cap metals and mining sector. It took advantage of the fall-out from the credit crisis in the UK investment banking sector to hire talented individuals in corporate finance, equity sales and trading and research. Ambrian Partners took steps during 2009 to improve the size, quality and sustainability of its equities business by selectively recruiting specialist research analysts in non-cyclical sectors. Equity market making showed a significant turnaround during the year as a result of the rebound in the junior natural resources sector.

Ambrian Commodities remained profitable in 2009 despite a drop in customer trading volumes and lower interest rates. In the second half of the year we changed to a new clearing bank and we now fund client margins due to the London Metal Exchange (LME) from our own cash resources.

Ambrian Metals benefited in the first half of 2009 from the strength in demand for refined copper from China and the Middle East. We are taking steps to upgrade our office in Shanghai from a representative office to a "Wholly Foreign Owned Enterprise" (WFOE) which will

enable Ambrian Metals to trade with a wider range of Chinese customers. We expect the WFOE to become fully operational in the second half of 2010.

In January 2010, we transferred Ambrian's remaining investment portfolio into Ambrian Principal Investments Limited (APIL), a wholly-owned Jersey registered company, which is managed by Ambrian Asset Management Limited. This will enable the performance of our principal investment portfolio to be clearly identified and provides the basis for an audited track record.

We continue to broaden both the services we offer to clients and our geographical presence. In February 2010, we formed Ambrian Resources AG in partnership with three ex-Glencore International executives. Based in Switzerland, Ambrian Resources is focused on arranging and managing strategic investments which offer the opportunity to complement the activities of our other businesses. We expect to allocate approximately 10% of the Group's shareholders' equity to strategic principal investments.

A second interim dividend of 0.75p per share will be paid to shareholders on 30 March 2010. This takes the total dividend for the year to 1.50p per share, unchanged from 2008. We are not recommending payment of a final dividend. Since our first dividend payment in October 2005, Ambrian has paid shareholders a cumulative total of £7.12 million in cash dividends. A further £1.10 million has been returned to shareholders through share buybacks over the same period.

The current year will no doubt provide further challenges in a fragile economic world but there will also be opportunities for Ambrian. Despite our accomplishments in 2009, we know that there is still much to be done if we are to achieve our objective and build our business in the long term. We benefit greatly from our Chief Executive, Tom Gaffney, who has shown outstanding leadership in expanding and diversifying our business in a difficult environment.

Finally, I would like to thank our clients for entrusting us with their business, all of our staff for their hard work over the past year and my fellow directors for their guidance and support.

**W Lawrence Banks, CBE**  
Chairman

22 March 2010

## Chief Executive's report

“We are enthusiastic about the strength of our platform and our vision is to build the pre-eminent investment bank to the natural resources sector...”

Ambrian's strong performance in 2009 demonstrates the substantial opportunities for growth in our two businesses. Corporate Finance & Equities revenue increased more than two and a half times and Commodities revenue increased by 34%. Our growth is reflected in Ambrian's bottom-line results.

Our activities have grown in size and complexity in recent years, which requires an increasing emphasis on risk management throughout the Group. Ambrian's businesses generate recurring revenue by acting as an intermediary on most transactions. As an intermediary, Ambrian minimises its market risk by matching buyers and sellers. Our market risk taking, other than in the Investment Portfolio, is for the most part limited to providing our clients with liquidity to facilitate the execution of a transaction.

We are enthusiastic about the strength of our platform and our vision is to build the pre-eminent investment bank to the natural resources sector that draws on our skills in equities, derivatives and physical metals.

### Financial review

Total income for 2009 was £18.78 million, compared with negative income of £(1.07) million in 2008.

Revenue grew by 82% to £17.51 million in 2009 from £9.64 million in 2008 (excluding gains and losses from the Investment Portfolio).

Corporate Finance & Equities revenue increased by 175% in 2009 to £8.95 million from £3.25 million in 2008. Excluding equity market making gains in 2009 of £1.49 million and losses in 2008 of £(2.04) million, Corporate Finance & Equities revenue was up 41% in 2009, reflecting the recovery in equity markets.

Commodities saw revenue increase by 34% in 2009 to £8.56 million from £6.39 million in 2008. The growth in revenue was driven by an increase in physical tonnage traded and a widening of metal premiums, particularly during the first half of 2009.

The Investment Portfolio had income of £1.27 million in 2009 compared with negative income of £(10.71) million in 2008. The recovery in the value of the investment in Minerva Resources plc (now Nyota Minerals Limited) accounted for the majority of the income of the Investment Portfolio in 2009.

Administrative expenses were £15.86 million in 2009 (2008: £16.54 million), of which £11.07 million (2008: £11.46 million) were represented by fixed costs (excluding bonuses, share-based payment charges and non-recurring costs).

Remuneration expenses, before share-based payment charges, were £9.85 million in 2009 (2008: £6.78 million) of which (i) £6.53 million was represented by salaries, employers' national insurance and benefits (2008: £5.47 million) and (ii) £3.33 million represented a provision for the year end profit-related bonuses (2008: £1.31 million). The ratio of total remuneration expenses (excluding share-based payment charges) to total income was 52.5% for 2009. Share-based payment charges in 2009 were £1.08 million compared with £1.33 million in 2008 as restated.



Left to right:

Tom Gaffney  
Chief Executive

John Coles  
Finance Director

## £4.01m

2009 profit before  
share-based payment  
charges and tax

Non-personnel costs were £4.92 million in 2009, 42% lower than 2008. The decrease compared with 2008 is principally attributable to a rigorous focus on cost control in 2009 and the non-recurring costs incurred in 2008.

Total headcount as at 31 December 2009 stood at 73, up two during 2009.

Profit before share-based payment charges and tax for 2009 was £4.01 million compared to a loss of £(16.30) million in 2008.

Profit before tax for 2009 was £2.93 million compared to a loss of £(17.63) million in 2008.

Basic earnings per share were 2.76p compared to a basic loss per share of (12.92)p in 2008.

The tax charge for 2009 was £0.28 million (2008: tax credit £4.77 million), which is equivalent to a tax rate of 9.5%. The reduced tax is primarily due to a deferred tax credit of £0.54 million arising from the share-based payment charge.

### Consolidated statement of financial position

Total assets increased to £281.55 million at 31 December 2009 from £94.35 million at 31 December 2008, primarily due to increased volumes of physical metals contracted for sale and for purchase by Ambrian Metals.

Cash, trade and other receivables and inventory accounted for 49% of total assets at the year end. Trade and other receivables are short-dated and almost all are either backed by a letter of credit from a major financial institution or we have obtained credit insurance for substantially all of the credit exposure. Our inventory position principally reflects metals that we hold in conjunction with future contractual sales. The metals we trade in are readily convertible for cash.

Contractual obligations from a diverse group of major metals consumers to purchase tonnages of physical metals for periods of up to 12 months represent a further 48% of the Group's assets. These assets are valued at the LME closing valuation prices at the year end.

The Group's own cash resources, net of amounts due to clients, totalled £23.97 million at 31 December 2009 compared with £22.56 million at 31 December 2008. The Group's own cash resources at the year end

included £9.02 million (2008: £ nil) of own cash held with Fortis Bank Global Clearing NV (100%-owned by the Dutch State), our LME clearer, in respect of margin credit granted to clients of Ambrian Commodities. Cash is also held on deposit, principally with Barclays Bank plc and Royal Bank of Scotland plc.

The Investment Portfolio was valued at £2.53 million at 31 December 2009 compared with £1.50 million at 31 December 2008.

It has always been the Group's policy to provide a reserve in the consolidated statement of financial position for the full cost of the potential exercise of share options granted by the Ambrian Capital Employee Benefit Trust (EBT). At 31 December 2009 the EBT reserve was £5.34 million (2008: £5.88 million).

Shareholders' equity was £32.43 million at 31 December 2009 (31 December 2008: £30.35 million).

Net asset value per share was 33.55p and tangible net asset value per share was 31.18p, increases of 6.14% and 7.23%, respectively, during 2009. Net asset value per share and tangible net asset value per share are based on 96,652,953 ordinary shares outstanding at 31 December 2009 (excluding Treasury shares and shares held by the EBT).

The aggregate regulatory capital requirement for the Group's regulated subsidiaries was £4.05 million at 31 December 2009, which was substantially exceeded by the aggregate regulatory capital resources of the regulated subsidiaries of £16.14 million.

## £281.55m

Total assets at  
31 December 2009

## Chief Executive's report (continued)



### Ambrian Partners Limited

Left to right:

Richard Brown  
Richard Chase  
Charlie Bendon

### Corporate Finance & Equities

#### Corporate finance

Ambrian Partners has built a strong franchise in providing high value-added corporate finance advisory services with a particular focus on the metals and mining sector. Our corporate clients recognise Ambrian Partners' industry expertise, ability to handle complex multi-jurisdictional transactions and Nominated Adviser ("Nomad") services.

Among the transactions on which Ambrian Partners advised during 2009 were the following:

- *Avocet Mining plc's* US\$145 million acquisition of Wega Mining ASA
- *Centamin Egypt plc's* £1.40 billion move to the Official List of the London Stock Exchange from AIM
- *Weatherly International plc's* US\$33 million sale of its smelter assets

Ambrian Partners is the recognised leader in the AIM Basic Materials Sector and was ranked first by number of retained corporate clients in the *Hemscott Fourth Quarter 2009 AIM Advisers Rankings Guide*.

Ambrian Partners' strategy is to focus its resources on a select group of retained Nomad and/or Corporate Broking clients which are of high quality, have high growth potential and offer Ambrian Partners the potential to generate significant fees on a recurring basis. At 31 December 2009, Ambrian Partners Limited had 32 retained corporate clients compared with 42 at 31 December 2008. Ambrian Partners' retained quoted clients had an average market capitalisation of £104 million at 31 December 2009 compared with the average market capitalisation of an AIM-listed company at that date of £44 million.

#### Capital markets

Based on a reputation for bringing attractive companies to the market, Ambrian Partners has become a key market intermediary for natural resources companies seeking to raise capital in the London market.

In 2009, Ambrian Partners was involved in 20 transactions that provided £292 million in financing for growing companies.

Among the fundraisings announced in 2009 in which Ambrian Partners played a role were the following:

- *African Consolidated plc's* £10 million equity offering
- *Centamin Egypt plc's* C\$69 million equity offering
- *Kalahari Minerals plc's* £17.9 million and £20.0 million equity offerings
- *SeaEnergy plc's* £7.5 million equity offering
- *Sylvania Resources plc's* £10 million equity offering

#### Equities

Ambrian Partners' equities business performed well in 2009 as a result of the rebound in equity markets and, in particular, the sharp recovery in the junior natural resources sector. The FTSE AIM Basic Resources Index rose by 153% in 2009 after dropping by 73% in 2008.

Ambrian Partners made significant progress in further strengthening its institutional client base and improving the consistency of its research-driven brokerage revenue. In 2009, revenue from institutional brokerage commissions and commission sharing arrangements (CSAs) increased by 24%.

Ambrian Partners' equities team was ranked first overall in the UK small-cap metals and mining sector in the *2009 Thomson Reuters Extel Survey*.

During the year, Ambrian Partners expanded its mining research coverage from the small- and mid-cap sector to include the major London-listed mining companies.

## Ranked 1st

Hemscott and Thomson  
Reuters Extel – Small-cap  
Metals & Mining





### Ambrian Commodities Limited

Left to right:

Peter Grinham

Malcolm Freeman

The decision was taken during 2009 to take advantage of the dislocation in the UK stockbroking sector to recruit a limited number of top quality research analysts and equity salesmen to broaden Ambrian Partners' product offering beyond the mining sector and AIM.

The plan is to build a larger, more profitable equities business to enable our fixed cost base to be shared among a greater number of income generators and build on Ambrian Partners' first-rate reputation in the natural resources sector.

Our strategy is to build our brokerage presence in equities bought largely for their defensive qualities as a counter-balance to the highly cyclical and volatile natural resources sector in which Ambrian Partners already has a strong presence. Since the beginning of 2010, Ambrian Partners has hired "thought leading" equity research analysts specialising in defensive sectors such as utilities, pharmaceutical companies and food retailers.

Ambrian Partners is committed to being a specialist securities firm with recognised industry expertise. Increasingly, Ambrian Partners' skills in natural resources will be complemented by expertise in new sectors that will provide diverse and sustainable sources of revenue.

Ambrian Partners makes markets in the shares of 55 companies and had £2.00 million of capital allocated to the activity at 31 December 2009.

Equity market making was profitable in all but one month in 2009 and generated revenue of £1.49 million in 2009 compared to a loss of £(2.04) million in 2008. Equity market making plays a vital role providing liquidity to our "house stocks" and thereby facilitating client activity. Over 75% of the revenue generated by equity market making was in the shares of Ambrian Partners' corporate clients.

### Commodities

Commodities comprises Ambrian Commodities Limited, the LME broker-dealer and Ambrian Metals Limited, the physical metals merchant.

#### Ambrian Commodities Limited

Ambrian Commodities had a more difficult year in 2009 than in 2008 as a result of a 19% reduction in customer activity levels, lower average metals prices and lower interest rates. Nevertheless, Ambrian Commodities remained profitable.

Total LME trading volume was almost unchanged with 112 million lots traded in 2009 compared with 113 million lots in 2008. However, in 2009 the US dollar notional value of lots traded on the LME declined by 28% to US\$7.41 trillion due to lower metals prices. LME volumes were maintained by the activity of financial investors despite a decline in end-user demand.

Ambrian Commodities' client base primarily consists of industrial metals fabricators, of which approximately two-thirds are located in Continental Europe.

These industrial customers have a regular need for the metals price hedging services provided by Ambrian Commodities regardless of the actual level of metals prices. However, their volume of LME activity is directly related to their manufacturing production. Given the weak European economic recovery in 2009, output was reduced and this depressed Ambrian Commodities' volume of activity.

In addition, in the low interest rate environment prevailing in 2009, Ambrian Commodities was unable to maintain interest income on cash balances held at the same level as in 2008. During 2009, overnight US\$ LIBOR averaged only 0.23% compared with 2.33% in 2008.

The allocation of capital to support the granting of margin credit represents the largest single constraint to the future growth of Ambrian Commodities and we are actively pursuing initiatives to resolve this issue.

# 119

Number of companies covered by Ambrian Partners equity research

## Chief Executive's report (continued)



### Ambrian Metals Limited

Left to right:

Mark Homer

Owen Benninson

### Ambrian Metals Limited

Ambrian Metals globally sources non-ferrous metals, with a particular focus on LME-grade copper cathode and copper wire-rod, from producers for distribution primarily on a matched and hedged basis to an international client base. Headquartered in London, and with an office in Shanghai, Ambrian Metals has agents in New York, Santiago, São Paulo, Seoul and Tokyo.

Ambrian Metals does not speculate on movements in metals prices but generates revenue by charging its clients a market-based "premium" over the metal price for providing them with a consistently high quality product and logistics services.

Ambrian Metals manages all facets of marketing and distribution. The growth in tonnage handled by Ambrian Metals has been supported by major international banks that have been prepared to provide growing amounts of trade finance. These banks include BNP Paribas, ING, Standard Chartered, Credit Suisse and Banque Cantonale Vaudoise. At the year end, Ambrian Metals had US\$200 million in uncommitted trade financing facilities compared with US\$120 million at the end of 2008.

Ambrian Metals benefited during 2009 from record flows of refined copper into China. The total volume of refined copper imported into China in 2009 rose by 29% to 3.1 million tonnes from 2.4 million tonnes in 2008.

Chinese demand for copper was particularly strong during the first half of 2009 and was fuelled by strategic stockpiling but also, in large part, by the RMB 4 trillion (US\$585 billion) stimulus package announced by China in November 2008. Approximately US\$450 billion was targeted for investment in infrastructure, rural development and other fixed asset investments which are large consumers of raw materials. Refined copper, for example, is converted into a range of products within the building, construction and electrical sectors.

The effect of increased Chinese demand for refined copper was to push up worldwide market premiums per tonne. Premiums per tonne "CIF Shanghai" rose sharply from approximately US\$38/tonne at the start of 2009 to a high of approximately US\$170/tonne in April. Premiums fell back to around US\$40/tonne in the second half of the year but rebounded at the year end to approximately US\$100/tonne in anticipation of further Chinese demand and a recovery in global economies in 2010.

In 2009, Ambrian Metals handled 246,296 tonnes of physical metals. This included 213,382 tonnes of refined copper, which was equivalent to approximately 6.9% of China's total imports of refined copper in that year. In 2008, Ambrian Metals handled 79,573 tonnes of physical metals. Total sales of physical metals in 2009 were \$1,238 million compared to \$630 million in 2008.

Approximately 39% of Ambrian Metals' tonnage volume in 2009 was to customers located in the Middle East and 37% was sold to Chinese customers through Ambrian Metals' office in Shanghai. The balance was primarily taken up by customers in Europe and North America.

Financial events in Dubai in the second half of 2009 had only a limited impact on the tonnages sold by Ambrian Metals into the Middle East.

During 2009, Ambrian Metals sourced refined copper from producers located around the world, including Russia, Kazakhstan, Japan, Zambia, Brazil, India and Chile.

# 246,296t

Total tonnage traded  
in 2009

£2.53m

Value of Investment  
Portfolio at 31 December  
2009

+8.7%

China's GDP growth  
in 2009

### Principal investments

The Investment Portfolio generated income of £1.27 million in 2009 compared with negative income of £(10.71) million in 2008. The most significant gain of £0.80 million was attributable to the investment in Minerva Resources plc that was acquired in an all share transaction by Nyota Minerals Limited in August 2009.

The total value of the Investment Portfolio at 31 December 2009 was £2.53 million compared with £1.50 million at 31 December 2008.

At 31 December 2009, the largest publicly-listed holdings in the Investment Portfolio were Nyota (valued at £0.80 million) and Rivington Street Holdings plc (valued at £0.32 million). The unlisted investments had an aggregate value of £0.16 million (2008: £0.28 million).

On 4 January 2010, the holdings in the Investment Portfolio were transferred from Ambrian Capital and Ambrian Partners to Ambrian Principal Investments Limited (APIL), a new wholly-owned Jersey registered limited company. The assets of APIL are now managed by Ambrian Asset Management Limited, an FSA-regulated investment management company, which is wholly-owned by Ambrian Capital.

APIL's investment objective is to produce superior investment returns by investing in a portfolio of equities and derivatives in the metals and mining and energy sectors.

In due course, Ambrian Asset Management intends to widen its activities from managing Ambrian Capital's proprietary investments to managing funds on behalf of third parties.

### Outlook

China remains the largest single factor driving demand for raw materials. Despite near-term concerns about financial overheating, China remains underdeveloped. China's GDP per capita is estimated by the IMF to be \$3,566. According to analysts, in real terms, this is the same as the US in 1934 and Japan in 1960. China's 2009 GDP per capita is 23% of Taiwan's, 22% of South Korea's and less than one-tenth that of the United States.

2010 has started well, with Ambrian's total income in the first two months of the year exceeding total income in the same period last year. Ambrian Partners and Ambrian Metals have again been the drivers of growth.

The range of Ambrian's activities in the natural resources sector and London's position at the world's centre of equity capital raising and metals trading positions us well to benefit from continuing Chinese demand for commodities and a gradual improvement in the economies of Europe and North America.

**Tom Gaffney**  
Chief Executive

22 March 2010

## Report of the directors

Year ended 31 December 2009

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2009.

### Principal activities

During the year under review the Group comprised three main operating subsidiaries and an Investment Portfolio.

Ambrian Partners Limited provides corporate finance advice, equity research, sales and trading and market making services. Ambrian Partners is a member of the London Stock Exchange and is regulated by the Financial Services Authority.

Ambrian Commodities Limited is a broker-dealer of metals futures and options. Ambrian Commodities is a member of the London Metal Exchange and is regulated by the Financial Services Authority.

Ambrian Metals Limited, which is incorporated in Switzerland and is managed from the UK, sources and markets physical metals.

### Business and review of future prospects

A full review of the activity of the business, key performance indicators and future prospects is contained in the Chairman's Statement on page 3 and the Chief Executive's Report on pages 4 to 9 which accompany these financial statements. Key performance indicators include, but are not limited to, profit before share-based payment charges and tax, revenue by segment, own cash, remuneration expense to total income ratio, tangible net asset value, and tangible net asset value per share.

### Results and dividends

The Group recorded a profit after tax of £2.65 million (2008: loss £12.86 million). Further information on the results for the period is included within the Chief Executive's report on pages 4 to 9. The Company paid a first interim dividend of 0.75p per share on 23 October 2009 (2008: 0.75p).

The Company declared on 23 February 2010 a second interim dividend of 0.75p per share (2008: nil) payable on 30 March 2010 to shareholders on the register at 5 March 2010.

The Company paid a final dividend of 0.75p per share on 12 June 2009 in respect of the year ended 31 December 2008. The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2009.

### Directors' indemnity arrangements

The Group has purchased and maintained throughout the year qualifying indemnity provisions through directors' and officers' liability insurance.

### Substantial shareholders

The directors have been notified of the following who have interests of 3% or more of the Company's shares as at 1 March 2010:

	Number	Percentage
Rule Family Trust	14,162,208	13.24%
Ambrian Capital plc Employee Benefit Trust	10,326,197	9.65%
Sun Hung Kai & Co Limited	10,006,250	9.35%
Church House Investments Limited	4,325,000	4.04%
MWB Limited	3,268,149	3.05%

### Acquisition of own shares

At the Annual General Meeting of the Company held on 2 June 2009 the Company was given authority to purchase up to 16,046,872 ordinary 10p shares. The authority will expire on the earlier of the conclusion of the Annual General Meeting of the Company in 2010 and 2 September 2010.

During the year the Company purchased 7,058 (2008: 4,050,000 shares) of its own ordinary 10p shares for a total consideration of £1,058 (2008: £929,614) to be held in treasury. The number of shares held in treasury at the year end totalled 4,382,058 (2008: 4,375,000).

At 31 December 2009 the Company had 111,361,208 (2008: 111,361,208) shares in issue. Therefore at 31 December 2009, the total number of shares held in treasury represented 3.93% of the issued share capital (2008: 3.93%). Shares held in treasury may in the future contribute to staff share schemes.

### Employee Benefit Trust

The Group has an Employee Benefit Trust ("EBT") for the benefit of its employees. At 31 December 2009 the EBT held 10,326,197 ordinary 10p shares in the Company (2008: 10,974,454 shares). Details of the share options granted to staff by the EBT are set out in note 21.

### Risk management and financial risk

The Group attaches great importance to effective risk management and operates its business through committees designed to identify, monitor and manage the risks to which the Group is exposed. The principal Board committees are referred to under the corporate governance section below.

The key business risks to which the Group is exposed are as follows:

#### Loss of key staff

Retaining key staff, including, in particular, significant current and future revenue generators, is essential to the long-term health and growth of the business. The Group's policies on remuneration are devised to engender loyalty and promote performance by such staff. These policies include payment of bonuses and share option awards where appropriate. The Board is currently reviewing the Group's share option award schemes with a view to maximising the benefit to be derived from such awards and is considering the adoption of a new share scheme for the benefit of employees.

#### Compliance and legal risk

Compliance or regulatory risk arises from a failure or inability to comply with applicable laws or regulations. Non-compliance can lead to fines, public reprimands, enforced suspension of services, or in extreme cases, withdrawal of authorisation to operate. Three companies within the Group are subject to authorisation by the Financial Services Authority ("FSA") and their regulatory requirements governing the UK financial services industry. The Group has designated Compliance Officers for its regulated subsidiaries and maintains good relationships with its supervisory bodies. Legal risk is managed by the use of external legal advisers and the adoption of industry standard documentation.

#### Reputational risk

Reputational risk is inherent in most transactions affecting our business. Staff are encouraged to develop new clients and streams of revenue, but all new corporate finance client relationships are subject to a rigorous appraisal process supervised by the New Business Committee. Existing corporate finance clients are also subject to an annual appraisal by this committee. These processes discriminate strongly in favour of high quality, high potential businesses and management teams.

#### Markets risk

All our businesses are dependent upon continued demand for the services we provide. In common therefore with our competitors, a sustained market downturn adversely affects our business. We aim to mitigate this risk by (i) seeking a lead position in the sectors in which we specialise so as to maximise the opportunity of involvement in any activity in such sectors and (ii) maintaining a low fixed cost base.

#### Information technology risk

All of our businesses depend upon robust, effective and efficient IT support. We have in place appropriate back-up procedures to safeguard the loss of information and records arising from IT failure and a disaster recovery programme designed to minimise disruption to our business in the event of a major disaster affecting us at our centre of operations in London, including the establishment of an off-site facility. We also seek to ensure that our own material data and service providers have appropriate back-up and disaster recovery procedures in place to overcome or mitigate any damage to us resulting from their failure.

#### Financial instruments – risk management

There are a number of financial risks to which the Group is exposed. The major such risks and the controls designed to manage and mitigate them are set out and explained in note 26.

#### Internal control

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and Group assets and for reviewing its effectiveness.

The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Group's system of internal control has been actively managed throughout the year. The Group has three committees with formal terms of reference (see corporate governance section below) and a compliance function responsible for the Group's adherence to the rules of the FSA and other relevant regulators. Weekly management meetings control the operation of each of the Group's underlying businesses.

As part of the Chief Executive's review of the Group's business at each meeting of the Board, the results of each area of the Group's business are discussed and compared to forecast and the same period in the prior year. Market conditions are also considered and material issues affecting the Group's operations over the period under review are also discussed.

Internal financial control procedures undertaken by the Board include:

- review of quarterly financial reports and monitoring performance;
- prior approval of all significant expenditure including all major investment decisions;
- review and debate of treasury policy.

The Board has reviewed the operation and effectiveness of the Group's system of internal control for the financial period and the period up to the date of approval of the financial statements.

## Report of the directors (continued)

Year ended 31 December 2009

### Policy for payment of creditors

It is the Group's policy to settle all agreed transactions within the terms established with suppliers, which is typically thirty days' credit granted to the Group. The number of average days' purchases of the Group represented by trade creditors as at 31 December 2009 was 15 days (2008: 15 days).

### Directors and their interests

The present membership of the Board, together with details of the directors who served during the year, and their interests in the share capital of the Company are set out below.

	Ordinary shares		Share options	
	At 31 December 2009	At 1 January 2009	At 31 December 2009	At 1 January 2009
W L Banks	661,045	619,915	225,000	225,000
J M Coles	200,000	200,000	1,374,444	924,444
C A Crick	400,000	400,000	225,000	100,000
T B Gaffney	3,670,053	3,670,053	6,750,000	6,750,000
Seng Huang Lee	–	–	500,000	–
N A Steinberg	400,000	400,000	225,000	–

Mr Seng Huang Lee has a significant interest in Sun Hung Kai & Co Limited, which is a substantial shareholder in the Company as detailed above.

Further details in respect of the share options are disclosed in note 21.

### Political and charitable donations

No political donations were made by the Group during 2009 (2008: £nil). The Group made charitable donations of £350 in 2009 (2008: £nil).

### Corporate governance

AIM companies are not required to comply with the Combined Code 2008 (principles of good governance and code of best practice) adopted by the London Stock Exchange but the directors have chosen to make these disclosures to provide corporate governance information.

The Board meets at least four times a year and at such other times when necessary in order to determine the strategy and policy of the Group, its trading performance, the risks to which the Group is exposed and any other matters of significance affecting the Group. The Board has a schedule of matters specifically reserved to it for decision.

The Remuneration Committee comprises all the non-executive directors of the Company and is chaired by Lawrence Banks. The Committee determines salary levels, discretionary bonuses and the terms and conditions of service of the executive directors together with their share option awards. It also reviews the remuneration recommendations (including bonuses and share option awards) relating to other staff. The Remuneration Committee is also responsible for exercising discretion in relation to the Group's share option scheme and for the development of the Group's strategy in relation to the use of equity related remuneration for the benefit of the Group's employees.

The Audit Committee comprises of Lawrence Banks, Charles Crick (Chairman of the Committee) and Nathan Steinberg. The Committee meets at least three times a year and is responsible for monitoring the effectiveness of the internal control environment, reviews external financial reporting and monitors the framework for compliance with relevant laws and regulations. The Committee reports to the Board on the Group's full and half year results having considered the Group's accounting policies and relevant accounting principles applicable to the Group. The Committee also monitors the relationship between the Group and its auditors.

The Risk Committee comprises Lawrence Banks (Chairman) and Nathan Steinberg. This Committee has been established for the purpose of recommending to the Board the Group's policy and philosophy for risk management and the Group's risk strategy and recommending and reviewing the implementation of the Group's internal controls and risk management framework. The Committee meets at least four times a year.

### Post balance sheet events

Since the year end the Group has engaged in the following material events:

- the establishment of Ambrian Principal Investments Limited, a wholly-owned Jersey registered subsidiary of the Company which holds principal investments for the Group and is managed by Ambrian Asset Management Limited;
- the establishment of Ambrian Resources AG, a Swiss-based private equity business.

### Off balance sheet arrangements

There were no off balance sheet arrangements in place during the year or at the year end.

### Disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re appoint them will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 22 March 2010.

### T B Gaffney

Chief Executive

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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 requirements of 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.

### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.



## Independent auditors' report

to the members of Ambrian Capital plc

We have audited the financial statements of Ambrian Capital plc for the year ended 31 December 2009 which comprise the Group statement of financial position and Company balance sheet, the Group statement of comprehensive income, the Group statement of cash flow, the Group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 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 (APB'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 Group's and the parent 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.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

**Daniel Taylor** (senior statutory auditor)

**For and on behalf of BDO LLP, statutory auditor**

London  
United Kingdom

22 March 2010

## Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £	2008 Restated £
Revenue		<b>17,512,917</b>	9,642,656
Investment portfolio gains and losses		<b>1,270,636</b>	(10,711,147)
<b>Total income</b>	4	<b>18,783,553</b>	(1,068,491)
Administrative expenses		<b>(15,857,033)</b>	(16,537,853)
Finance costs		-	(20,928)
<b>Profit/(loss) before tax</b>	5	<b>2,926,520</b>	(17,627,272)
Taxation	7	<b>(276,759)</b>	4,765,777
<b>Profit/(loss) for the year attributable to owners of the parent</b>		<b>2,649,761</b>	(12,861,495)
<b>Other comprehensive income</b>			
Exchange loss arising on translation of foreign operations		<b>(117,807)</b>	(499,045)
<b>Total comprehensive income attributable to owners of the parent</b>		<b>2,531,954</b>	(13,360,540)
<b>Earnings/(loss) per ordinary share</b>			
- basic	9	<b>2.76p</b>	(12.92)p
- diluted		<b>2.74p</b>	(12.92)p

## Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital £	Share premium account £	Merger reserve £	Treasury shares £	Share-based payment reserve £	Employee benefit trust £	Retained earnings £	Exchange reserve £	Total equity attributable to owners of the parent £
Balance at 31 December 2007	11,136,121	11,105,383	1,245,256	(163,217)	636,342	(5,879,819)	26,957,576	-	45,037,642
Share-based payment charge (note 2.3)	-	-	-	-	592,986	-	(592,986)	-	-
Restated balances at 31 December 2007	11,136,121	11,105,383	1,245,256	(163,217)	1,229,328	(5,879,819)	26,364,590	-	45,037,642
Purchases of shares	-	-	-	(929,614)	-	(841)	-	-	(930,455)
Share-based payment charge	-	-	-	-	198,939	-	-	-	198,939
Share-based payment charge (note 2.3)	-	-	-	-	1,127,194	-	-	-	1,127,194
Dividends	-	-	-	-	-	-	(1,719,553)	-	(1,719,553)
Total comprehensive income	-	-	-	-	-	-	(12,861,495)	(499,045)	(13,360,540)
<b>Restated balances at 31 December 2008</b>	<b>11,136,121</b>	<b>11,105,383</b>	<b>1,245,256</b>	<b>(1,092,831)</b>	<b>2,555,461</b>	<b>(5,880,660)</b>	<b>11,783,542</b>	<b>(499,045)</b>	<b>30,353,227</b>
	Share capital £	Share premium account £	Merger reserve £	Treasury shares £	Share-based payment reserve £	Employee benefit trust £	Retained earnings £	Exchange reserve £	Total equity attributable to owners of the parent £
Restated balances at 31 December 2008	11,136,121	11,105,383	1,245,256	(1,092,831)	2,555,461	(5,880,660)	11,783,542	(499,045)	30,353,227
Purchases of shares	-	-	-	(1,058)	-	(232,960)	-	-	(234,018)
Sale of shares	-	-	-	-	-	770,913	(632,348)	-	138,565
Share-based payment charge	-	-	-	-	1,084,214	-	-	-	1,084,214
Dividends	-	-	-	-	-	-	(1,443,331)	-	(1,443,331)
Total comprehensive income	-	-	-	-	-	-	2,649,761	(117,807)	2,531,954
<b>Balance at 31 December 2009</b>	<b>11,136,121</b>	<b>11,105,383</b>	<b>1,245,256</b>	<b>(1,093,889)</b>	<b>3,639,675</b>	<b>(5,342,707)</b>	<b>12,357,624</b>	<b>(616,852)</b>	<b>32,430,611</b>

## Consolidated statement of financial position

at 31 December 2009

	Note	2009 £	2008 Restated £	2007 Restated £
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	<b>317,511</b>	352,317	126,852
Intangible assets	11	<b>2,290,109</b>	2,430,109	1,836,828
Deferred tax asset	18	<b>1,254,128</b>	1,051,417	–
		<b>3,861,748</b>	3,833,843	1,963,680
<b>Current assets</b>				
Financial assets at fair value through profit or loss	12	<b>4,698,734</b>	2,636,135	23,888,023
Inventory	13	<b>58,551,732</b>	9,008,759	–
Trade and other receivables	14	<b>175,898,683</b>	30,578,089	5,989,445
Current tax recoverable		<b>1,107,775</b>	1,169,155	–
Cash and cash equivalents	15	<b>37,432,137</b>	47,123,092	27,080,761
		<b>277,689,061</b>	90,515,230	56,958,229
<b>Total assets</b>		<b>281,550,809</b>	94,349,073	58,921,909
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities at fair value through profit or loss	16	<b>(7,709,922)</b>	(19,981,091)	–
Trade and other payables	17	<b>(240,956,741)</b>	(43,633,216)	(10,311,594)
Current tax payable		<b>(453,535)</b>	(381,539)	(1,482,563)
		<b>(249,120,198)</b>	(63,995,846)	(11,794,157)
<b>Non current liabilities</b>				
Deferred tax liabilities		–	–	(2,090,110)
<b>Total liabilities</b>		<b>(249,120,198)</b>	(63,995,846)	(13,884,267)
<b>Total net assets</b>		<b>32,430,611</b>	30,353,227	45,037,642
<b>Capital and reserves</b>				
Share capital	19	<b>11,136,121</b>	11,136,121	11,136,121
Share premium account		<b>11,105,383</b>	11,105,383	11,105,383
Merger reserve		<b>1,245,256</b>	1,245,256	1,245,256
Treasury shares		<b>(1,093,889)</b>	(1,092,831)	(163,217)
Retained earnings		<b>12,357,624</b>	11,783,542	26,364,590
Share-based payment reserve		<b>3,639,675</b>	2,555,461	1,229,328
Employee benefit trust		<b>(5,342,707)</b>	(5,880,660)	(5,879,819)
Exchange reserve		<b>(616,852)</b>	(499,045)	–
<b>Total equity attributable to owner of the parent</b>		<b>32,430,611</b>	30,353,227	45,037,642

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2010

**T B Gaffney**  
Chief Executive

**J M Coles**  
Finance Director

## Consolidated statement of cash flows

for the year ended 31 December 2009

	2009 £	2008 Restated £
<b>Cash flows from operating activities</b>		
<b>Profit/(loss) for the year</b>	<b>2,649,761</b>	<b>(12,861,495)</b>
Adjustments for:		
Depreciation of property, plant and equipment	192,574	174,691
Impairment of property, plant and equipment	-	118,571
Amortisation of intangible assets	140,000	140,000
Foreign exchange losses	(84,552)	(2,979)
Taxation expense/(credit)	276,759	(4,765,777)
Unrealised (gains)/losses on financial assets designated at fair value	(550,268)	9,606,263
Realised (gains)/losses on financial assets designated at fair value	(1,244,789)	1,148,420
Net (cost on acquisition)/proceeds on disposals of financial assets designated at fair value	(267,542)	10,571,205
Increase in inventories	(49,542,973)	(9,008,759)
Increase in trade and other receivables	(145,320,594)	(23,834,652)
Unrealised (gains)/losses on financial liabilities at fair value	(12,271,169)	19,981,091
Increase in trade and other payables	197,323,525	32,200,320
Share-based payment charge	1,084,214	1,326,133
Cash generated from operations	(7,615,054)	24,793,032
Taxation paid	(346,094)	(693,635)
<b>Net cash flow (used in)/from operating activities</b>	<b>(7,961,148)</b>	<b>24,099,397</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(157,768)	(424,172)
Disposal of property, plant and equipment	-	58,832
Acquisition of subsidiary (net of cash acquired)	-	(545,652)
<b>Net cash used in investing activities</b>	<b>(157,768)</b>	<b>(910,992)</b>
<b>Financing activities</b>		
Purchase of shares by employee benefit trust	(232,960)	(841)
Sale of shares by employee benefit trust	138,565	-
Purchase of treasury shares	(1,058)	(929,614)
Dividend paid to owners of the parent	(1,443,331)	(1,719,553)
<b>Net cash used in financing activities</b>	<b>(1,538,784)</b>	<b>(2,650,008)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,657,700)</b>	<b>20,538,397</b>
Cash and cash equivalents at the beginning of the year	47,123,092	27,080,761
Foreign exchange losses	(33,255)	(496,066)
<b>Cash and cash equivalents at the end of the year</b>	<b>37,432,137</b>	<b>47,123,092</b>

The accounting policies and notes set out on pages 20 to 42 form an integral part of these consolidated financial statements.

Note 20 gives further details on the restatement of the 2008 comparative figures.

# Notes forming part of the consolidated financial statements

for the year ended 31 December 2009

## 1 Nature of operations

The Group is engaged in providing corporate finance and stockbroking services, dealing in metals futures and options, physical metals merchanting and principal investing. A full review of the Group's activities is contained in the Chairman's statement and Chief Executive's report on pages 3 to 9.

## 2 Accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). The financial statements, together with comparative figures for the year ended 31 December 2008, are presented in sterling.

The consolidated financial statements have been prepared on the historical cost basis, as modified by the valuation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the appropriate application in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 27.

The accounting policies that have been used in the preparation of these consolidated financial statements are described below. The particular accounting policies adopted by the directors are described below and are unchanged from the previous year unless otherwise stated.

### 2.2 Changes in accounting policies

#### **New standards, interpretations and amendments effective from 1 January 2009**

The following new standards, interpretations and amendments, applied for the first time from 1 January 2009, have had an effect on the financial statements:

##### **Improving disclosures about Financial Instruments (amendments to IFRS 7):**

The application of this Amendment has resulted in changes to the disclosures provided in respect of financial instruments, primarily in note 26 to the financial statements including an analysis of financial assets and financial liabilities that are measured at fair value in the statement of financial position, into a three level fair value measurement hierarchy. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

##### **Amendments to IAS 1 Presentation of Financial Statements: A revised presentation:**

As a result of the application of this Amendment the Group has elected to present a single statement of comprehensive income. Previously it presented an income statement and the statement of recognised income and expense. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

##### **Adoption of IFRS 8 Operating segments:**

This standard sets out the requirements for the disclosure of information about an entity's operating segments. It replaces IAS 14 Segmental reporting. The adoption of this standard has no impact on the results or net assets of the Group.

The following new standard, interpretation and amendments, also effective for the first time from 1 January 2009, have not had a material effect on the financial statements:

- Amendment to IAS 23 Borrowing costs
- Amendment to IFRS 2 Share-based payments: Vesting conditions and cancellations
- Amendment to IAS 32 and IAS 1 Puttable Financial Instruments and obligations arising on liquidation
- Improvement to IFRSs (2009)
- IFRIC 15 Agreements for the construction of real estate
- Embedded derivatives (Amendments to IFRIC 9 and IAS 39)

#### **New standards, interpretations and amendments not yet effective**

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on future financial statements:

##### **Revised IAS 24 Related Party Disclosures**

The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. As the requirements of this standard require changes in disclosure with respect to related party transactions, the directors do not expect the adoption of revised IAS 24 to impact the reported results.

## 2 Accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

#### IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed, it will delete the relevant portions of IAS 39 and create new chapters in IFRS 9.

IFRS 9 as issued on 12 November 2009 addresses the classification and measurement of financial assets only. A financial asset should be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset;
- measured at amortised cost if it meets two conditions: (a) the entity's business model is to hold the financial asset in order to collect the contractual cash flows; and, (b) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding; and,
- subsequently measured at amortised cost or fair value depending on the business model of the entity and the terms of the instrument.

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are not expected to have an effect on the Group's future financial statements:

- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009)
- Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010)
- Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2) (effective for accounting periods beginning on or after 1 January 2010)
- Additional Exemptions for First-time Adopters (Amendments to IFRS 1) (effective for accounting periods beginning on or after 1 January 2010)
- Classification of Rights Issues (Amendment to IAS 32) (effective for accounting periods beginning on or after 1 January 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 January 2010)
- Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group except for additional disclosures.

### 2.3 Prior year adjustment

The Group has restated its prior year consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows to reflect the share-based payments charge on options granted by the Employee Benefit Trust. This charge in relation to 2008 amounted to £1,127,194 and has been included within administrative expenses. This increased the loss for the year by £1,127,194 with a corresponding adjustment to share-based payment reserve and this has £nil impact on total equity. Further details of the charge are provided in note 21.

The charge for previous years amounted to £592,986 and has been treated as an adjustment between the opening balances on retained earnings and the share-based payments reserve in 2008.

### 2.4 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

## Notes forming part of the consolidated financial statements (continued)

for the year ended 31 December 2009

### 2 Accounting policies (continued)

#### 2.5 Financial instruments

##### Financial assets

Financial assets are divided into the following categories:

- loans and receivables, including cash and cash equivalents;
- fair value through profit or loss.

Financial assets are assigned to the different categories on initial recognition depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the consolidated statement of comprehensive income or charged directly against equity. All income and expenses in respect of financial assets held by the Group in the year under review are recognised in the consolidated statement of comprehensive income. Generally the Group recognises all financial assets using trade date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income relating to financial assets is recognised in the consolidated statement of comprehensive income under the heading "revenue" and interest payable is recognised under the heading "finance costs".

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's trade and other receivables fall into this category of financial asset and are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. Discounting is omitted where its effect is immaterial. Individual receivables are considered for impairment when they are overdue or when there is objective evidence that the debtor will default.

Financial assets at fair value through profit or loss include financial assets that are classified as held for trading. The Group's financial assets fall into this category. Fair values of securities listed in active markets are determined by the current bid prices. Where independent prices are not available, fair values have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This may include, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies.

##### Financial liabilities

Financial liabilities are divided into the following categories:

- other financial liabilities;
- fair value through profit or loss.

Other financial liabilities include the Group's trade and other payables and are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at fair value through profit or loss include "out-of-money" commodity futures. They are carried on the consolidated statement of financial position at fair value determined by current market prices.

##### Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require a classification of financial assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- 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).

The level in the fair value hierarchy within which the financial asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measured. Financial assets and liabilities are classified in their entirety into only one of the three levels.

#### 2.6 Total income

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue comprises fees and commissions which are recognised on trade date, corporate retainers which are recognised on an accruals basis, with other corporate fees recognised only when there is a contractual entitlement for the Group to receive them, gains and losses on market making positions, and interest income.

Revenue from physical metals transactions is recognised on an accruals basis where a bill of lading has been obtained.

Investment gains and losses are the realised and unrealised profits and losses on the investment portfolio recognised on a trade date basis.



## 2 Accounting policies (continued)

### 2.7 Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the consolidated statement of comprehensive income.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "exchange reserve").

Exchange differences recognised in the consolidated statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are recognised in the exchange reserve.

### 2.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group Company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### 2.9 Goodwill

Goodwill arising on consolidation represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Under IFRS, goodwill is not amortised but is tested annually for impairment. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

### 2.10 Externally acquired intangible assets

Amortisation is provided against intangible assets representing customer relationships arising on business combinations. The initial carrying amount of such assets is calculated on the basis of a discounted cash flow model based on the income expected to be derived from those customer relationships at the acquisition date, which is amortised over its useful economic life.

The customer relationships asset arising on the acquisition of Nabarro Wells and Co Limited is being amortised over a period of five years.

## Notes forming part of the consolidated financial statements (continued)

for the year ended 31 December 2009

### 2 Accounting policies (continued)

#### 2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by the reducing balance method over its estimated useful economic lives. The rates generally applicable are:

Office equipment – 25%

Residual value estimates are updated as required, but at least annually whether or not the asset is revalued.

#### 2.12 Impairment of non-financial assets

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The carrying value of goodwill is reviewed annually for impairment, by considering whether the current and projected future profitability of subsidiary undertakings is sustainable. If an indication of reduced profitability exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The carrying value of intangible assets in relation to customer relationships is reviewed annually for impairment by considering whether the current and projected future income is sustainable. If an indication of reduced income exists the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment charges are included in the administrative expenses line in the consolidated statement of comprehensive income.

#### 2.13 Pensions

The Group contributes to the private pension schemes of certain directors. The assets of the scheme are held separately from that of the Group. Contributions are charged in the consolidated statement of comprehensive income as incurred.

#### 2.14 Share-based payment – equity-settled

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to share-based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

#### 2.15 Equity

Called up share capital is determined using the nominal value of shares that have been issued.

Share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium account, net of any related income tax benefits.

Merger reserve arises from merger relief taken under Section 131 of the Companies Act 1985 in respect of the premium paid on the issue of shares to finance the acquisition of a subsidiary undertaking prior to the Group's IFRS transition date.

Equity-settled share-based employee remuneration is credited to the share-based payment reserve until related stock options are exercised.

The cost of own shares purchased under the Employee Benefit Trust is debited to the reserve for Employee Benefit Trust, and the proceeds of any sales of such shares are credited to this reserve.

The cost of treasury shares purchased is debited to the reserve for treasury shares.

Retained earnings include all current and prior period results as disclosed in the consolidated statement of comprehensive income.

#### 2.16 Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

## 2 Accounting policies (continued)

### 2.17 Treasury shares

The cost of purchasing treasury shares are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated statement of comprehensive income.

### 2.18 Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (operating lease) the rentals payable are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

### 2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is the Chief Executive and his management team.

### 2.20 Disposal of assets

The gain or loss on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income. The gain or loss arising from the sale of non-current assets is included in "administrative expenses" in the consolidated statement of comprehensive income.

### 2.21 Inventory

Inventory relates to commodity contracts where delivery has been taken of the underlying commodity with the intention of resale within a short period after delivery.

Inventory is held at fair value less costs to sell. Any changes in fair value less costs to sell are recognised in the consolidated statement of comprehensive income in the period of the change.

## 3 Financial Reporting Review Panel

The Group has recently concluded discussions about its 2008 Annual Report with the Financial Reporting Review Panel. Certain additional disclosures have been made in the 2009 Financial Statements as a consequence of these discussions (see notes 11 and 20).

## 4 Segmental analysis

The Group has five main reportable segments:

- Commodities : Futures & options – comprises Ambrian Commodities Limited, a broker-dealer of metals futures and options.
- Commodities : Physical metals – comprises Ambrian Metals Limited, a physical metals merchant.
- Corporate Finance & Equities – comprises Ambrian Partners Limited which provides corporate finance advice, equity research, sales and trading and market making services.
- Investment portfolio – this segment comprises the Group's principal investment portfolio which includes the assets and liabilities of the parent Company.
- Unallocated central costs relate to overheads incurred in connection with operating the public limited company and includes the share-based payment charges in relation to the staff share option schemes and the remuneration of the directors of Ambrian Capital plc.

The measurement of the segmental revenue, profit before tax, capital expenditure, depreciation, total assets, total liabilities and net assets have been prepared using consistent accounting policies across the segments. These policies are disclosed in note 2.

	2009 £	Restated 2008 £
<b>Revenue/income</b>		
Commodities: Futures & options	<b>2,692,991</b>	3,970,705
Commodities: Physical metals	<b>5,865,762</b>	2,418,224
	<b>8,558,753</b>	6,388,929
Corporate finance & equities	<b>8,954,164</b>	3,253,727
Investment portfolio	<b>1,270,636</b>	(10,711,147)
	<b>18,783,553</b>	(1,068,491)
Corporate finance & equities revenue represents:		
Fees and other income	<b>7,462,275</b>	5,288,901
Market making	<b>1,491,889</b>	(2,035,174)
	<b>8,954,164</b>	3,253,727
Investment portfolio income represents:		
Unrealised gains/(losses) on financial assets designated at fair value	<b>34,909</b>	(10,001,813)
Realised gains/(losses) on financial assets designated at fair value	<b>1,235,727</b>	(1,148,420)
Dividends and distributions	<b>-</b>	439,086
	<b>1,270,636</b>	(10,711,147)

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**4 Segmental analysis (continued)**

	2009 £	Restated 2008 £
<b>Profit/(loss) before tax</b>		
Commodities: Futures & options	224,020	1,320,247
Commodities: Physical metals	2,685,731	1,403,288
	<b>2,909,751</b>	2,723,535
Corporate finance & equities	1,302,217	(4,594,203)
Investment portfolio	1,270,636	(10,711,147)
Unallocated central costs	(2,556,084)	(5,045,457)
	<b>2,926,520</b>	(17,627,272)
<b>Capital expenditure</b>		
Commodities: Futures & options	209	7,785
Corporate finance & equities	157,560	569,774
	<b>157,769</b>	577,559
<b>Depreciation</b>		
Commodities: Futures & options	9,738	15,043
Corporate finance & equities	182,836	159,648
	<b>192,574</b>	174,691
<b>Total assets</b>		
Commodities: Futures & options	25,180,792	24,419,566
Commodities: Physical metals	238,343,507	53,612,774
	<b>263,524,299</b>	78,032,340
Corporate finance & equities	11,041,499	9,181,154
Investment portfolio	5,877,236	5,966,424
Unallocated : taxation	1,107,775	1,169,155
	<b>281,550,809</b>	94,349,073
<b>Total liabilities</b>		
Commodities: Futures & options	16,288,983	15,688,824
Commodities: Physical metals	228,129,990	45,646,405
	<b>244,418,973</b>	61,335,229
Corporate finance & equities	3,625,282	1,943,339
Investment portfolio	622,408	335,739
Unallocated: taxation	453,535	381,539
	<b>249,120,198</b>	63,995,846
<b>Net assets</b>		
Commodities: Futures & options	8,891,809	8,730,742
Commodities: Physical metals	10,213,517	7,966,369
	<b>19,105,326</b>	16,697,111
Corporate finance & equities	7,416,217	7,237,815
Investment portfolio	5,254,828	5,630,685
Unallocated: taxation	654,240	787,616
	<b>32,430,611</b>	30,353,227

All of the Group's non-current assets are located in the UK. The information required to disclose the geographical analysis of revenues from customers is not available and the cost to develop it would be excessive.

## 5 Profit before tax

	2009 £	2008 £
Profit before tax, all of which arises from the Group's principal activities, is stated after charging (crediting):		
Auditors' remuneration: audit services		
– Parent Company	<b>27,000</b>	29,500
– Subsidiaries	<b>81,600</b>	55,500
Depreciation of property, plant and equipment	<b>192,574</b>	174,691
Impairment of property, plant and equipment	–	118,571
Amortisation of intangible assets	<b>140,000</b>	140,000
Operating lease rentals – land and buildings	<b>511,086</b>	433,561
Staff costs	<b>10,938,887</b>	8,112,457
Finance costs – bank interest payable	–	20,928
Exchange losses	<b>117,807</b>	499,045
Non-recurring charges in respect of:		
– the acquisition of Nabarro Wells & Co. Limited	–	1,099,544
– start-up of physical metals business	–	186,396
– office move	–	154,401
Interest income (included in revenue)	<b>(83,101)</b>	(765,000)

## 6 Information regarding directors and employees

### Number of employees

The average monthly number of employees (including directors) during the year was:

	2009 Number	2008 Number
	<b>74</b>	71

### Employment costs

	2009 £	2008 Restated £
Salaries and bonuses	<b>8,646,935</b>	6,021,927
Social security costs associated with salaries and bonuses	<b>1,069,885</b>	640,038
Defined contribution pension costs	<b>137,853</b>	124,359
Share-based payment charge	<b>1,084,214</b>	1,326,133
	<b>10,938,887</b>	8,112,457
Directors' emoluments		
Directors' emoluments	<b>885,000</b>	475,037
Defined contribution pension costs	<b>17,750</b>	17,750
Share-based payment charge	<b>181,779</b>	198,939
	<b>1,084,529</b>	691,726

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2009 £	2008 £
Emoluments	<b>525,000</b>	175,037
Defined contribution pension costs	<b>12,250</b>	12,250
	<b>537,250</b>	187,287

Nathan Steinberg, non-executive director, is a partner in Munslovs, a firm of Chartered Certified Accountants. That firm charged fees of £105,000 (2008: £105,000) excluding VAT to the Group in respect of professional services in the period on an arm's-length basis. Of the fees charged, £30,000 was outstanding at year end and has been included in trade payables.

Two of the directors participate in money purchase pension arrangements.

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**7 Taxation**

The tax provision for the period is lower than the standard rate of corporation tax in the UK of 28%/28.5%. The differences are explained as follows:

	2009 £	2008 Restated £
Profit/(loss) before tax	<b>2,926,520</b>	(17,627,272)
UK corporation tax on loss for the year at 28% (2008: 28.5%)	<b>818,425</b>	(5,023,773)
Expenses not deductible for tax purposes	<b>70,029</b>	475,027
Other adjustments	<b>(197,246)</b>	365,057
Adjustments in respect of prior years	<b>(415,449)</b>	(582,088)
	<b>276,759</b>	(4,765,777)
<b>Comprising</b>		
Current tax expense/(credit)	<b>432,361</b>	(845,262)
Prior year tax overprovision	<b>(147,516)</b>	(778,988)
Deferred tax resulting from the origination and reversal of temporary differences		
– On unrealised gains on financial assets	<b>533,164</b>	(3,332,430)
– On reserve for share-based payments	<b>(541,250)</b>	190,903
	<b>276,759</b>	(4,765,777)

**8 Dividends**

	2009 £	2008 £
Final dividend for the year ended 31 December 2007 1.00p per share	–	999,465
Interim dividend for the year ended 31 December 2008 0.75p per share	–	720,088
Final dividend for the year ended 31 December 2008 0.75p per share	<b>721,546</b>	–
Interim dividend for the year ended 31 December 2009 0.75p per share	<b>721,785</b>	–
	<b>1,443,331</b>	1,719,553

The directors have declared a second interim dividend of 0.75p per share for the year ended 31 December 2009 which is payable on 30 March 2010. Based on the number of shares in issue at the year end, the total amount payable would be £724,809. Dividends are not paid on treasury and EBT shares.

The directors do not propose a final dividend for the year ended 31 December 2009 (2008: 0.75p per share).

**9 Earnings per ordinary share**

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding shares held in the Employee Benefit Trust and treasury shares.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares through the share option schemes (note 21) on the assumed conversion of all dilutive options.

Reconciliations of the earnings and weighted average number of shares in the calculations are set out below.

	2009			Restated 2008		
	Earnings £	Weighted average number of shares	Per share amount (pence)	Earnings £	Weighted average number of shares	Per share amount (pence)
Basic earnings/(loss) per share	<b>2,649,761</b>	<b>96,169,277</b>	<b>2.76</b>	(12,861,495)	99,579,821	(12.92)
Dilutive effect of share options		<b>551,985</b>			–	
Diluted earnings/(loss) per share	<b>2,649,761</b>	<b>96,721,262</b>	<b>2.74</b>	(12,861,495)	99,579,821	(12.92)

No dilutive effect of the share options is shown for the year ended 31 December 2008 as their effect is anti-dilutive. Had there been a dilutive effect for the year ended 31 December 2008, the calculation would have been based on a weighted average number of shares of 99,733,870.

## 10 Property, plant and equipment

	2009 £	2008 £
<b>Office equipment</b>		
<b>Cost</b>		
At 1 January	<b>689,309</b>	353,692
Additions	<b>157,768</b>	577,559
Disposals	<b>(151,771)</b>	(241,942)
Balance at 31 December	<b>695,306</b>	689,309
<b>Depreciation</b>		
At 1 January	<b>336,992</b>	226,840
Charge for the year	<b>192,574</b>	174,691
Impairment loss	<b>–</b>	118,571
Released on disposal	<b>(151,771)</b>	(183,110)
Balance at 31 December	<b>377,795</b>	336,992
<b>Net book value</b>		
At 1 January	<b>352,317</b>	126,852
<b>At 31 December</b>	<b>317,511</b>	352,317

In 2008, additions of £153,387 and the impairment loss of £118,571 related to the office equipment acquired with the acquisition of Nabarro Wells & Co. Limited.

## 11 Intangible assets

	Goodwill 2009 £	Customer relationships 2009 £	Total 2009 £
<b>Cost</b>			
At 1 January and 31 December	<b>1,959,283</b>	<b>733,281</b>	<b>2,692,564</b>
<b>Amortisation and impairment</b>			
At 1 January	<b>122,455</b>	<b>140,000</b>	<b>262,455</b>
Amortisation	<b>–</b>	<b>140,000</b>	<b>140,000</b>
At 31 December	<b>122,455</b>	<b>280,000</b>	<b>402,455</b>
<b>Net book value</b>			
At 31 December	<b>1,836,828</b>	<b>453,281</b>	<b>2,290,109</b>
At 1 January	<b>1,836,828</b>	<b>593,281</b>	<b>2,430,109</b>

	Restated Goodwill 2008 £	Restated Customer relationships 2008 £	Total 2008 £
<b>Cost</b>			
At 1 January	1,959,283	–	1,959,283
Additions	–	733,281	733,281
At 31 December	1,959,283	733,281	2,692,564
<b>Amortisation and impairment</b>			
At 1 January	122,455	–	122,455
Amortisation	–	140,000	140,000
At 31 December	122,455	140,000	262,455
<b>Net book value</b>			
At 31 December	1,836,828	593,281	2,430,109
At 1 January	1,836,828	–	1,836,828

Following discussions with the Financial Reporting Review Panel, the Group has re-classified the amount of £733,281 (cost) and £140,000 (amortisation) in the opening balances as a separate customer relationships intangible asset, being the value attributed by the directors to the customer contracts acquired in the acquisition of Nabarro Wells & Co. Limited in 2008.

Goodwill arising on consolidation represents the excess of the acquisition costs over the fair value of the Group's share of identifiable net assets of subsidiaries acquired at the date of acquisition. Under IFRS, goodwill is not amortised but is tested annually for impairment.

Amortisation has been provided against customer relationships on the basis of the reduction in expected future income arising from the client portfolio acquired with Nabarro Wells & Co. Limited in 2008. This has been calculated on the basis of a discounted cash flow model based on the entire client portfolio acquired and the revenues expected to be received from those clients.

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**12 Financial assets at fair value through profit or loss**

	2009 £	2008 £
<b>Listed:</b>		
Investment portfolio	<b>2,367,987</b>	1,220,607
Market making positions	<b>990,523</b>	280,010
Options in quoted entities	<b>755,808</b>	–
<b>Unlisted:</b>		
Investment portfolio	<b>161,916</b>	280,656
LME holding	<b>422,500</b>	495,000
Royalty	–	298,393
Options in unlisted entities	–	7,747
UK equity previously held by Nabarro Wells & Co. Limited	–	53,722
	<b>4,698,734</b>	2,636,135

All amounts presented in respect of listed securities have been determined directly by reference to published price quotations on the London, Australian, US and Canadian Stock Exchanges.

All amounts presented in respect of unlisted securities have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This determination requires significant judgement in determining changes to fair value since the last valuation date. In making this judgement the Group evaluates, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies.

**13 Inventory**

	2009 £	2008 £
Goods for resale	<b>58,551,732</b>	9,008,759

Inventory represents physical metals which are valued at fair value less cost to sell. Inventory represents a combination of metals in warehouse and goods in transit. Inventory has increased in 2009 due to the increased number of forward sales that will be recognised in 2010.

**14 Trade and other receivables**

	2009 £	2008 £
<b>Amounts falling due within one year</b>		
Trade receivables	<b>38,754,267</b>	25,548,633
Other receivables	<b>2,636,589</b>	1,781,208
Prepayments and accrued income	<b>134,476,741</b>	3,248,248
Other taxes and social security	<b>31,086</b>	–
	<b>175,898,683</b>	30,578,089

The carrying value of trade receivables which is considered a reasonable approximation of fair value, includes amounts greater than three months but not more than one year past due of £118,573 (2008: £228,949). All amounts past due included in the carrying value are considered recoverable. Accordingly, no provision is made for impairment of these trade receivables.

Trade and other receivables have substantially increased from 2008 to 2009 due to an increase in the volume of activity of the physical metals business. Prepayments and accrued income principally represent sales of metals that will be recognised in 2010. At the reporting date ownership of the metals had not transferred to the purchasing counterparty.

**15 Cash and cash equivalents**

Cash and cash equivalents includes amounts of £13,463,398 (2008: £24,561,062) held as deposits on trading positions and on behalf of third parties.

Within the above amounts held as deposits on trading positions, there is a potential restriction in the use of £4,203,770 (2008: £11,993,088) cash to the extent that contracts for the future physical delivery of metals move to a liability position due to adverse market price movements. Where the bank has an exposure in connection with that liability it has the right to withhold repayment of these cash deposits. This relates to the business of Ambrian Metals Limited.



## 16 Financial liabilities at fair value through profit or loss

	2009 £	2008 £
Financial liabilities at fair value through profit or loss	<b>7,709,922</b>	19,981,091

All financial liabilities at fair value through profit or loss represent commodity futures. These are used to hedge inventory of metals and purchases and sales of metals. Hedges take into account contango and backwardation market conditions.

## 17 Trade and other payables

	2009 £	2008 £
Trade payables	<b>21,455,280</b>	17,536,143
Short-term trade finance	<b>85,590,071</b>	23,740,404
Other payables	<b>1,567,324</b>	29,072
Other taxation and social security	<b>344,174</b>	213,103
Accruals and deferred income	<b>131,999,892</b>	2,114,494
	<b>240,956,741</b>	43,633,216

Trade and other payables have substantially increased from 2008 to 2009 due to an increase in the volume of activity of the physical metals business. Short-term trade finance is secured upon inventory, trade and other receivables relating to the physical metals business.

Accruals and deferred income principally represent purchases of metals that have been contracted for but not paid for at the reporting date. These are not classified as trade payables as the final price of the physical metals may not have been determined and ownership has not transferred to the Company.

Short-term trade finance is secured upon:

	2009 £	2008 £
Inventory	<b>58,551,732</b>	9,008,759
Trade and other receivables	<b>27,038,339</b>	14,731,645
	<b>85,590,071</b>	23,740,404

## 18 Deferred taxation

Deferred tax assets represent temporary differences on:

	2009 £	2008 £
On losses carried forward	<b>770,903</b>	1,159,785
Unrealised gains on financial assets	<b>(58,025)</b>	(108,368)
Reserve for share-based payments	<b>541,250</b>	–
	<b>1,254,128</b>	1,051,417
Movement in the year:		
Balance at 1 January	<b>1,051,417</b>	(2,090,110)
Origination and reversal of temporary differences		
– On unrealised gains on financial assets	<b>(338,539)</b>	3,332,430
– On reserve for share-based payments	<b>541,250</b>	(190,903)
Balance at 31 December	<b>1,254,128</b>	1,051,417

No deferred tax asset is recognised on trading losses carried forward in respect of the investment portfolio, as the investment portfolio was transferred to Ambrian Principal Investments Limited on 4 January 2010. Accordingly, there is uncertainty as to whether losses will be able to be used by the Group.

## 19 Called up share capital

	2009 Number	2008 Number	2009 £	2008 £
<b>Authorised</b>				
Ordinary shares of 10p each	<b>250,000,000</b>	250,000,000	<b>25,000,000</b>	25,000,000
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 10p each	<b>111,361,208</b>	111,361,208	<b>11,136,121</b>	11,136,121

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**20 Restated Statement of cash flows**

Following discussions with the Financial Reporting Review Panel, the Company has restated its Consolidated Statement of cash flows for the year ended 31 December 2008 amending principally the expanded analysis of amounts associated with the acquisition of Nabarro Wells & Co. Limited. The restated Statement of cash flows is set out below, with the Statement of cash flows as originally published as a comparative in order to highlight the changes made. Line items are in italics.

The 2008 restated figures below do not include the prior year charge referred to in note 2.3 of £1,127,194 in respect of a share-based payment charge, which would increase the loss for the year of £11,734,301 to £12,861,495 and the share-based payment charge from £198,939 to £1,323,263 as disclosed in the consolidated statement of cash flows. The foregoing has no impact on the net cash from operating activities.

	2008 Restated £	2008 Originally Published £
<b>Cash flows from operating activities</b>		
<b>(Loss)/profit for the year</b>	<b>(11,734,301)</b>	(11,734,301)
Adjustments for:		
Depreciation	<b>174,691</b>	174,691
Impairment of property, plant and machinery	<b>118,571</b>	118,571
Impairment of intangible assets	<b>140,000</b>	140,000
Foreign exchange gains	<b>(2,979)</b>	(2,979)
Taxation (credit)/expense recognised in income statement	<b>(4,765,777)</b>	(4,765,777)
<i>Unrealised losses on financial assets designated at fair value</i>	<b>9,606,263</b>	9,532,263
Realised losses/(gains) on financial assets designated at fair value	<b>1,148,420</b>	1,148,420
Net proceeds on disposals of financial assets designated at fair value	<b>10,571,205</b>	10,571,205
Increase in inventories	<b>(9,008,759)</b>	(9,008,759)
<i>Increase in trade and other receivables</i>	<b>(23,834,652)</b>	(24,588,644)
Unrealised losses on financial liabilities at fair value	<b>19,981,091</b>	19,981,091
<i>Increase/(decrease) in trade and other payables</i>	<b>32,200,320</b>	33,321,622
Share-based payment	<b>198,939</b>	198,939
<i>Cash generated from operations</i>	<b>24,793,032</b>	25,086,342
<i>Taxation</i>	<b>(693,635)</b>	(645,929)
<b>Net cash from operating activities</b>	<b>24,099,397</b>	24,440,413
<b>Cash flows from investing activities</b>		
<i>Purchase of property, plant and equipment</i>	<b>(424,172)</b>	(577,559)
Disposal of property, plant and equipment	<b>58,832</b>	58,832
<i>Acquisition/disposal of subsidiary (net of cash acquired)</i>	<b>(545,652)</b>	(733,281)
<b>Net cash used in investing activities</b>	<b>(910,992)</b>	(1,252,008)
<b>Cash flows from financing activities</b>		
Proceeds of issue of share capital (net of issues costs)	-	-
Employee share benefit trust	<b>(841)</b>	(841)
Treasury shares acquired	<b>(929,614)</b>	(929,614)
Dividends paid	<b>(1,719,553)</b>	(1,719,553)
<b>Net cash used in financing activities</b>	<b>(2,650,008)</b>	(2,650,008)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,538,397</b>	20,538,397
Cash and cash equivalents at the beginning of the year	<b>27,080,761</b>	27,080,761
Foreign exchange (losses)/gains	<b>(496,066)</b>	(496,066)
<b>Cash and cash equivalents at the end of the year</b>	<b>47,123,092</b>	47,123,092

## 21 Share options

The Company has an unapproved share option scheme under which options to subscribe for the Company's shares have been granted to the directors and other persons. The vesting condition is the number of years' service. The share options currently in existence were granted and are exercisable as follows:

Date granted	Exercise price	Number of shares	Period exercisable
2 January 2008	10p	264,444	Between 2 January 2008 and 3 January 2014
16 May 2008	10p	660,000	Between 2 January 2009 and 3 January 2015
6 April 2009	25p	9,142,500	Between 6 October 2009 and 5 April 2016
2 June 2009	30p	800,000	Between 2 December 2009 and 1 June 2016
		<b>10,866,944</b>	

At the year end the market value of the Company's shares was 28.25p (2008: 13.75p) per share. The highest price during the year was 35.0p (2008: 53.0p) and the lowest price was 13.75p (2008: 13.75p).

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price in pence 2009	Number of options 2009	Weighted average exercise price in pence 2008	Number of options 2008
Outstanding at 1 January	<b>33.6</b>	<b>9,811,944</b>	34.6	7,637,500
Exercised during the year		-	-	-
Forfeited during the year	<b>17.8</b>	<b>(245,000)</b>	-	-
Granted during the year	<b>28.1</b>	<b>1,300,000</b>	30.1	2,174,444
Outstanding at 31 December	<b>24.4</b>	<b>10,866,944</b>	33.6	9,811,944
Exercisable at 31 December	<b>23.6</b>	<b>1,411,296</b>	34.2	8,165,648

The options outstanding at 31 December 2009 have an exercise price in the range of 10p to 30p and a contractual life of three years.

The Company also has an Employee Benefit Trust unapproved share option scheme under which options to subscribe for the Company's shares have been granted to staff. Directors of Ambrian Capital plc are not eligible for awards under this scheme. Options are generally granted at 10p per ordinary share and the vesting condition is the number of years of service. The share options currently in existence were granted and are exercisable as follows:

Date granted	Price	Number of shares	Period exercisable
29 May 2006	10p	166,250	Between 12 January 2007 and 12 January 2013
31 May 2006	10p	546,668	Between 29 June 2007 and 29 June 2016
13 November 2006	10p	100,000	Between 18 August 2007 and 18 August 2016
31 January 2007	10p	442,592	Between 31 January 2008 and 31 January 2017
23 May 2007	10p	1,000,001	Between 23 May 2008 and 23 May 2017
18 January 2008	10p	879,480	Between 18 January 2009 and 18 January 2018
3 April 2008	10p	1,486,067	Between 3 April 2009 and 3 April 2015
7 April 2008	10p	4,200,000	Between 2 January 2010 and 7 April 2015
23 July 2008	10p	75,000	Between 2 January 2009 and 23 July 2015
10 November 2008	10p	135,000	Between 2 February 2009 and 10 November 2015
29 March 2009	10p	300,000	Between 23 February 2010 and 20 March 2016
29 May 2009	10p	54,000	Between 5 June 2009 and 29 May 2016
1 July 2009	10p	1,200,000	Between 1 July 2010 and 1 July 2016
		<b>10,585,058</b>	

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**21 Share options (continued)**

	Exercise price in pence 2009	Number of options 2009	Exercise price in pence 2008	Number of options 2008
Outstanding at 1 January	10.0	12,016,407	10.0	3,993,580
Exercised during the year	10.0	(1,400,570)	10.0	(205,552)
Forfeited during the year	10.0	(1,589,779)	10.0	(2,336,628)
Granted during the year	10.0	1,554,000	10.0	10,565,007
Outstanding at 31 December	10.0	10,585,058	10.0	12,016,407
Exercisable at 31 December	10.0	3,908,471	10.0	1,178,020

The share-based payment charge relating to the share options granted to the EBT amounted to £902,435 (2008: £1,127,194). The charge relating to 2008 has been treated as a prior year adjustment and is included in administrative costs.

The estimated fair values of options which fall under IFRS 2, and the inputs used in the Binomial model to calculate those fair values, are as follows:

Date of grant	Estimated fair value pence	Share price pence	Exercise price pence	Expected volatility [%]	Expected Life (years)	Vesting period (years)	Risk free rate [%]	Expected dividends [%]
29.05.06	35	51	10	35.42	3	1	4.62	5.00
29.05.06	35	51	10	35.42	3	2	4.62	5.00
29.05.06	35	51	10	35.42	3	3	4.62	5.00
31.05.06	36	51	10	35.42	3	1	4.67	5.00
31.05.06	36	51	10	35.42	3	2	4.67	5.00
31.05.06	36	51	10	35.42	3	3	4.67	5.00
13.11.06	38	53	10	28.78	3	1	4.89	5.00
13.11.06	38	53	10	28.78	3	2	4.89	5.00
13.11.06	38	53	10	28.78	3	3	4.89	5.00
31.01.07	36	51	10	27.47	3	1	5.29	5.00
31.01.07	36	51	10	27.47	3	2	5.29	5.00
31.01.07	36	51	10	27.47	3	3	5.29	5.00
23.05.07	59	78	10	28.28	3	1	5.54	5.00
23.05.07	59	78	10	28.28	3	2	5.54	5.00
23.05.07	59	78	10	28.28	3	3	5.54	5.00
18.01.08	34	50	10	29.67	3	1	4.22	5.00
18.01.08	34	50	10	29.67	3	2	4.22	5.00
18.01.08	34	50	10	29.67	3	3	4.22	5.00
03.04.08	23	37	10	30.05	3	1	3.95	5.00
03.04.08	23	37	10	30.05	3	2	3.95	5.00
03.04.08	23	37	10	30.05	3	3	3.95	5.00
03.04.08	24	37	10	30.05	3	1	3.95	5.00
03.04.08	24	37	10	30.05	3	2	3.95	5.00
03.04.08	24	37	10	30.05	3	3	3.95	5.00
07.04.08	22	38	10	30.08	4	2	4.15	5.00
07.04.08	22	38	10	30.08	4	2	4.15	5.00
07.04.08	22	38	10	30.08	4	3	4.15	5.00
07.04.08	22	38	10	30.08	4	3	4.15	5.00
07.04.08	22	38	10	30.08	4	4	4.15	5.00
07.04.08	22	38	10	30.08	4	4	4.15	5.00
23.07.08	14	25	10	31.42	2	0	5.05	5.00
23.07.08	14	25	10	31.42	2	1	5.05	5.00
23.07.08	14	25	10	31.42	2	2	5.05	5.00
10.11.08	7	17	10	31.89	2	0	3.14	5.00
10.11.08	7	17	10	31.89	2	1	3.14	5.00
10.11.08	7	17	10	31.89	2	2	3.14	5.00
10.11.08	6	17	10	31.89	3	1	3.14	5.00
10.11.08	6	17	10	31.89	3	2	3.14	5.00
10.11.08	6	17	10	31.89	3	3	3.14	5.00

## 21 Share options (continued)

Date of grant	Estimated fair value pence	Share price pence	Exercise price pence	Expected volatility (%)	Expected Life (years)	Vesting period (years)	Risk free rate (%)	Expected dividends (%)
29.03.09	4	14	10	33.23	3	1	1.99	5.00
29.03.09	4	14	10	33.23	3	2	1.99	5.00
29.03.09	4	14	10	33.23	3	3	1.99	5.00
06.04.09	1	15	25	32.75	3	0	2.15	5.66
06.04.09	1	15	25	32.75	3	1	2.15	5.66
06.04.09	1	15	25	32.75	3	2	2.15	5.66
29.05.09	15	26	10	34.93	2	0	2.01	5.00
29.05.09	15	26	10	34.93	2	1	2.01	5.00
29.05.09	15	26	10	34.93	2	2	2.01	5.00
02.06.09	5	28	30	33.97	3	0	2.08	5.66
02.06.09	5	28	30	33.97	3	1	2.08	5.66
02.06.09	4	28	30	33.97	3	2	2.08	5.66
01.07.09	13	25	10	34.83	3	1	2.43	5.00
01.07.09	13	25	10	34.83	3	2	2.43	5.00
01.07.09	13	25	10	34.83	3	3	2.43	5.00

Expected volatility was determined by calculating the standard deviation of daily continuously compounded returns of the Company's share price calculated back from the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## 22 Lease commitments

At 31 December 2009 the total of future minimum commitments is due as follows:

	Land and buildings 2009 £	Land and buildings 2008 £
Not later than one year	<b>255,543</b>	634,326
Later than one year and not later than five years	–	543,348
	<b>255,543</b>	<b>1,177,674</b>

Lease commitments relate to office premises.

## 23 Capital commitments

There were no capital commitments as at 31 December 2009 or at 31 December 2008.

## 24 Contingent liabilities

There were no contingent liabilities as at 31 December 2009 or at 31 December 2008.

## 25 Transactions with related parties

Details of transactions with the Group's key management personnel, who comprise the directors, are given in note 6. Intra-Group transactions and balances are eliminated on consolidation. There are no other related party transactions.

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**26 Financial instruments – Risk management****Principal financial instruments**

A summary of the financial instruments held by category is provided below :

	At fair value through profit or loss			Total 2009 £
	Loans and receivables 2009 £	Held for trading 2009 £	Designated at fair value through profit or loss 2009 £	
<b>Financial assets</b>				
Cash and cash equivalents	37,432,137	–	–	37,432,137
Trade receivables – current	38,754,267	–	–	38,754,267
Other receivables – current	2,636,589	–	–	2,636,589
Financial assets at fair value through the profit or loss				
–equities	–	3,942,926	–	3,942,926
–derivatives	–	–	755,808	755,808
<b>Total</b>	<b>78,822,993</b>	<b>3,942,926</b>	<b>755,808</b>	<b>83,521,727</b>

	2008 £	2008 £	2008 £	2008 £
<b>Financial assets</b>				
Cash and cash equivalents	47,123,092	–	–	47,123,092
Trade receivables – current	25,548,633	–	–	25,548,633
Other receivables – current	1,781,208	–	–	1,781,208
Financial assets at fair value through the profit or loss				
–equities	–	2,329,995	–	2,329,995
–derivatives	–	–	7,747	7,747
– other	–	–	298,393	298,393
<b>Total</b>	<b>74,452,933</b>	<b>2,329,995</b>	<b>306,140</b>	<b>77,089,068</b>

A certain amount of the cash and cash equivalents is held as collateral by third party banks as disclosed in note 15. Trade receivables, current, of £27,038,339 (2008:£14,731,645) were pledged as collateral against short term trade finance liabilities as disclosed in note 17.

	At fair value through profit or loss			Total 2009 £
	Trade and other payables 2009 £	Loans and borrowings 2009 £	Designated at fair value through profit or loss 2009 £	
<b>Financial liabilities</b>				
Trade payables	21,455,280	–	–	21,455,280
Other payables – current	1,567,324	–	–	1,567,324
Short-term trade finance	–	85,590,071	–	85,590,071
Financial liabilities at fair value through the profit or loss				
–derivatives	–	–	7,709,922	7,709,922
<b>Total</b>	<b>23,022,604</b>	<b>85,590,071</b>	<b>7,709,922</b>	<b>116,322,597</b>

	2008 £	2008 £	2008 £	2008 £
<b>Financial liabilities</b>				
Trade payables	17,536,143	–	–	17,536,143
Other payables – current	29,072	–	–	29,072
Short-term trade finance	–	23,740,404	–	23,740,404
Financial liabilities at fair value through the profit or loss				
–derivatives	–	–	19,981,091	19,981,091
<b>Total</b>	<b>17,565,215</b>	<b>23,740,404</b>	<b>19,981,091</b>	<b>61,286,710</b>

## 26 Financial instruments – Risk management (continued)

Financial instruments are measured at fair value as follows:

	Fair value measurements at 31 December 2009			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Equity investments	3,358,510	–	584,416	3,942,926
Options in listed entities	–	755,808	–	755,808
<b>Total</b>	<b>3,358,510</b>	<b>755,808</b>	<b>584,416</b>	<b>4,698,734</b>
	£	£	£	£
<b>Financial liabilities</b>				
Financial liabilities at fair value through the profit or loss				
– derivatives	–	7,709,922	–	7,709,922
<b>Derivatives</b>	<b>–</b>	<b>7,709,922</b>	<b>–</b>	<b>7,709,922</b>

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

Effective risk management is a fundamental aspect of the Group's business operations. In the ordinary course of the Group's business it is exposed to a number of financial risks: market risk, credit risk and liquidity risk. The principal risks and the policies for managing them are summarised below:

### Market risk

The principal market risks the Group is exposed to are interest rate, foreign currency, commodity and equity risk.

#### Interest rate risk

The Group is exposed to interest rate risk on cash it holds and trade finance credit facilities.

Interest rate risk is derived from interest bearing deposits in which the Group invests cash. Due to the Group's liquidity requirements, cash is generally deposited at interest rates set on a daily basis. Interest income included within revenue in the year was £83,101 (2008: £765,000). The Group's interest bearing assets are held as cash or cash equivalents at floating interest rates as follows:

	2009 £	2008 £
Sterling	<b>21,011,267</b>	24,461,649
Canadian dollars	<b>135,170</b>	36,663
US dollars	<b>11,863,738</b>	18,200,679
Euros	<b>3,940,955</b>	3,715,758
Swiss francs	<b>477,972</b>	708,200
Other denominations	<b>3,035</b>	143
Cash or cash equivalents	<b>37,432,137</b>	47,123,092

The Group is also exposed to interest rate risk in respect of the interest rate charged by trade finance providers for its physical metals activities. Interest rates charged by the banks are typically set at a margin over US\$ LIBOR calculated on the total US dollar value of a shipment at the time of shipping.

The Group typically enters into arrangements to purchase and sell specific tonnages of metal up to 12 months in advance of shipment and estimates its profit margin per tonne of metal sold after all costs, including an estimate for the expected rate of interest. As the actual interest rate is not known until the time of shipping there is the risk if interest rates rise that the actual interest charge would adversely affect the profitability of the transaction.

To mitigate against this interest rate risk the Group has a policy of estimating its per tonne profit margin using interest rates that are above prevailing interest rates.

Finally, the Group holds LME metal warrants as part of its normal trading activities. The interest rate risk associated with LME warrant positions is limited as the Group is able to pass through a variation in interest rates to its clients due to the short trade cycle.

A change of 100 basis points upwards or downwards in interest rates at the year end would have (decreased)/increased pre-tax profit and net assets by £(139,219)/£430,439 (2008: £328,788/£(328,788)). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. During 2009, overnight US dollar LIBOR averaged only 0.23% compared to 2.33% in 2008.

## Notes forming part of the consolidated financial statements (continued)

for the year ended 31 December 2009

### 26 Financial instruments – Risk management (continued)

#### Foreign currency risk

The Group is exposed to currency risks from its operating and investing activities. The Group publishes its consolidated financial statements in pounds sterling. The revenue generated by Ambrian Commodities Limited and Ambrian Metals Limited is for the most part denominated in US dollars while the vast majority of their operating expenses are denominated in pounds sterling. Thus the impact arising from foreign currency risk on the Group's trading activities is potentially material.

The Group mitigates the risk of a loss as a result of transactions that occur in US dollars by the purchase of forward foreign exchange contracts to sell a proportion of US dollar income forward or through the purchase of options to sell US dollars.

A 10% strengthening or weakening in the exchange rate between the pound sterling and the US dollar at 31 December 2009 would have (decreased)/increased pre-tax profit and net assets by £(759,362)/£932,930 [2008: £(343,781)/£420,007], assuming that all other variables, in particular interest rates, remain constant.

As the Group publishes its consolidated financial statements in pounds sterling it is also subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its non-UK operations. Net investments in foreign countries are long-term currency investments. Their fair value changes through movements in currency exchange rates. Given the high costs of putting in place a long-term currency hedge and the tendency for long-term inflation rates to compensate for changes in currency movements over the long term, the Group does not hedge net investments in foreign subsidiaries.

A summary of the financial instruments held by currency is provided below

	Sterling 2009 £	US dollars 2009 £	Euros 2009 £	Other 2009 £	Total 2009 £
<b>Financial assets</b>					
Cash at bank	21,011,267	11,863,738	3,940,955	616,177	<b>37,432,137</b>
Trade and other receivables	3,173,776	38,217,080	–	–	<b>41,390,856</b>
Financial assets at fair value through the profit or loss					
– equities	3,579,447	–	–	363,479	<b>3,942,926</b>
– derivatives	755,808	–	–	–	<b>755,808</b>
<b>Total</b>	<b>28,520,298</b>	<b>50,080,818</b>	<b>3,940,955</b>	<b>979,656</b>	<b>83,521,727</b>

	2008 £	2008 £	2008 £	2008 £	Total £
<b>Financial assets</b>					
Cash at bank	24,461,649	18,200,679	3,715,578	745,106	<b>47,123,012</b>
Trade and other receivables	2,183,401	25,146,440	–	–	<b>27,329,841</b>
Financial assets at fair value through the profit or loss					
– equities	2,031,511	124,138	–	174,346	<b>2,329,995</b>
– derivatives	7,747	–	–	–	<b>7,747</b>
– other	–	298,393	–	–	<b>298,393</b>
<b>Total</b>	<b>28,684,308</b>	<b>43,769,650</b>	<b>3,715,578</b>	<b>919,452</b>	<b>77,088,988</b>

	2009 £	2009 £	2009 £	2009 £	Total £
<b>Financial liabilities</b>					
Trade and other payables	2,047,195	20,975,409	–	–	<b>23,022,604</b>
Short-term trade finance	–	85,590,071	–	–	<b>85,590,071</b>
Financial liabilities at fair value through the profit or loss					
– derivatives	–	7,709,922	–	–	<b>7,709,922</b>
<b>Total</b>	<b>2,047,195</b>	<b>114,275,402</b>	<b>–</b>	<b>–</b>	<b>116,322,597</b>

	2008 £	2008 £	2008 £	2008 £	Total £
<b>Financial liabilities</b>					
Trade and other payables	857,400	16,707,815	–	–	<b>17,565,215</b>
Short-term trade finance	–	23,740,404	–	–	<b>23,740,404</b>
Financial liabilities at fair value through the profit or loss					
– derivatives	–	19,981,091	–	–	<b>19,981,091</b>
<b>Total</b>	<b>857,400</b>	<b>60,429,310</b>	<b>–</b>	<b>–</b>	<b>61,286,710</b>



## 26 Financial instruments – Risk management (continued)

### Commodity risk

Commodity risk is the risk of financial loss resulting from movements in the price of commodities.

The Group is exposed to commodity risk in respect of its futures and options activities. The Group's exposure to commodity price risks is mitigated by its operations as an intermediary on most transactions. As an intermediary, the Group minimises its market risk by matching buyers and sellers. However, from time to time the Group will take the risk of a given trade on to its own books within pre-defined parameters and risk limits.

Market risk associated with holdings of LME warrants is mitigated by hedging these warrants using futures contracts.

The Group is exposed to commodity risk arising from physical sales of base metals, primarily refined copper.

This risk is principally managed through contractual arrangements with customers and the use of derivative instruments such as futures and options contracts.

The Group is, however, also exposed to commodity risk in respect of the total US dollar interest expense charged by the trade finance providers for the physical metals activities. Interest expense is calculated on the total US dollar value of a shipment at the time of shipping.

The Group typically enters into arrangements to purchase and sell specific tonnages of metal up to 12 months in advance of shipment, and estimates its profit margin per tonne of metal sold after all costs, including an estimate for interest expense based on the US dollar value of the metal. As the actual US dollar value of metal is not known until the time of shipping, there is the risk that if metals prices rise the increased interest expense would adversely affect the profitability of the transaction.

To mitigate against this commodity risk the Group has a policy of estimating its per tonne profit margin using commodities prices that are above prevailing commodities prices. A 10% change in metals prices would not have a significant impact on total interest expense.

Finally, the Group is exposed to commodity risk in the event that commodities prices rise and the US dollar value of total tonnages of commodities that it has contracted to purchase exceeds the total US dollar amount of trade finance facilities available to the Group.

The Group mitigates this risk by entering into purchase contracts assuming commodities prices above prevailing levels. The Group also has available the potential to finance metal purchases with trade finance providers by entering into sale and re-purchase agreements for the commodity.

Spot transactions are only entered into with trade financing arrangements in place.

### Equity risk

Equity risk arises from changes in the prices of the Group's equity investments arising through the normal course of its market making, trading and investing activities. An adverse movement in the fair value of the equity investments has a negative impact on the capital resources of the Group.

Equity risk exposures are primarily managed through the use of the individual stock position and trading book limits.

Equity risk on the trading investments in the market making book is the day-to-day responsibility of the Head of Market Making, whose decision-making is independently monitored. Equity risk is managed through a combination of cash investment limits on the entire trading book, the individual book structure and each individual stock. Breaches of the stock and book limits are identified in real-time on the trading platform and, where possible, corrective action is taken.

At the start of 2010, the Investment Portfolio was transferred to Ambrian Principal Investments Limited which is managed by Ambrian Asset Management Limited. The fund manager of Ambrian Asset Management Limited has day-to-day responsibility for investment decisions. He operates under guidelines from the Board of Ambrian Principal Investments Limited, and is required to comply with limits for individual stock positions. The performance of Ambrian Principal Investments Limited is monitored by the Chief Executive.

As a condition of its membership of the London Metal Exchange, Ambrian Commodities Limited is required to maintain ownership of a certain minimum number of non-voting, non-dividend paying Class "B" shares in the London Metal Exchange. Ambrian Commodities Limited also owns a number of Class "A" shares which have voting rights and are entitled to receive dividends. The combined value of these shares was £422,500 at 31 December 2009 (2008: £495,000) and is determined privately and is subject to fluctuation which the Group is unable to hedge.

In addition, the Group holds a small amount of other unlisted equity investments valued at £161,916 at 31 December 2009 (2008: £280,656), the value of which are reviewed on a regular basis for any impairment.

A 10% increase or decrease in the underlying share price of listed financial assets of the Group, at the year end would have increased/ (decreased) pre-tax profit and net assets by £411,432/(£1,091,659) (2008: £150,046/£(150,046)).

### Credit risk

The Group is exposed to credit risk from its operating activities. Financial assets which potentially expose the Group to credit risk consist of cash and cash equivalents deposited with third-party institutions and exposures resulting from transactions and balances relating to customers and counterparties, some of which have been granted credit lines. The Group manages its exposure to credit risk via credit risk management policies which establish credit risk limits (including where appropriate, the use of initial and variation margin credit limits) based on the overall financial strength of a counterparty and qualitative analysis. The exposures are monitored both intraday and overnight and credit risk limits are subject to regular review.

The Group's cash and cash equivalents are placed with major financial institutions.

## Notes forming part of the consolidated financial statements (continued)

for the year ended 31 December 2009

### 26 Financial instruments – Risk management (continued)

Counterparty credit risk arises from our normal business operations including purchases and sales transactions, and thus receivables, as well as transactions which may involve a performance risk, for example associated with prepayments and accrued income. These risks are addressed by individual counterparty analysis and the creation of risk limits which are monitored on an ongoing basis. Given the global nature of our business operations, which involves a diversified counterparty base, the impact of individual risk exposure is reduced. Concentration risk is regularly monitored and assesses counterparty exposure, industry sector exposure and country exposure.

Further, as the physical metals business deals almost exclusively in refined metal we expect to be able to source refined metal from alternative counterparties in the event of a supplier default. Our trade receivables payment risk associated with the physical metals business is reduced as almost all of our trade receivables are either backed by a letter of credit from a major financial institution or we have obtained credit insurance for substantially all of the credit exposure.

The maximum exposure to credit risk before the consideration of collateral or other credit enhancements is represented by the carrying amounts of the financial assets that are shown on the consolidated statement of financial position, including derivatives with positive market value.

As at 31 December 2009, the analysis of trade receivables outstanding was as follows:

	Total £	< 30 days £	31–60 days £	61–90 days £	91–120 days £	>120 days £
<b>2009</b>	<b>38,754,267</b>	<b>38,267,318</b>	<b>168,810</b>	<b>18,879</b>	<b>180,687</b>	<b>118,573</b>
2008	25,548,633	25,246,277	34,988	–	38,419	228,949

At 31 December 2009 there were no trade receivables that were considered to be impaired.

### Liquidity risk

The Group defines liquidity risk as the failure to have sufficient financial resources to meet its day-to-day capital and cashflow requirements.

The Group's liquidity risk management strategy includes (a) projecting cash flows from operations, (b) maintaining sufficient cash and (c) accessing a diverse number of uncommitted bi-lateral trade finance facilities.

The Group's liquidity is monitored daily within agreed procedures designed to ensure that the Group has sufficient liquidity to fully meet its obligations, including physical metal purchases and margin requirements at LME clearers and at third-party brokers.

Excess liquidity is invested in cash deposits with financial institutions, typically, on an overnight basis.

As at 31 December 2009, the Group had cash and cash equivalents of £37,432,137 (2008: £47,123,092).

One of the subsidiaries of the Group, had as at 31 December 2009, bi-lateral bank facilities with five banks totalling US\$200,000,000 (2008: US\$120,000,000) under which the Group had access to cash borrowings and trade finance facilities. At 31 December 2009, US\$138,347,791 of these facilities were drawn down (2008: US\$34,898,394). The Group's policy is to maintain strong relationships with a number of alternative major providers of trade finance.

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted payments.

At 31 December 2009

	Up to 6 Months £
Trade and other payables	<b>23,022,604</b>
Short-term trade finance	<b>85,590,071</b>
Financial liabilities at fair value through profit or loss	<b>7,709,922</b>
	<b>116,322,597</b>

At 31 December 2008

	Up to 6 Months £
Trade and other payables	17,565,215
Short-term trade finance	23,740,404
Financial liabilities at fair value through profit or loss	19,981,091
	61,286,710

## 26 Financial instruments – Risk management (continued)

### Capital Management

The primary objective of the Group's capital management is to ensure that it has sufficient capital to support its regulated and non-regulated businesses and maximise shareholder value.

The Group manages its capital (defined as share capital and reserves) so that the regulated subsidiaries comply with the requirements of the regulatory authorities, as well as ensuring that their capital base is adequate to cover the risks in their businesses as set out in their respective Internal Capital Adequacy Assessment Process documents.

To maintain or adjust the Group capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group has three regulated subsidiaries, Ambrian Partners Limited, Ambrian Commodities Limited and Ambrian Asset Management Limited.

At 31 December 2009, the three regulated subsidiaries had aggregate regulatory capital resources of £16.14 million, which was in excess of the aggregate regulatory capital requirement, of £4.05 million.

### 27 Accounting estimates and judgements

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

#### Impairment of intangible assets

The Group is required to test, on an annual basis, whether intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. Total impairments of intangible assets are shown in note 11.

#### Amortisation of intangible assets

Amortisation is provided against intangible assets, other than goodwill on consolidation. The initial carrying amount of such assets is calculated on the basis of a discounted cash flow model based on the income expected to be derived from those intangible assets, which is amortised over its useful economic life. Details of amortisation of intangible assets are shown in note 11.

#### Useful lives of property, plant and equipment

Property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. Details of property, plant and equipment are provided in note 10.

#### Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Details of financial assets held at fair value through profit or loss are provided in note 12.

#### Share-based payments

Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the binomial lattice valuation method, on the date of grant based on certain assumptions. Those assumptions are described in note 21 and include, among others, the dividend growth rate, expected volatility and expected life of the options.

#### Legal proceedings

At the reporting date there were no known legal proceedings outstanding against any of the Group companies.

## 28 Post balance sheet events

Since the year end the Group has engaged in the following material events:

- the establishment of Ambrian Principal Investments Limited, a wholly-owned Jersey registered subsidiary of the Company which holds principal investments for the Group and is managed by Ambrian Asset Management Limited;
- the establishment of Ambrian Resources AG, a Swiss-based private equity business.

**Notes forming part of the consolidated financial statements (continued)**

for the year ended 31 December 2009

**29 Acquisition of subsidiaries**

On 4 April 2008 the group acquired the entire issued share capital of Nabarro Wells & Co. Limited, an independent corporate finance company. The total cost of the acquisition comprised the components set out below. The purchase price was settled in cash.

	£
Purchase price	<b>996,304</b>
Legal and professional fees	<b>136,977</b>
	<b>1,133,281</b>

The amounts recognised for each class of the assets and liabilities of Nabarro Wells & Co. Limited at the acquisition date were as follows:

	2008 Restated £
<b>Non-current assets</b>	
Property, plant and equipment	153,387
Intangible assets – customer relationships	733,281
	<b>886,668</b>
<b>Current assets</b>	
Financial assets	74,000
Trade and other receivables	753,992
Cash at bank and in hand	587,629
	<b>1,415,621</b>
<b>Total assets</b>	<b>2,302,289</b>
<b>Current liabilities</b>	
Trade payables	138,959
Other payables	78,173
Accruals	456,188
Other taxes and social security	447,982
Current tax liability	47,706
<b>Total liabilities</b>	<b>1,169,008</b>
<b>Net assets</b>	<b>1,133,281</b>

The only fair value adjustment to the assets and liabilities acquired was in respect of the intangible asset, which represents the estimated future value of income expected to arise from the client portfolio of Nabarro Wells & Co. Limited.

	2008 Restated £
Purchase consideration	1,133,281
Less: Net assets acquired	<b>(1,133,281)</b>
Goodwill	–

In 2008 Nabarro Wells & Co. Limited contributed £653,156 to group revenues since acquisition and £nil profit for the same period due to group recharges. Had the company been acquired on 1 January 2008, the equivalent amounts would have been £870,875 of revenues and £nil profit.

During 2008, a new wholly-owned subsidiary was formed, Ambrian Metals Limited, a company registered in Switzerland with an issued share capital of CHF10,460,000. This company is engaged in physical metals trading.

## Company balance sheet

at 31 December 2009

	Note	2009 £	2009 £	2008 Restated £	2008 Restated £
<b>Fixed assets</b>					
Investments	3		<b>27,925,925</b>		27,059,206
			<b>27,925,925</b>		27,059,206
<b>Current assets</b>					
Investments	4	<b>2,521,866</b>		1,500,972	
Debtors: amounts due within one year	5	<b>1,520,355</b>		2,960,707	
Deferred tax	6	<b>764,113</b>		365,816	
Cash at bank and in hand		<b>240,779</b>		1,626,657	
		<b>5,047,113</b>		6,454,152	
<b>Current liabilities</b>					
Creditors: amounts due within one year	7	<b>(1,693,995)</b>		(3,979,553)	
<b>Net current assets</b>			<b>3,353,118</b>		2,474,599
<b>Total assets less current liabilities</b>			<b>31,279,043</b>		29,533,805
<b>Capital and reserves</b>					
Called up share capital	8		<b>11,136,121</b>		11,136,121
Share premium account	9		<b>11,105,383</b>		11,105,383
Merger reserve	9		<b>1,245,256</b>		1,245,256
Treasury shares	9		<b>(1,093,889)</b>		(1,092,831)
Retained earnings	9		<b>10,589,204</b>		10,465,075
Share-based payment reserve	9		<b>3,639,675</b>		2,555,461
Employee benefit trust	9		<b>(5,342,707)</b>		(5,880,660)
<b>Shareholders' funds</b>			<b>31,279,043</b>		29,533,805

These financial statements were approved and authorised by the Board of Directors on 22 March 2010

**T B Gaffney**  
Chief Executive

**J M Coles**  
Finance Director

# Notes forming part of the Company financial statements

for the year ended 31 December 2009

## 1 Accounting policies

The parent Company financial statements of Ambrian Capital plc have been prepared in accordance with applicable UK accounting standards (UK GAAP). The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes. The accounting policies that have been used in the preparation of these financial statements are described below.

The Company has elected not to adopt the provisions of Financial Reporting Standard 26 "Financial Instruments: Recognition and Measurement".

### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of current asset investments.

### 1.2 Prior year adjustments

The Company has restated its prior year balance sheet to reflect the share-based payments charge on options granted by the Employee Benefit Trust. This charge in relation to 2008 amounted to £1,127,194, which increased the loss for the year by £1,127,194 with a corresponding adjustment to the share-based payment reserve and this has £nil impact on total equity. Further details of the charge are provided in note 21 to the consolidated financial statements.

The charge for previous years amounted to £592,986 and has been treated as an adjustment between the opening balances on retained earnings and the share-based payments reserve in 2008.

### 1.3 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

### 1.4 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all timing differences when the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

### 1.5 Pensions

The Company contributes to the private pension schemes of two directors. The assets of the scheme are held separately from that of the Company. Contributions are charged in the accounts as incurred.

### 1.6 Share-based payments

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are recognised as an expense in the profit and loss account with a corresponding credit to share-based payment reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

### 1.7 Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Company's accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

### 1.8 Treasury shares

The costs of purchasing treasury shares are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

## 1 Accounting policies (continued)

### 1.9 Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

### 1.10 Capital contributions

Where the Company makes a loan to a subsidiary company on a subordinated basis, this is treated as equity in the subsidiary and as fixed asset investment in the Company.

## 2 Company profit

The Company's profit for the year was £2,199,808 (2008: restated loss of £6,074,021).

## 3 Investments held as fixed assets

	Shares in subsidiary Undertakings £	Capital contributions £	Total £
<b>Cost</b>			
At 1 January	27,059,206	–	27,059,206
Additions	–	2,000,000	2,000,000
Disposals	(1,133,281)	–	(1,133,281)
At 31 December	25,925,925	2,000,000	27,925,925
<b>Net book value</b>			
At 31 December 2009	25,925,925	2,000,000	27,925,925
At 31 December 2008	27,059,206	–	27,059,206

The capital contributions relate to subordinated amounts due from Ambrian Metals Limited.

The disposal in the year comprises:

	£
Cost of issued share capital of Nabarro Wells & Co Limited	1,133,281

Nabarro Wells & Co. Limited ceased to carry on regulated activities with effect from 31 December 2008. It ceased to be registered as an authorised person on 20 April 2009. The company was placed into creditors' voluntary liquidation on 1 July 2009.

Details of the investments in subsidiary undertakings held by the Company in 2008 and 2009 are as follows:

Name of Company	Country of operation	Country of incorporation	Holding	Proportion of shares and voting rights held	Nature of business
Ambrian Asset Management Limited	UK	UK	Ordinary shares	100%	Investment management
Ambrian Commodities Limited	UK	UK	Ordinary shares	100%	Commodities futures and options broker
Ambrian Metals Limited	UK	Switzerland	Ordinary shares	100%	Physical metals merchanting
Ambrian Nominees Limited	UK	UK	Ordinary shares	100%	Nominee
Ambrian Partners Limited	UK	UK	Ordinary shares	100%	Corporate finance and equities
Far East Resources Limited	UK	UK	Ordinary shares	100%	Dormant
Golden Prospect Limited	UK	UK	Ordinary Shares	100%	Dormant
Nabarro Wells & Co Ltd	UK	UK	Ordinary Shares	100%	Corporate finance

Nabarro Wells & Co ceased to trade on 31 December 2008 and was placed into creditors' voluntary liquidation on 1 July 2009.

All the other holdings have been held throughout the year and the proportion of shares and voting rights held is unchanged.

## 4 Investments held as current assets

	2009 £	2008 £
Listed	2,359,949	1,220,316
Unlisted	161,917	280,656
	<b>2,521,866</b>	<b>1,500,972</b>

The market value of the listed investments, which are listed on the London, Australian, U.S and Canadian Stock Exchanges, was £2,367,987 at 31 December 2009 (2008: £1,220,316).

**Notes forming part of the Company financial statements (continued)**

for the year ended 31 December 2009

**5 Debtors**

	2009 £	2008 £
<b>Amounts falling due within one year</b>		
Trade debtors	<b>74</b>	2,923
Amounts owed by subsidiary undertakings	<b>613,535</b>	2,075,823
Corporation tax recoverable	<b>854,486</b>	849,822
Prepayments and accrued income	<b>52,260</b>	32,139
	<b>1,520,355</b>	2,960,707

**6 Deferred tax asset**

	2009 £	2008 Restated £
On losses carried forward	<b>222,863</b>	365,816
Share-based payment reserve	<b>541,250</b>	–
	<b>764,113</b>	365,816

**7 Creditors – amounts due within one year**

	2009 £	2008 £
Other creditors	<b>4,038</b>	8,145
Other taxation and social security creditors	<b>37,460</b>	5,479
Accruals and deferred income	<b>580,910</b>	322,114
Corporation tax	–	230,000
Amounts owed to subsidiary undertaking	<b>1,071,587</b>	3,413,815
	<b>1,693,995</b>	3,979,553

**8 Called up share capital**

	2009 Number	2008 Number	2009 £	2008 £
<b>Authorised</b>				
Ordinary shares of 10p each	<b>250,000,000</b>	250,000,000	<b>25,000,000</b>	25,000,000
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 10p each	<b>111,361,208</b>	111,361,208	<b>11,136,121</b>	11,136,121

**9 Statement of movement on reserves**

	Share premium account £	Merger reserve £	Restated Profit and loss account £	Restated Other reserves £
At 1 January 2009	11,105,383	1,245,256	12,185,255	(6,138,210)
Share-based payment charge prior year adjustment	–	–	(1,720,180)	1,720,180
Restated at 1 January 2009	11,105,383	1,245,256	10,465,075	(4,418,030)
Profit for the financial year	–	–	2,199,808	–
Share-based payment charge	–	–	–	1,084,214
Purchase of shares	–	–	–	(234,018)
Sale of shares	–	–	(632,348)	770,913
Dividends paid	–	–	(1,443,331)	–
<b>Balance at 31 December 2009</b>	<b>11,105,383</b>	<b>1,245,256</b>	<b>10,589,204</b>	<b>(2,796,921)</b>



## 9 Statement of movement on reserves (continued)

### Analysis of other reserves

	Restated Share-based payment reserve £	Employee benefit trust £	Treasury shares £	Total £
At 1 January 2009	835,281	(5,880,660)	(1,092,831)	(6,138,210)
Share-based payment charge prior year adjustment	1,720,180	–	–	1,720,180
Restated at 1 January 2009	2,555,461	(5,880,660)	(1,092,831)	(4,418,030)
Share-based payment charge	1,084,214	–	–	1,084,214
Purchase of shares	–	(232,960)	(1,058)	(234,018)
Sale of shares	–	770,913	–	770,913
<b>Balance at 31 December 2009</b>	<b>3,639,675</b>	<b>(5,342,707)</b>	<b>(1,093,889)</b>	<b>(2,796,921)</b>

During the year the Company loaned £94,395 (2008: £841) to an Employee Benefit Trust set up by the subsidiary company, Ambrian Partners Limited. The Employee Benefit Trust used the loan, together with exercise proceeds, to purchase 737,396 shares (2008: 87,963) in the Company.

## 10 Reconciliation of movements in shareholders' funds

	2009 £	Restated 2008 £
Profit/(loss) for the financial year	<b>2,199,808</b>	(6,074,201)
Dividends paid	<b>(1,443,331)</b>	(1,719,553)
FRS 20 share option charge	<b>1,084,214</b>	1,326,133
Purchase of shares	<b>(234,018)</b>	(930,455)
Sales of shares	<b>138,565</b>	–
Net increase/(reduction) to shareholders' funds	<b>1,745,238</b>	(7,398,076)
Opening shareholders' funds	<b>29,533,805</b>	36,931,881
Closing shareholders' funds	<b>31,279,043</b>	29,533,805

## 11 Share options

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to the directors and other persons. Full details of the share options currently in existence are set out in note 21 to the consolidated financial statements.

## 12 Capital commitments

There were no capital commitments as at 31 December 2009 or at 31 December 2008.

## 13 Contingent liabilities

There were no contingent liabilities as at 31 December 2009 or at 31 December 2008.

## 14 Guarantees and other financial commitments

The Company has granted a US\$10,000,000 guarantee (2008: US\$10,000,000) to a consortium of banks that provide trade finance facilities to Ambrian Metals Limited.

## 15 Post balance sheet events

Since the year end the Company has engaged in the following material events:

- the establishment of Ambrian Principal Investments Limited, a wholly owned Jersey registered subsidiary of the Company which holds principal investments for the Group and is managed by Ambrian Asset Management Limited;
- the establishment of Ambrian Resources AG (ARAG), a Swiss-based private equity business. The Company owns 80% of ARAG's share capital.

## 16 Transactions with related parties

Details of transactions with directors are given in note 6 to the consolidated financial statements.

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with its wholly owned subsidiaries.

There were no other related party transactions.

## Directors and senior personnel

### AMBRIAN CAPITAL PLC

#### W Lawrence Banks, CBE

##### Non-executive Chairman

Lawrence has been a director of Ambrian Capital since 2004. He served as a director of Robert Fleming & Co. Limited, a British merchant banking firm, from 1974, and as its deputy chairman from April 1990 to March 1998, when he retired from that firm.

#### Tom Gaffney

##### Chief Executive

Until founding Ambrian Partners in 2001, Tom was director of JP Morgan's Metals and Mining Team and from 1995 was a director and member of the Management Committee in the Corporate Finance Department of Robert Fleming & Co. Limited. He has worked in investment banking for over 20 years and has specialised in the natural resources sector. He has advised many of the major natural resources companies on acquisitions, divestitures and capital market transactions, including BHP Billiton, Glencore, Norsk Hydro, Stora Enso, Total and Rio Tinto. Tom previously worked in senior executive positions at Nesbitt Burns (the investment bank of the Bank of Montreal) and Lehman Brothers in London, New York and Toronto.

#### John Coles

##### Finance Director

John has over 20 years' experience in investment banking and asset management. After qualifying as a chartered accountant, he worked with Robert Fleming & Co. Limited in private equity, investment banking and stockbroking. Prior to joining Ambrian, John was Deputy Managing Director of JP Morgan Fleming Asset Management in France. John holds an honours degree in business and economics from Trinity College, Dublin, and is a member of the Institute of Chartered Accountants in England and Wales.

#### Charles Crick

##### Non-executive Director

Charles is a solicitor, having trained and spent the early part of his career at Allen & Overy. After a number of years in private practice specialising in corporate finance and banking law, he joined Numis Securities in 1996. From 1997 until his retirement at the end of 2004 he was head of Corporate Finance and a main board director of Numis Corporation plc. Charles is also a partner of Longbow Capital LLP, a venture capital partnership. Charles became a Non-executive director of Ambrian Partners in August 2006 and joined the main Board in May 2007.

#### Lee Seng Huang

##### Non-executive Director

Lee Seng Huang is the Executive Chairman of Sun Hung Kai & Co. Limited, the leading non-bank financial institution in Hong Kong, which is listed in Hong Kong. He is the Chairman of Mulpha International Berhad, a Malaysian-listed conglomerate with operations in Southeast Asia, Australia and China, and a director of FKP Property Group, a leading property developer, listed on the Australian Securities Exchange. Mr Lee is a trustee of the Lee and Lee Trust, a discretionary trust that owns a controlling interest in the issued share capital of Allied Group Limited which is listed in Hong Kong.

#### Nathan Steinberg

##### Non-executive Director

Nathan is a partner in Munsloes, a firm of Certified Chartered Accountants. He is an experienced tax adviser and has considerable corporate experience of public companies and currently serves as a non-executive director of Longships plc. He is also a Member of Council of the Institute of Chartered Accountants in England and Wales.

### Ambrian Partners Limited

#### Directors

Tom Gaffney – Chairman  
Richard Chase – Managing Director  
John Coles – Finance Director  
W Lawrence Banks, CBE – Non-executive  
Charles Crick – Non-executive

### Ambrian Commodities Limited

#### Directors

Tom Gaffney – Chairman  
Malcolm Freeman – Managing Director  
John Coles – Finance Director  
Nathan Steinberg – Non-executive

### Ambrian Metals Limited

#### Directors

Tom Gaffney – Chairman  
Mark Homer – Managing Director  
John Coles – Finance Director  
Raymond Felix – Non-executive  
Malcolm Freeman

### Ambrian Asset Management Limited

#### Directors

Tom Gaffney – Chairman  
Roger Clegg – Fund Manager  
John Coles – Finance Director  
Nathan Steinberg – Non-executive

### Ambrian Principal Investments Limited

#### Directors

Tom Gaffney – Chairman  
John Coles – Finance Director

### Ambrian Resources AG

#### Directors

Tom Gaffney – Chairman  
Nicolas Rouveyre  
Jean Pierre Conrad  
Dominique Lecocq

# Shareholder information

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**Registrars**

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Fenay Bridge  
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