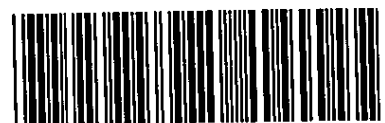


COMPANY REGISTRATION NUMBER 02011009

IPGL LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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IPGL LIMITED

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IPGL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	M A Spencer - Chairman D M Gelber J Courtenay-Stamp M T Wreford M P Spencer C Clothier
SECRETARY	B R Ally
REGISTERED OFFICE	Park House 16 Finsbury Circus London EC2M 7EB
BANKERS	HSBC Bank Plc 8 Canada Square London E14 5HQ
AUDITORS	Nexia Smith & Williamson Portwall Place Portwall Lane Bristol BS1 6NA
SOLICITORS	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITY

The principal activity of the Company itself is that of the holding company of a trading Group, and that of its subsidiary and associated undertakings is primarily broking of international capital market instruments and the provision and trading of other financial based services including the making of investments in ventures to enhance overall trading profitability

REVIEW OF BUSINESS

The IPGL Group principally consists of three parts its holding in ICAP plc, City Index Group and a portfolio of other operating businesses. The directors report that

ICAP Plc ("ICAP")

Revenue from continuing operations for the year to 31 March 2012 was down 3% to £1,681 million (2011 £1,741 million) however profit before tax was up 1% to £354 million (2011 £350 million). ICAP continues to deliver good results in a difficult economic environment benefitting as it does from being industry leader with its greater scale. During the year ICAP undertook a cost cutting exercise reducing headcount in its less profitable areas but contrastingly recruiting in the more profitable areas of the business. Overall some £20 million of recurring expenses were removed from ICAP's cost base. Regulators continue to pursue reform the impact of which, as currently envisaged, will be to direct ICAP's trade towards the pure electronic platforms or electronic assisted voice platforms.

City Index ("City")

This year City has seen deterioration in its results with trading income slipping to £111.4m in 2012 (2011 £122.3 million) and generating an EBITDA of £10.3 million (2011 £18.5 million). The contraction in trading income arose primarily as a result of a market wide reduction in leveraged FX volumes caused by a lack of volatility in the main currency pairings. Cost reductions were and continue to be sought across the business. City repaid some £5.3 million of bank debt during the year and it is now debt free.

Other Operating Businesses

IPGL Limited has minority/majority holdings in a number of businesses. The strategy is to match businesses with good operating cash flows that are cyclical with others that are countercyclical such that the overall subgroup provides stable growth over the long term. This has continued to be a successful strategy and the Directors view that the results of this approach this year are broadly in line with expectations.

During the year a group company, Allerton Investments BV, disposed of 100% of the ordinary share capital of IPGL Fund Services Ltd which in turn owned 52.5% of Origin Asset Management LLP. The profit on disposal arising from this divestment was £27.5 million.

Probability Plc again made significant progress during the year with net Gaming Revenue up 34% to £7.2 million (2011 £5.4 million) and the loss before tax was £(0.5) million a material improvement on the previous year (2011 £(1.1) million). Strategically the company decided to spend circa £0.8 million in the last quarter of the financial year on marketing the benefit of which it is hoped will be felt in 2012/13 financial year.

Revenue in the Exotix group fell by 23% to £12.4 million (2011 £16.2 million) reflecting the material reduction of secondary fixed income trading volumes across the industry over the period. During the year, IPGL Director, Matt Wreford, was appointed CEO of Exotix to restructure the business and return it to growth. We are pleased to report that steps taken would mean that the reported loss of £(0.42) million would change to a profit of £1.4 million on a normalised basis and the business has returned to growth post year end.

DDCAP Ltd's performance was robust given the general trading environment. The Directors believe that the firm has maintained its significant market share albeit that Revenue reduced to £11.4 million (2011 £13.9 million) and profit before tax was a very creditable £4.1 million (2011 £5.6 million).

REPORT OF THE DIRECTORS (continued)

REVIEW OF BUSINESS (continued)

Board Matters

On 8 March 2012 Mr D Kelly resigned as a director of IPGL, the Board would like to thank him for his contribution over many years and wish him well in his future activities. Matthew Wreford was subsequently appointed as Chief Executive and on 18 July 2012 Chris Clothier was appointed to the IPGL Board.

POST BALANCE SHEET EVENTS

The following significant event noted since the balance sheet date which are considered, in accordance with Financial Reporting Standard 21 "events after the balance sheet date", to be non-adjusting events in relation to the yearend financial statements:

On 3 July 2012 Incap Gaming BV subscribed for 7,500,000 £1 redeemable non-voting preference shares in City Index Group Ltd.

KEY PERFORMANCE INDICATORS ("KPIs")

For internal performance reporting, the Directors use the non-standard financial measures of proportionate revenue and proportionate EBITDA to monitor the health progress in this part of the Group. This involves weighting the reported financial performance of each sub-group by the percentage of the company that IPGL owns to form a composite estimate of the sub-group's performance in aggregate. As a result of the challenging market conditions, the proportionate revenue decreased by 6% (2011: increased 2%) compared to the same period last year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to financial risk through its financial assets and liabilities, including credit risk, liquidity risk, interest rate risk and currency risk from its foreign currency balances. The Group attempts to mitigate its risk by the use of limits, controls and hedging where appropriate. The responsibility for monitoring financial risk management is attributable to the individual Group companies, but overseen by the Group's board of directors.

The main risks associated with the Group's financial assets and liabilities and key components of the risk management policies are given in Note 1(c) and Note 30.

Operational risk is the potential for financial and reputation loss arising from failures in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud. The Group has policies and procedures to mitigate operational risk and is working towards a more comprehensive operational risk management framework in conjunction with its trading entity Internal Audit Departments.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2011: £nil).

DONATIONS

During the year the Company made political donations of £116,000 (2011: £530,000). This includes £82,000 (2011: £436,000) donated to the Conservative Party of which the Company considers £82,000 (2011: £419,000) to have been direct political donations and £nil (2011: £16,000) indirect political donations. £34,000 (2011: £94,000) was donated for other political purposes.

Charitable donations of £70,000 (2011: £66,000) were also made during the year.

IPGL LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The Directors who served the Company during the year were

M A Spencer
D M Gelber
J Courtenay-Stamp
M T Wreford
M P Spencer
D Kelly (resigned 9 March 2012)

C Clothier was appointed as a Director on 18 July 2012

EMPLOYEES

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

Applications for employment by disabled persons are always considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible be identical to that of other employees.

AUDITORS

A resolution to reappoint Nexia Smith & Williamson as auditors will be proposed at the forthcoming Annual General Meeting.

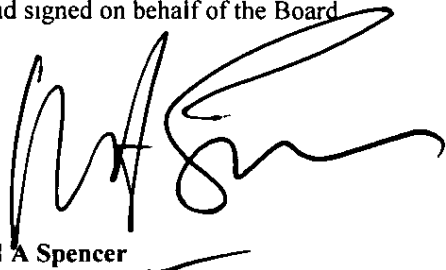
STATEMENT OF DISCLOSURE TO AUDITORS

In so far as each of the directors is aware

- there is no relevant audit information of which the Group's auditors are unaware, and
- the directors have each taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

By order of the Board of Directors
and signed on behalf of the Board



M A Spencer
Chairman
Park House
16 Finsbury Circus
London
EC2M 7EB

Chairman

Date 31 October 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPGL LIMITED

We have audited the financial statements of IPGL Limited for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Consolidated Shareholders' Funds and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

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 March 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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



Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date 31 October 2012

IPGL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012 £'000	2011 £'000
Turnover	2	100,482	115,901
Operating expenses		(108,205)	(121,518)
(Losses)/Gains on investments held at fair value through profit or loss	16	(3,916)	8,277
Operating (loss)/profit for the year	4	(11,639)	2,660
Profit on disposal of subsidiaries	11	27,495	-
Profit on disposal of share of associates	12	-	23,246
Share of operating profit in associates	12	41,069	47,191
(Loss)/Profit on dilution of interest in associates	12	(397)	2,423
Profit on ordinary activities before interest		56,528	75,520
Interest receivable and similar income	5	3,353	3,711
Interest payable and similar charges	6	(10,208)	(22,022)
Profit on ordinary activities before taxation		49,673	57,209
Tax on profit on ordinary activities	7	(13,537)	(12,562)
Profit on ordinary activities after taxation		36,136	44,647
Minority interests – equity	23	(656)	(4,047)
Profit for the financial year	23	35,480	40,600

All operations have been derived from continuing activities

The notes on pages 12 to 49 form part of these financial statements

IPGL LIMITED**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012**

	Notes	2012 £'000	2011 £'000
Fixed Assets			
Intangible assets	9	84,418	98,328
Tangible assets	10	15,918	13,521
Investments in associates	12	178,848	185,325
		194,766	198,846
Current Assets			
Stocks	14	33,842	33,842
Debtors	15	65,900	114,405
Investments available-for-sale	16	62	119
Investments held at fair value through profit or loss	16	48,179	47,732
Cash in bank and in hand	13	87,187	70,410
		235,170	266,508
Creditors – Amounts falling due within one year	17	(107,040)	(153,283)
Net Current Assets		128,130	113,225
Total Assets less Current Liabilities		407,314	410,399
Creditors – Amounts falling due after one year	18	(72,927)	(94,552)
Provisions for Liabilities	19	(207)	(606)
Net Assets		334,180	315,241
Capital and Reserves			
Called up share capital	20	557	557
Capital redemption reserve	23	182	182
Revaluation reserve	23	(81)	(81)
Foreign exchange reserve	23	29,741	34,922
Profit and loss account	23	339,470	309,045
Own shares	23	(60,020)	(60,020)
Shareholders' Funds		309,849	284,605
Minority interests	23	24,331	30,636
		334,180	315,241

The financial statements were approved by the Board of Directors on 31 October 2012

Signed on behalf of the Board of Directors

M A Spencer
Chairman

M T Wreford
Chief Executive

Company Registration Number 02011009

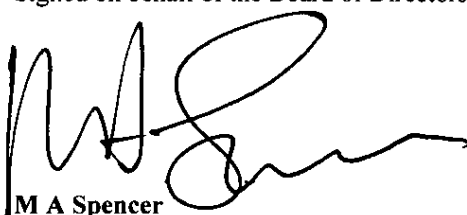
The notes on pages 12 to 49 form part of these financial statements

IPGL LIMITED**COMPANY BALANCE SHEET AS AT 31 MARCH 2012**

		2012	2011
	Notes	£'000	£'000
Fixed Assets			
Tangible assets	10	61	106
Investments in subsidiaries and associates	11	188,193	182,241
		188,254	182,347
Current Assets			
Debtors	15	45,254	61,172
Investments held at fair value through profit or loss	16	28,612	25,500
Cash at bank and in hand	13	5,287	2,746
		79,153	89,418
Creditors – Amounts falling due within one year	17	(166,663)	(172,427)
Net Current Liabilities		(87,510)	(83,009)
Total Assets less Current Liabilities		100,744	99,338
Creditors – Amounts falling due after one year	18	(72,927)	(94,552)
Net Assets		27,817	4,786
Capital and Reserves			
Called up share capital	20	557	557
Capital redemption reserve	23	182	182
Profit and loss account	23	87,098	64,067
Own shares	23	(60,020)	(60,020)
Shareholders' Funds	23	27,817	4,786

The financial statements were approved by the Board of Directors on 31 October 2012

Signed on behalf of the Board of Directors


M A Spencer
Chairman


M T Wreford
Chief Executive

Company Registration Number 02011009

The notes on pages 12 to 49 form part of these financial statements

IPGL LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

		2012	2011
	Notes	£'000	£'000
Net cash inflow/(outflow) from operating activities	21	28,503	(42,725)
Dividends received from associated undertakings		21,831	19,354
Returns on investments and servicing of finance			
Interest received		1,139	1,559
Interest paid		(13,667)	(5,803)
Dividends received		1,698	1,851
Dividends paid to minority interests		(1,317)	(3,995)
Net cash outflow from returns on investments and servicing of finance		(12,147)	(6,388)
Taxation		407	(193)
Capital expenditure			
Payments to acquire tangible fixed assets		(7,030)	(6,251)
Payments to acquire intangible fixed assets		-	(157)
Receipts from sale of tangible fixed assets		73	447
Net cash outflow from capital expenditure and financial investment		(6,957)	(5,961)
Acquisitions and disposals			
Minority investment in subsidiary		-	110
Proceeds from sale of share of associated undertakings		-	31,645
Proceeds from sale of subsidiary undertaking		25,038	-
Purchase of investment in associated undertaking		(395)	-
Net cash inflow from acquisitions and disposals		24,643	31,755
Net cash inflow/(outflow) before liquid resources and financing		56,280	(4 158)
Management of liquid resources			
Receipts from sale of current asset investments		987	5,060
Purchase of current asset investments		(5,282)	(902)
Net cash (outflow)/inflow from management of liquid resources		(4,295)	4,158
Financing			
New bank loans		-	66,800
Repayment of bank loans		(35,250)	(88,800)
Net cash outflow from financing		(35,250)	(22,000)
Increase/(decrease) in cash	22	16,735	(22,000)

The notes on pages 12 to 49 form part of these financial statements

IPGL LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012**

	2012	2011
	£'000	£'000
Retained profit for the financial year	35,480	40,600
Exchange adjustments on net investments in overseas undertakings	(267)	(6,319)
Movement on fair value of available for sale investments	-	(36)
Share of associate exchange adjustments	(4,896)	(10,353)
Minority interest share of exchange adjustments	(18)	1,718
Share of other reserve movements of associates	(5,477)	987
Other movements	422	12
Total recognised gains and losses for the financial year	<u>25,244</u>	<u>26,609</u>

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	£'000	£'000
Retained profit for the financial year	35,480	40,600
Other recognised gains and losses	(10,236)	(13,991)
Net increase in shareholders' funds	<u>25,244</u>	<u>26,609</u>
Opening shareholders' funds	<u>284,605</u>	<u>257,996</u>
Closing shareholders' funds	<u>309,849</u>	<u>284,605</u>

The notes on pages 12 to 49 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies which the Directors have adopted are set out below.

a) Accounting convention

The Group financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments as described below, and in accordance with applicable United Kingdom Accounting Standards.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiaries for the financial year ended 31 March 2012 and also include the financial statements of the Intercapital Private Group Limited Employee Benefit Trust.

The results of subsidiaries acquired are consolidated for the periods from the date on which control passes. Acquisitions are accounted for under the acquisition method. Purchased goodwill arising on acquisition is capitalised and amortised over its expected useful economic life and is subject to review for impairment in value.

Control comprises the power to govern the financial and operating policies of the investee, so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. Where ownership of voting rights are less than 50%, other control factors are considered, such as board representation and voting rights of individual board members.

Associated undertakings, including those that are themselves a Group, have been consolidated using the equity method of accounting.

c) Going concern

The Group's business activities, together with the key factors likely to affect its future development, profitability, cash flows, liquidity position, borrowing facilities and financial position are outlined within the Directors' Report. The Directors' Report, together with the additional information contained in Note 30 to the financial statements, details the Group's objectives, policies and processes for managing its capital and risk exposure.

After making due enquiries, the Directors believe they have a reasonable basis to conclude that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

d) Turnover

Income is recognised when it is probable that economic benefits associated with the transaction will accrue to the Group and can be reliably measured. Significant income, analysed in note 2, is recognised on the following basis:

Equity trading and related spread betting market operations

Trading income includes gains and losses on the operation of the spread trading markets and trading in financial markets. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue.

Costs directly attributable to fee and commission income are deducted against net fee and commission income, and include broker's commissions and clearing fees.

Costs directly attributable to equity are deducted from net trading income.

Dividends receivable relating to trading activities are recognised when the right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES (continued)

d) Turnover (continued)

Foreign exchange trading and related market operations

Trading income includes foreign exchange gains or losses on positions, net of commissions expensed. Open positions are carried at fair market value and gains and losses realised on positions that have closed arising on this valuation are recognised in revenue.

Costs directly attributable to foreign exchange trading activities are deducted from net trading income, and include government duties and taxes.

Net fee and commission income from clients are recognised over the service period, as applicable.

Interest receivable and interest payable, to the extent it relates to a client and financing activity is included within turnover. All other interest is shown separately as interest income or interest expense.

Asset facilitation and intermediary market operations

Income from asset facilitation and intermediary market operations relates to commissions due from the provision and arranging of investment services for commodity transactions and trade and asset finance. Income is recognised on an accruals basis.

Fund management

Fund management services are provided to institutional investors. Revenue for fund management is recognised as the services are provided.

Other revenue

Other revenue comprises the rental of fine art and other revenue derived from external sources.

e) Foreign currency translation

The Group and Company financial statements are presented in sterling (thousands) which is the Group's presentational currency. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Income earned or expenses incurred in foreign currencies are translated at the rates ruling at the time of the transaction. Profits and losses on translation are taken to the profit and loss account.

On consolidation, the results of overseas entities are translated into the presentational currency of the Group at the average exchange rates for the period where these approximate to the rate at the date of transaction. Assets and liabilities of overseas businesses are translated into the presentational currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are recognised within equity in a separate foreign exchange reserve.

f) Retirement benefits

The Group operates externally funded defined contribution pension schemes. Contributions are charged to the profit and loss account on an accruals basis in the period to which they relate.

g) Interest receivable and finance costs

Interest receivable and finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES (continued)

h) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as being recoverable. Deferred tax assets and liabilities are not discounted.

i) Goodwill

Goodwill arising on the acquisition of subsidiaries is treated in accordance with Financial Reporting Standard 10 ("FRS 10") "Goodwill and Intangible Assets" and capitalised. Capitalised goodwill is amortised over the shorter of its useful economic life and 20 years. Amounts previously written off to reserves will be charged to the profit and loss account in the event of the disposal of the entities to which they relate.

In accordance with FRS 10, negative goodwill arising on acquisitions is capitalised and, where material, recognised on the face of the balance sheet. Negative goodwill is credited to the profit and loss account over the period in which the related non-monetary assets are depreciated or sold.

Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition or in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill related to overseas subsidiaries is retranslated at the closing exchange rate, in accordance with Financial Reporting Standard 23 "The effects of changes in foreign exchange rates".

j) Fixed asset investments

Fixed asset investments are held at cost less provision for impairment.

k) Fixed assets and depreciation

Fixed assets are shown at historical cost, net of depreciation less provision for any impairment. Depreciation is provided on a straight line basis at the following annual rates, in order to reflect the pattern in which the asset's economic benefits are consumed over its economic life.

Computer costs	–	33% on cost
Website & software development costs	–	33% on cost
Motor vehicles	–	between 20% and 33% on cost
Office furniture and equipment	–	between 20% and 50% on cost
Plant & Machinery	–	between 3% and 20% on cost
Short leasehold improvements	–	period to first lease break point

Assets in the course of construction are not depreciated until the asset is available for use.

The carrying values of tangible fixed assets are assessed annually for indicators of impairment in accordance with Financial Reporting Standard 11 "Impairment of Fixed assets and Goodwill".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES (continued)

- l) Website and software development costs**
Website & software development costs are capitalised only to the extent they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until further updates to the website, the development costs are charged to the profit and loss account as incurred.
- m) Employee share ownership trust**
Investments in own shares held in connection with the Group's employee share schemes are deducted from the shareholders' funds in accordance with UITF 38 "Employee Share Ownership Trusts", until such time as they vest unconditionally to the participating employees.

The Company balances also include the assets and liabilities of the employee share ownership trust in accordance with accounting guidelines.
- n) Stocks**
Stocks, representing works of fine art, are valued at the lower of cost and net realisable value, after making due allowance for obsolete items. Net realisable value represents estimated selling price less costs to sell based on appropriate professional valuation advice.
- o) Cash**
Cash consists of cash in hand and deposits repayable on demand. For the purposes of the preparation of the cash flow statement, cash is net of outstanding bank overdrafts. These balances exclude client monies held by the Group.

The Group, through its regulated subsidiary companies, holds money on behalf of clients in segregated bank accounts in accordance with the client money rules of the Financial Services Authority and other regulatory bodies. Client monies held in segregated bank accounts and the corresponding liabilities to these clients are not recognised on the balance sheet because the Group is not beneficially entitled to them.

Client monies subject to the client money rules of the Financial Services Authority are held in non-segregated bank accounts and are included on the Balance Sheet where they are disclosed as either cash or debtors, depending on their nature, with a corresponding creditor.
- p) Liquid resources**
The Group considers short term investments to be liquid resources.
- q) Dividends**
Final dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.
- r) Offsetting and netting**
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated and Company balance sheets when there is a legally enforceable right to set off the recognised amounts and where the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
- s) Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

t) Leases

Amounts payable under operating leases are charged to the profit and loss account as they are incurred over the lease term

u) Financial instruments

Classification

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership

Financial assets and liabilities within the scope of FRS 26 'Financial Instruments Recognition and Measurement' are classified by the Group into one of the following categories, as appropriate

- 1) Financial assets and financial liabilities at fair value through profit or loss
- 2) Loans and receivables
- 3) Available for sale financial assets
- 4) Financial liabilities at amortised cost

Financial assets and financial liabilities at fair value through profit or loss

Investments are classified as held at fair value through profit or loss if they have been acquired principally for the purpose of selling in the short-term or if they have been designated so by management

Listed investments are initially recognised on purchase at trade date and measured at fair value. Subsequent to initial recognition, all listed investments are measured at fair value

Unlisted investments are valued by the Directors at fair value. Where fair value cannot be reliably measured, they are measured at cost less impairment. When a valuation is undertaken, consideration is given to the most recent information available, including the latest trading figures and management's view of prospects and the price of any transaction in the security

The financial assets and liabilities at fair value through profit or loss are stated at fair value with any resulting gains or losses recognised in the consolidated profit and loss account in the period in which they arise

Investments, as with other financial assets, are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership

Financial assets and liabilities comprising open spread bets, contracts for difference and options are classified as derivative financial instruments and are classified as held for trading if they are

- acquired or incurred for the purpose of selling or repurchasing in the near term, or
- a part of an identified portfolio of financial instruments that the Group manages together and has a pattern of recent actual short-term profit-taking, or
- a derivative that is not designated and effective as a hedging instrument

Financial assets or liabilities may also be designated on initial recognition at fair value through profit or loss, provided the Group can satisfy the demanding criteria set out in FRS 26

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables are initially measured at fair value, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest rate method to amortise the amount at inception to the redemption value over the life of the loan or receivable. Interest is calculated using the effective interest rate method and recognised in the consolidated profit and loss account.

Trade debtors and creditors represent amounts receivable from and payable to brokers and dealers representing cash in margin accounts with brokers and dealers, and payments receivable and payable on unsettled securities transactions on behalf of clients. Trade debtors and creditors are measured at initial recognition at fair value, and are subsequently measured at fair value.

The Group regularly reviews its trade debtors to assess impairment and uses estimates based on historical loss experience for similar assets with similar credit risk characteristics. The Group uses its judgement to estimate the amount of any impairment loss in cases where a counterparty is in financial difficulties and there is limited available historical data relating to similar borrowers.

Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in income when the debtors are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

All other investments are classified as available-for-sale. They are recorded initially at fair value and are subsequently measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

Financial liabilities at amortised cost

Bank and other loans payable are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. At subsequent reporting dates bank and other loans payable are held at amortised cost using the effective interest rate method, with changes in value recognised through the consolidated profit and loss account.

The accounting policy for trade creditors was referred to above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

Fair value of financial assets and liabilities

The estimated fair value of financial assets and liabilities is made in accordance with the requirements of FRS 26. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation.

The fair value of assets or liabilities that are actively traded in organised financial markets is determined by reference to quoted market bid or ask prices, respectively, at the close of business on the balance sheet date. For assets where there is no active market, fair value is determined using valuation techniques, including valuation pricing models. These models consider time value and volatility factors underlying financial instruments as well as other relevant economic factors. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks and counterparty credit risk. The Group's management believes that these valuation adjustments are necessary and appropriate to state fairly the values of financial instruments carried at fair value on the consolidated balance sheet.

v) Capital risk management

The Group manages capital to ensure that it has available resources and access to markets to ensure the continued growth of the Group and to meet its borrowing and regulatory requirements. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure that complies with loan covenants and externally imposed capital requirements. The Group manages capital principally through the appropriate investment and divestment of assets and bank loan financing arrangements.

The Board of Directors continually reviews the Group's level of capital compared to its long term debt commitments.

The Group's capital is made up of Share Capital, Capital Redemption Reserve, Revaluation Reserve, Foreign Exchange Reserve and Profit & Loss Account. Further details can be found in Note 23.

w) Transactions with minority interests

Transactions with minority interest shareholders in which the group retains control over the relevant subsidiary are treated as equity transactions with the minority interests in their capacity as owners. No gain or loss is recognised and no adjustment to goodwill or other asset or liability is made.

x) Exceptional items

The Group presents as exceptional items on the face of the Consolidated Profit & Loss Account, those material items of income and expense which, because of their size, nature and expected infrequency of the events which give rise to them, merit separate presentation. This allows shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**2. TURNOVER**

An analysis of the Group's turnover (all from external sources) has been provided below

	2012	2011
	£'000	£'000
Equity trading and related spread betting market operations	47,633	42,808
Foreign exchange trading and related market operations	36,599	50,349
Asset facilitation and intermediary market operations	11,377	13,977
Fund management	4,560	7,960
Other	313	807
	<u>100,482</u>	<u>115,901</u>

3. DIRECTORS AND EMPLOYEES

	2012	2011
	£'000	£'000
Directors:		
Aggregate emoluments	2,496	3,079
Group pension contributions	69	41
	<u>2,565</u>	<u>3,120</u>
 Highest paid Director		
Aggregate emoluments	2,044	1,632
Group pension contributions	-	-
	<u>2,044</u>	<u>1,632</u>

Two Directors have benefits accruing under defined contribution pension schemes (2011: Two)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3 DIRECTORS AND EMPLOYEES (continued)

Employees	Number of Employees	
	2012	2011
The average number of persons employed by the Group (including Directors) was		
Management, operations and administration	482	430
Staff costs	2012	2011
	£'000	£'000
Wages and salaries	30,147	31,944
Social security costs	2,743	2,675
Pension costs	1,140	1,240
Other costs	29	33
	34,059	35,892

The Group operates externally funded retirement defined contribution pension schemes. The total pension cost for the Group was £1.1 million (2011: £1.2 million). There were no outstanding contributions at the year end.

The Group maintains a compensation policy for its Directors and employees to facilitate pay-for-performance and to retain key employees. The benefits accruing under the policy are based upon Director or employee achievements and the financial performance of the Group.

4. OPERATING (LOSS)/PROFIT

	2012	2011
	£'000	£'000
Operating (loss)/profit is stated after charging/(crediting):		
Amortisation - positive goodwill	15,757	15,894
- negative goodwill	(198)	(198)
- on goodwill in associates	-	709
Depreciation	4,410	6,808
Reversal of impairment of trade debtors	(444)	(1,418)
Loss on disposal of fixed assets	51	88
Auditors' remuneration		
Audit fees - parent company auditors – company and consolidated financial statements	110	150
- parent company auditors – subsidiaries	27	25
- other auditors	733	505

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**4. OPERATING PROFIT (continued)**

	2012	2011
	£'000	£'000
Other services - parent company auditors	15	23
- other auditors taxation	-	3
- other auditors other services	117	19
Operating leases - plant and machinery	354	380
Operating leases - other (including land & buildings)	<u>3,453</u>	<u>3,884</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012	2011
	£'000	£'000
Bank interest	1,037	1,085
Foreign exchange gains	37	-
Other interest	581	775
Dividends from investments	<u>1,698</u>	<u>1,851</u>
	<u>3,353</u>	<u>3,711</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£'000	£'000
Bank interest	6,703	12,112
Foreign exchange losses	40	185
Other interest	51	1,399
Share of associates net interest payable	<u>3,414</u>	<u>8,326</u>
	<u>10,208</u>	<u>22,022</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2012	2011
	£'000	£'000
UK taxation is based on profit for the year at a rate equivalent to 26% (2011 28%)		
Current tax		
UK corporation tax on taxable profit for the year	1,109	2,426
Adjustment in respect of prior year	(7)	49
Share of associates' tax	12,015	13,730
Foreign tax credit on taxable profit for the year	<u>276</u>	<u>(1,906)</u>
	13,393	14,299
Deferred tax credit	<u>144</u>	<u>(1,737)</u>
Tax on profit on ordinary activities	<u>13,537</u>	<u>12,562</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26% (2011 28%) The standard rate charge differs from the actual charge for the reasons set out in the following reconciliation

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	<u>49,673</u>	<u>57,209</u>
Tax on profit on ordinary activities at standard rate 26% (2011 28%)	12,915	16,019
Factors affecting the tax charge for the period		
Non deductible expenses	1 032	5,160
Current tax losses not utilised	772	4,159
Non taxable income	(1,713)	(1,668)
Brought forward tax losses utilised	(1,244)	(6 835)
Revaluations against investments (fair value and other)	1 018	(194)
Profit on disposal of investments not taxable	(7,149)	(8,525)
Adjustment in respect of associates	2,328	2,851
Adjustment for amortisation of goodwill	4 045	4,500
Overseas tax rate differences	762	867
Depreciation for period in excess of capital allowances	<u>634</u>	<u>(2 084)</u>
Total actual amount of current tax	13 400	14 250
Adjustment in respect of prior years	<u>(7)</u>	<u>49</u>
	<u>13,393</u>	<u>14 299</u>

Deferred tax assets not recognised of £32.8 million (2011 £37.0 million) arising from timing differences relating to capital allowances losses and other timing differences will only be recovered if there is sufficient future taxable net income

The Group has trade losses of £134.8 million (2011 £127.0 million) to carry forward for offset against future trade profits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

8. PROFIT ATTRIBUTABLE TO PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements

The parent company's retained profit for the financial year amounted to £23.0 million (2011: loss of £15.2 million)

9. INTANGIBLE ASSETS

	Concessions, patents, licences, trademarks & similar rights £'000	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
Cost				
At 1 April 2011	287	167,048	(1,432)	165,903
Foreign exchange adjustment	-	109	-	109
Additions	-	1,540	-	1,540
At 31 March 2012	287	168,697	(1,432)	167,552
Amortisation				
At 1 April 2011	130	67,890	(445)	67,575
Amortisation charge	-	15,757	(198)	15,559
At 31 March 2012	130	83,647	(643)	83,134
Net book value at 31 March 2012	157	85,050	(789)	84,418
Net book value at 31 March 2011	157	99,158	(987)	98,328

Foreign exchange adjustment

In accordance with FRS 23 "The effects of changes in foreign exchange rates" positive goodwill relating to overseas subsidiaries has been retranslated at the closing exchange rate with the resulting profit (2011: loss) taken to foreign exchange reserves

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

10. TANGIBLE FIXED ASSETS

GROUP	Computer costs	Website & software development	Assets in the course of construction	Plant & machinery	Motor vehicles	Short leasehold improvements & office furniture	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2011	11,815	9,557	1,218	4 102	260	8,709	35,661
Foreign exchange adjustment	7	5	-	(222)	(1)	(66)	(277)
Additions	1,174	1,883	2,237	65	143	1,528	7,030
Disposals	(133)	(32)	-	(275)	(8)	(301)	(749)
At 31 March 2012	12,863	11,413	3,455	3,670	394	9,870	41,665
Depreciation							
At 1 April 2011	8,422	7,598	-	3,180	198	2,742	22,140
Foreign exchange adjustment	5	3	-	(163)	1	(24)	(178)
Depreciation charge	1,878	1,081	-	40	49	1,362	4,410
Disposals	(132)	(2)	-	(275)	(9)	(207)	(625)
At 31 March 2012	10,173	8,680	-	2,782	239	3,873	25,747
Net book value							
At 31 March 2012	2,690	2,733	3,455	888	155	5,997	15,918
At 31 March 2011	3,393	1,959	1,218	922	62	5,967	13,521

COMPANY	Motor vehicles	Office furniture & equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2011 and 31 March 2012	213	177	390
Depreciation			
At 1 April 2011	183	101	284
Charge for the year	30	15	45
At 31 March 2012	213	116	329
Net book value			
At 31 March 2012	-	61	61
At 31 March 2011	30	76	106

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**11 FIXED ASSET INVESTMENTS**

COMPANY	Shares in associates £'000	Shares in subsidiaries £'000	Total £'000
Cost			
At 1 April 2011	226	185,056	185,282
Additions	-	6,637	6,637
Transfers	-	(111)	(111)
Disposals	-	(166)	(166)
At 31 March 2012	226	191,416	191,642
Provisions			
At 1 April 2011	-	3,041	3,041
Impairment charge	-	574	574
Disposals	-	(166)	(166)
At 31 March 2012	-	3,449	3,449
Carrying value			
At 31 March 2012	226	187,967	188,193
At 31 March 2011	226	182,015	182,241

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**11. FIXED ASSET INVESTMENTS (continued)****SUBSIDIARY UNDERTAKINGS**

The names of the principal subsidiaries of the Company, together with interests in equity shares are given below. The country of operation is the same as the country of incorporation (with the exception of Finsbury Sailing LLP which operates from Jersey and Sirai LLP which operates in Kenya). Indirect holdings are marked with an asterisk.

Company and Country of Operation	Activity	Holding
England and Wales		
City Index Group Limited*	Holding company	71 10%
City Index Holdings Limited*	Holding company	71 10%
City Index Limited*	Financial trading & spread betting	71 10%
DDCAP Limited*	Islamic and Middle Eastern wholesale market intermediary	65 33%
Finsbury Fine Art LLP	Fine Art trading	33 33%
Finsbury Sailing LLP	Yacht chartering	98 00%
IFX Group Limited*	Holding company	71 10%
IFX Markets Limited*	Financial trading & spread betting	71 10%
Intercapital Brokerage Services Limited	Holding company	100 0%
IPGL Insurance Services Limited*	Holding company	100 0%
Sirai LLP	Property development and operation	98 72%
Netherlands		
Incap Netherlands (Holdings) BV	Holding company	100 0%
Incap Gaming BV*	Holding company	100 0%
Incap Finance BV*	Holding company	100 0%
Incap Investments BV*	Holding company	100 0%
Allerton Investments BV*	Holding company	100 0%
Incap Overseas BV*	Holding company	100 0%
Hong Kong		
Intercapital Group (Hong Kong) Limited	Investment company	100 0%
USA		
Incap Holdings USA Inc*	Holding company	100 0%
FX Solutions LLC	Financial trading & spread betting	71 10%

Where shareholdings in subsidiaries are less than 50%, the Company is considered to exercise control over the undertaking, through consideration of other factors outlined in the accounting policies note. In relation to Finsbury Fine Art LLP control is considered to be exercised as a further 33.3% share is held by M A Spencer, Chairman of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**11. FIXED ASSET INVESTMENTS (continued)**

During the year the group disposed of 100% of the ordinary share capital of IPGL Fund Services Limited which in turn owned 52.5% of Origin Asset Management LLP. The disposal of these entities does not represent a material reduction in operating facilities or withdrawal from a particular market by the Group. Therefore the results for these entities have not been classified as generated from discontinuing operations under FRS 3. The profit on disposal of IPGL Fund Services Limited was £27.5 million.

12. INVESTMENTS IN ASSOCIATES

	Share of Assets £'000
At 1 April 2011	185,325
Share of operating profit – continuing	41,069
Share of net interest	(3,414)
Share of corporation tax	(12,016)
Dividends received by Group	(21,831)
(Loss) on dilution of Group interest	(397)
Share of exchange adjustments	(4,895)
Share of other reserve movements	(5,477)
Share of assets acquired	484
At 31 March 2012	<u>178,848</u>

The value of goodwill in associates at 31 March 2012 was £nil (2011: £nil).

Associated Undertakings Name of Undertaking	Ordinary shareholding	Country of incorporation	Nature of business
ICAP plc	15.82%	England and Wales	Money, derivative & securities broker
Exotix Holdings Limited	45.24%	England and Wales	Financial trading
Sheffield Haworth Limited	20.84%	England and Wales	Executive selection

During the current and prior years ICAP plc has purchased shares from the market to hold in treasury and at 31 March 2012 holds 18,294,235 shares which has the effect of increasing the voting rights of the group to 16.26% as reported under the FSA's Disclosure and Transparency Rules.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**12 INVESTMENTS IN ASSOCIATES (continued)**

The principal associate included in the Group financial statements is ICAP plc. The Group's share of the assets, liabilities and profit and loss of ICAP plc, derived from the published accounts, is as follows

	2012	2011
	£'000	£'000
Share of turnover	265,851	275,380
Share of profit on ordinary activities before tax	33,844	37,487
Share of taxation	(11,861)	(13,287)
Share of profit on ordinary activities after tax	21,667	29,578
Share of fixed assets	210,071	230,870
Share of current assets	12,628,458	11,890,052
Share of liabilities due within one year	(12,582,911)	(11,853,197)
Share of liabilities due after more than one year	<u>(82,871)</u>	<u>(92,057)</u>

The market value of the Group's investment in ICAP plc at 31 March 2012 was £413 million (2011 £555 million)

At the year end, the Company had balances with ICAP plc as disclosed in note 27

13 CASH AT BANK

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cash at bank and in hand	71,360	59,531	5,287	2,746
Bank deposits	3,936	470	-	-
Monies held on behalf of non-segregated clients	11,891	10,409	-	-
	<u>87,187</u>	<u>70,410</u>	<u>5,287</u>	<u>2,746</u>

Where the Group holds money on behalf of clients in segregated bank accounts in accordance with the client monies rules of the Financial Services Authority and other regulatory bodies, such money and the corresponding liabilities to clients are not shown on the face of the balance sheet, as the Group is not beneficially entitled to them. The amounts held on behalf of clients in such accounts at the balance sheet date are £169.7 million (2011 £204.5 million)

The directors consider that the carrying amount of these assets approximates to their fair value

IPGL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012****14. STOCKS**

	2012	2011
	£'000	£'000
Fine art	<u>33,842</u>	<u>33,842</u>

15. DEBTORS

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	44,687	86,199	-	-
Amounts due from Group undertakings	-	-	2,957	10,942
Other debtors	14,431	17,213	39,758	48,284
Corporation tax	346	2,672	-	-
Prepayments and accrued income	<u>6,436</u>	<u>8,321</u>	<u>2,539</u>	<u>1,946</u>
	<u>65,900</u>	<u>114,405</u>	<u>45,254</u>	<u>61,172</u>

Trade debtors

Trade debtors consist of amounts receivable from brokers and dealers representing cash in margin accounts and payments receivable on unsettled securities transactions on behalf of clients. Further disclosures in relation to trade debtors have been given in note 30.

Other debtors - Company

Included within other debtors is a balance of £27.0 million (2011: £36.0 million) with City Index Limited entered into in the ordinary course of business.

Also included with other debtors is £12.6 million (2011: £12.1 million) due from certain potential beneficiaries of the Employee Benefit Trust (see note 26).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

16. CURRENT ASSET INVESTMENTS – GROUP

	Held at fair value through profit or loss		Available -for-sale	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fair value				
At 1 April 2011	47,732	44,730	119	267
Additions	5,282	903	-	-
Disposals	(943)	(5,061)	(45)	-
Transfers out	-	(312)	-	-
Impairment	-	-	(12)	(112)
Foreign exchange movements	11	(512)	-	-
Fair value movements	(3,903)	7,984	-	(36)
At 31 March 2012	<u>48,179</u>	<u>47,732</u>	<u>62</u>	<u>119</u>

In addition to the above fair value movements, fair value loss of £38,000 (2011 gain of £0.3 million) were recognised on contracts for difference which have been designated as held at fair value through profit or loss

At 31 March 2012 Group listed investments are valued at £9.4 million (2011 £7.5 million) and originally cost £12.1 million (2011 £17.8 million)

INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – COMPANY

	2012	2011
	£'000	£'000
Fair value		
At 1 April 2011	25,500	26,577
Additions	2,012	903
Disposals	(611)	(2,960)
Transfers out	-	(312)
Fair value movements	<u>1,711</u>	<u>1,292</u>
At 31 March 2012	<u>28,612</u>	<u>25,500</u>

At 31 March 2012 Company listed investments are valued at £8.5 million (2011 £8.9 million) and originally cost £7.7 million (2011 £15.3 million). Further disclosures in relation to investments have been given in note 30.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans and overdraft	31,048	51,491	31,048	46,240
Trade creditors	49,311	72,383	536	810
Loans due to Group undertakings	-	-	116,296	88,492
Amounts owed to Group undertakings	-	-	11,055	29,952
Corporation tax	2,415	2,625	1,444	855
Other tax and social security	451	3,342	203	845
Other creditors	12,986	13,214	5,067	4,753
Accruals and deferred income	10,829	10,228	1,014	480
	<u>107,040</u>	<u>153,283</u>	<u>166,663</u>	<u>172,427</u>

Trade creditors represent amounts payable to brokers and dealers on unsettled securities transactions on behalf of clients

The directors consider that the carrying amount of trade and other creditors approximates to their fair value. Further disclosures in relation to trade creditors have been given in note 30.

Company Loans due to Group undertakings

As at 31 March 2012, short-term inter-company loans of £58.5 million (2011: £33.9 million) were due from the Company to Incap Finance BV. These are repayable at various dates ranging from on demand to 7 September 2012, with interest rates ranging from 1 month LIBOR+1.25% p.a. to 6 months LIBOR+1.25% p.a. The total liability has been included within amounts due in less than one year.

During the current year the company was granted a loan of £2.0m (2011: £nil) from Incap Overseas BV which was repaid on 4 September 2012. Interest was charged at a rate of 4 months LIBOR + 1.25%.

As at 31 March 2012, interest bearing loans of £24.1 million (2011: £24.4 million) were due from the Employee Benefit Trust to Incap Finance BV. These are repayable on 30 September 2012 and 4 November 2012 at an interest rate of 3 months LIBOR + 1.25% p.a. Additional interest of 2% has been calculated on unpaid interest on repaid loan balances.

The Employee Benefit Trust was granted an interest bearing loan from Incap Netherlands (Holdings) BV of £30.8 million (2011: £30.2 million). During the current year the loan period was extended such that it is now repayable by 15 December 2012 and a corresponding arms-length interest rate of 3 months LIBOR + 1.25% has been charged.

During the current year the Employee Benefit Trust was granted a new interest bearing loan of £0.9m (2011: £nil) from Allerton Investments BV which is repayable on 16 December 2012 at an interest rate of 3 months LIBOR + 1.25%.

Details of other loans and securities have been provided in note 18.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**18. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans	<u>72,927</u>	<u>94,552</u>	<u>72,927</u>	<u>94,552</u>

The directors consider that the carrying amount of creditors due after more than one year approximates to their fair value as they attract interest at a variable market rate

Facilities and terms**Company facilities**

At 31 March 2012, the Company has drawn-upon £93.8m (2011 £118.3m) on its main term facility with HSBC and also drawn upon £15.0m (2011 £22.5m) of a revolving credit facility. These loans are secured on shares held by the Group companies.

The total market value of quoted assets pledged as collateral for the Group's loans as at 31 March 2012 was £418.7 million (2011 £559.8 million).

In October 2008, the Company entered into a loan agreement with HSBC for £214.2 million payable over the period to 30 September 2011 and incurred commitment fees at market rates.

A repayment plan was agreed during the prior year, extending the repayment period to 31 August 2015. The rate of interest charged on the loan ranges from 2.25% to 3% over LIBOR per annum dependent on the sum outstanding. The contractual undiscounted cash flows are included within the disclosure in note 30.

On 5 January 2011, the company entered into an additional £27.5 million 3 month revolving facility with HSBC. The rate of interest on the facility is the percentage rate per annum which is the aggregate of margin of 3%, LIBOR and mandatory cost. In the current year the facility limit was reduced to £15 million which is now repayable by 30 November 2012.

The bank loans held at the year-end are secured with a debenture of fixed and floating charge over various assets of the Company.

Allerton Investments BV, Incap Netherlands (Holdings) BV, Incap Gaming BV, Incap Finance BV, Intercapital Brokerage Services Ltd, Incap Investments BV and Incap Overseas BV all act as guarantors with regard to this facility. Incap Finance BV and Incap Overseas BV charge an arms-length pledging fee for this arrangement.

HSBC plc holds a fixed legal charge over all of the shares owned by the Company in Intercapital Brokerage Services Ltd, IPGL Ventures Ltd, Intercapital Debt Trading Ltd, European Derivatives Clearing House Ltd and IPGL Property Funds Ltd.

HSBC plc also holds a Dutch law share pledge over all of the Company's shares in Incap Netherlands (Holdings) BV, and an equitable assignment of the Company's partnership interest in Finsbury Fine Art LLP.

HSBC plc also holds a first ranking legal charge over selected listed current asset investments held by the Group.

The combined year end liability of £104.0 million (2011 £140.8 million) has been classified as £31.1 million (2011 £46.2 million) falling due within one year and £72.9 million (2011 £94.6 million) falling due after more than one year. The year-end liability is held at amortised cost using the effective interest rate method in accordance with FRS 26, which takes into account any loan fees paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**18 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)****City Index Group facilities**

The City Index Group had no facilities in place at year end. The bank loan, for which £5.3m remained outstanding as at 31 March 2011, was repaid in full on 30 November 2011.

IPGL Limited has provided a further commitment to City Index Group Limited to provide additional working capital, if required, up to the value of £40.0 million (2011: £40.0 million).

Borrowing facilities

The Group has the following loan facilities in place at the year-end:

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans due in less than one year	31,048	51,491	31,048	46,240
Bank loans due in 1 – 2 years	72,927	94,552	72,927	94,552
	<u>103,975</u>	<u>146,043</u>	<u>103,975</u>	<u>140,792</u>

19. PROVISIONS FOR LIABILITIES

	Deferred tax	Onerous lease	GROUP Total
	2012	2012	2012
	£'000	£'000	£'000
At 1 April 2011	-	606	606
Settled in the year	-	(399)	(399)
Released to the profit and loss account	-	-	-
Charges to the profit and loss account	-	-	-
At 31 March 2012	<u>-</u>	<u>207</u>	<u>207</u>

The onerous lease provision, including dilapidations, relates to vacant office space as a consequence of the integration of the operations in London and Frankfurt in prior years.

IPGL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012****20. CALLED UP SHARE CAPITAL**

	2012 £'000	2011 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
556.813 (2011 556,813) ordinary shares of £1 each	557	557

21. NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating (loss)/profit	(11,638)	2,660
Depreciation	4,410	6,808
Amortisation	15,559	16,405
Impairment of fixed assets	51	88
Decrease/(increase) in debtors	44,140	(15,420)
Decrease in creditors	(27,536)	(43,592)
(Increase) in stock	-	(30)
Decrease in provisions	(399)	(1,772)
Net losses/(gains) on revaluation of investments through profit or loss	3,916	(7,872)
Net cash inflow/(outflow) from operating activities	28,503	(42,725)

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012 £'000	2011 £'000
Increase/(decrease) in cash for the year	16,735	(22,000)
Cash flow from liquid resources	4,295	(4,158)
Cash flow from movement in debt	35,250	22,000
Change in net debt arising from cash-flows	56,280	(4,158)
Reclassification of fixed asset investments as liquid resources	-	(312)
Forex movements on investments	11	(512)
Other non-cash movement on cash and bank loans at amortised cost	6 860	(7,704)
Net (losses)/gains on liquid resources	(3,916)	7,836
	59,235	(4,850)
Net debt at 31 March 2011	(27,782)	(22 932)
Net debt at 31 March 2012	31,453	(27,782)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (continued)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2011 £'000	Cash flows £'000	Foreign exchange movements £'000	Other £'000	At 31 March 2012 £'000
Cash at bank	70,410	16,735	42	-	87,187
	<u>70,410</u>	<u>16,735</u>	<u>42</u>	<u>-</u>	<u>87,187</u>
Current asset investments	47,851	4,295	11	(3,916)	48,241
Bank loans due < 1 year	(51,491)	35,250	-	(14,807)	(31,048)
Bank loans due > 1 year	(94,552)	-	-	21,625	(72,927)
Total	<u>(27,782)</u>	<u>56,280</u>	<u>53</u>	<u>2,902</u>	<u>31,453</u>

Other changes comprise fair value movements in current asset investments, amortisation of issue costs relating to bank loans and transfers between loan categories

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

23. RECONCILIATION OF MOVEMENTS ON SHARE CAPITAL, RESERVES & MINORITY INTERESTS FOR THE YEAR ENDED 31 MARCH 2012

	Minority interest £'000	Own shares £'000	Share capital £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
GROUP								
As at 1 April 2011	30,636	(60,020)	557	182	(81)	34,922	309,045	315 241
Retained profit for the year	-	-	-	-	-	-	35 480	35 480
Acquired in the year	(918)	-	-	-	-	-	-	(918)
Dividends paid to minority interests	(1 317)	-	-	-	-	-	-	(1 317)
Minority share of profits and losses in the year	656	-	-	-	-	-	-	656
Disposal of subsidiary	(4,744)	-	-	-	-	-	422	(4 322)
Minority interest share of foreign exchange	18	-	-	-	-	(18)	-	-
Share of associates' exchange adjustments	-	-	-	-	-	(4 896)	-	(4,896)
Share of associates' other reserve movements	-	-	-	-	-	-	(5 477)	(5 477)
Exchange adjustments on net investments in overseas subsidiaries	-	-	-	-	-	(267)	-	(267)
Balance at 31 March 2012	24 331	(60 020)	557	182	(81)	29,741	339 470	334 180
COMPANY								
Balance at 1 April 2011	-	(60,020)	557	182	-	-	64 067	4 786
Retained profit for the year	-	-	-	-	-	-	23 031	23,031
Balance at 31 March 2012	-	(60 020)	557	182	-	-	87 098	27 817

At the year end, cumulative goodwill of £445,000 (2011 £445,000) had been written off directly against reserves

The revaluation reserve represents the unrealised movement in the value of available-for-sale investments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

24. FINANCIAL COMMITMENTS

At 31 March 2012 the Group had annual commitments under non-cancellable operating leases as set out below

GROUP

	2012	2011
	£'000	£'000
Leasehold property held under operating lease		
Expiring within one year	74	411
Expiring within 2 - 5 years	780	1,416
Expiring over 5 years	2 061	2,311
	<u>2,915</u>	<u>4,138</u>

GROUP

	2012	2011
	£'000	£'000
Other commitments under operating lease		
Expiring within one year	13	55
Expiring within 2 - 5 years	404	447
	<u>417</u>	<u>502</u>

25 CAPITAL AND OTHER COMMITMENTS

GROUP

	2012	2011
	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	495	2,410

26 EMPLOYEE BENEFIT TRUST

As referred to in note 1(b), the financial statements of the Intercapital Private Group Limited Employee Benefit Trust ("EBT") have been incorporated in the consolidated financial statements in accordance with UITF 38 "Accounting for ESOP Trusts". This has been done because although the Trust is controlled by independent trustees and its assets are held separately from those of the Group, the Directors have taken the view that there is sufficient basis to require the adoption of UITF 38. Contributions to the Trust are determined by the board from time to time. During the year, the Company contributed £nil to the EBT (2011: £nil).

At 31 March 2012 the net assets of the Trust amounted to £17.1 million (2011: £17.8 million). These assets include 212,804 (2011: 212,804) ordinary shares in the Company carried at cost. Other assets were primarily loans due from beneficiaries.

During the year, and during the prior year, no Company ordinary shares were repurchased by the EBT. At the year end, the EBT held 38.2% of the Company's ordinary share capital (2011: 38.2%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

27 RELATED PARTY TRANSACTIONS

The Company has taken the exemption in FRS 8 not to disclose transactions with other wholly owned Group companies

During the year, the Company incurred fees of £277,000 (2011 £261,000) with Macfarlanes, a partnership in which J Courtenay-Stamp is a partner

As at the year end, D Kelly and M A Spencer owed the EBT £2.4 million and £9.8 million respectively (2011 £2.4 million and £9.5 million). These balances are repayable on demand and interest is charged at the higher of 1% above base rate or HM Revenue & Customs official rate

As at the year end, the Company had other debtors of £27.0 million (2011 £36.0 million) owed by City Index Limited (see note 15)

In the year to 31 March 2012, a net trading income of £nil (2011 £53,000) and net finance costs of £1,000 (2011 £3,000) were payable by the Company to the City Index Group. Net fee and commission payable by the Company to the City Index Group was £1,000 (2011 £29,000). Management charges of £1.2 million (2011 £1.7 million) were charged by the Company to the City Index Group

During the year, the Company had a net recharge to ICAP plc of £80,000 (2011 £46,000). This amount includes £37,000 (2011 £63,000) in respect of certain ICAP Plc employees who provided services to the Company. As at 31 March 2012, the Company owed ICAP Plc £38,000 (2011 £119,000 owed by the company)

In June 2008, ICAP Plc agreed to provide FX Solutions, a subsidiary company of City Index Limited, with FX data from its EBS platform for \$2 million per annum. During the year, ICAP charged FX Solutions £0.4 million (2011 £1.3 million) for the provision of data. As at 31 March 2012, there was no balance outstanding (2011 £nil)

During the year, the Group received dividends totalling £2.5 million (2011 £3.4 million) from DDCAP Limited

During the year, M T Wreford in his capacity as Director of IPGL Limited and Exotix Holdings Limited (an associated undertaking) received remuneration of £52,500 from Exotix Holdings Limited

Expense recharges between related parties are made on an arms-length basis. Outstanding balances with entities are unsecured, except as disclosed in note 18, and are charged an arms-length interest rate. Balances are placed on inter-company accounts with no specified credit period and are repayable on demand

28. CONTINGENT LIABILITIES

The Group is a defendant to two litigation claims, some of which are for significant amounts. The Group's management believe that claims outstanding as at 31 March 2012 are either without merit and can be successfully defended or will not have a material adverse effect on the Group's financial condition, results of operations or liquidity. On the facts known to the Directors at the present time and supported by legal advice received, the Directors believe that these disputes and associated costs have been adequately accrued for at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

29. CONTROL

The ultimate controlling party is M A Spencer by virtue of his shareholding, and of those closely related to him, in the Company

30. FINANCIAL INSTRUMENTS

Financial Reporting Standard 29 "Financial instruments disclosures" requires disclosure of information on the significance of financial instruments for an entity's financial position and performance, information about exposure to risks arising from financial instruments and the Group's objectives, policies and processes for managing capital

The Group's financial instruments comprise listed and unlisted equity securities, cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations

The Group attempts to mitigate its risk by the use of limits and controls and hedging where appropriate. The responsibility of monitoring financial risk management is attributable to the individual Group companies, but overseen by the Group's board of directors

Classification

The Group's financial instruments have been classified as follows

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

	GROUP As at 31 March 2012				
	Financial assets and liabilities at fair value through profit or loss	Available-for- sale	Loans and receivables- amortised cost	Financial liabilities at amortised cost	Total
	£ 000	£'000	£ 000	£ 000	£'000
Financial Assets					
Investments available-for-sale	-	62	-	-	62
Investments at fair value through profit or loss	48,179	-	-	-	48,179
Trade debtors	44,687	-	-	-	44,687
Other debtors and accrued income	-	-	14,556	-	14,556
Cash at bank and in hand	-	-	87,187	-	87,187
Total financial assets	92,866	62	101,743	-	194,671
Financial Liabilities					
Trade creditors	49,311	-	-	-	49,311
Other creditors and accruals	-	-	-	23,815	23,815
Loans payable	-	-	-	115,309	115,309
Onerous lease provision	-	-	-	207	207
Total financial liabilities	49,311	-	-	139,331	188,642
	GROUP As at 31 March 2011				
	Financial assets and liabilities at fair value through profit or loss	Available-for- sale	Loans and receivables- amortised cost	Financial liabilities at amortised cost	Total
	£ 000	£'000	£ 000	£'000	£ 000
Financial Assets					
Investments available-for-sale	-	119	-	-	119
Investments at fair value through profit or loss	47,732	-	-	-	47,732
Trade debtors	86,199	-	-	-	86,199
Other debtors and accrued income	-	-	19,563	-	19,563
Cash at bank and in hand	-	-	70,410	-	70,410
Total financial assets	133,931	119	89,973	-	224,023
Financial Liabilities					
Trade creditors	72,383	-	-	-	72,383
Other creditors and accruals	425	-	-	23,020	23,445
Loans payable	-	-	-	146,043	146,043
Onerous lease provision	-	-	-	606	606
Total financial liabilities	72,808	-	-	169,669	242,477

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30 FINANCIAL INSTRUMENTS (continued)

Fair value disclosures

The following table categorises the Group's financial assets and liabilities held at fair value, by the valuation method applied in determining their fair value

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are 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 fair value measurements are 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 fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

GROUP As at 31 March 2012				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Investments available-for-sale	-	-	62	62
Investments at fair value through profit or loss	8,861	12,835	26,483	48,179
Trade debtors	-	44,687	-	44,687
Total financial assets	8,861	57,522	26,545	92,928
Financial Liabilities				
Trade creditors	-	49,311	-	49,311
Total financial liabilities	-	49,311	-	49,311

GROUP As at 31 March 2011				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Investments available-for-sale	10	-	109	119
Investments at fair value through profit or loss	7,240	12,525	27,967	47,732
Trade debtors	-	86,199	-	86,199
Total financial assets	7,250	98,724	28,076	134,050
Financial Liabilities				
Trade creditors	-	72,383	-	72,383
Total financial liabilities	-	72,383	-	72,383

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Movements in the year for financial instruments measured using the Level 3 valuation method are presented below

	Other investments	
	2012	2011
	£'000	£'000
As at 1 April	28,076	24,604
(Loss)/Profit recognised in profit or loss	(5,405)	5,717
Loss recognised in statement of total recognised gains and losses	-	-
Additions	4,449	403
Disposals	(637)	(2,648)
As at 31 March	26,483	28,076
Total (losses) / gains for the period included for Level 3 assets still held at 31 March 2012	(5,331)	5,259

The principal valuation techniques applied in determining the fair value of the Group's investments, are as follows

Methodology	Description	Inputs	Adjustments
Quoted price	Used for investments in listed companies with an active market	Closing bid price at balance sheet date	No adjustments or discounts applied
Share of net assets	Used for investments in listed funds and some unlisted companies	Net asset value reported by the fund manager or latest audited or management accounts	In some cases fund manager discounts applied No internal discounts or adjustments made
Cost	Used where the fair value of the investment in unlisted companies cannot be reliably measured	Original cost of investment	Provisions for impairment are made where objective evidence of an impairment loss has been incurred
Earnings multiple	Used for some investments in unlisted companies	Price earnings ratio for comparable listed entity Earnings for investment from latest audited or management accounts	Adjustments to reflect marketability and liquidity of the investment

Financial risk management

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and market risk (equity price risk, interest rate risk and currency rate risk). The responsibility of monitoring financial risk management is attributable to the individual Group companies, but overseen by the Group's board of directors.

The main risks associated with the Group's financial assets and liabilities and key components of the risk management policies are summarised as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk represents the loss that the Group would incur if a client or counterparty failed to perform its contractual obligations

The Group's principal financial assets exposed to credit risk are cash and trade and other debtors

The credit risk on cash is limited as the counterparties are all internationally recognised banks and financial institutions

The Group's main credit risk is attributable to its trade and other debtors. The amounts shown in the balance sheet arising from trading in equities mainly relate to the City Index Group

A client credit exposure exists where a client's net contractual payable to the Group is greater than the margin or other collateral received by the Group ("margin deficiency") net of any credit provisions made against the margin deficiency. A counterparty exposure exists where the Group's net contractual debtor is greater than the margin or other collateral deposited by the Group with the counterparty ('excess margin'). The Group's credit risk is geographically diversified, with the majority of clients and counterparties operating in OECD countries. Clients do not normally have external credit ratings, however, market counterparties generally have published credit ratings. In addition to the regular credit review of counterparties and country limits, other measures are undertaken to mitigate credit risk including holding margin or other collateral against client positions. A minority of clients are permitted to deal within specific credit terms

The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, as well as determining the account limits which are allocated to a client. The Group also has potential credit risk arising from its exposure to market counterparties with which it hedges and with banks. The Group sets limits for its maximum acceptable exposure to each market counterparty and bank to which it has credit exposure. These limits are approved by the Risk and Credit Committee and are reviewed every six months

At the balance sheet date the Group had the following maximum exposure to credit risk being the trade debtors balance net of provision per note 15

	GROUP	
	As at 31 March	
	2012	2011
Trade debtors	£'000	£'000
Brokers and dealers	38,478	79,699
Clients	5,117	5,002
Other	1,092	1,498
	<u>44,687</u>	<u>86,199</u>

Credit extended to clients is either by credit allocation, or waived margin. Credit allocations are a fixed amount allocated to an account which is treated in the same way as if cash had been deposited against a client position and is utilised in the calculation of a client's margin requirement and trading resource. Waived margin is a fixed amount allocated to an account utilised in the calculation of the initial margin required. In effect, initial margin is reduced and the client is only required to fund losses on an account

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The movement on credit provisions during the year were as follows

	GROUP For the year ended 31 March	
	2012 £'000	2011 £'000
Opening credit provisions	35,807	39,550
Credit to profit and loss account during year	(444)	(1,418)
Utilised against underlying assets during the year	309	(2,325)
Closing credit provisions	<u>35,672</u>	<u>35,807</u>

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

Liquidity risk arises in numerous ways, which includes the inability to pay liabilities as they fall due, realising a market loss as a result of the premature sale of assets to raise liquidity or loss of business opportunity due to a lack of liquidity. Internal vulnerabilities to liquidity risk arise principally because assets are, in relative terms, less liquid than liabilities

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves, bank facilities, borrowing facilities and by maintaining a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions

The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. In the event of a significant movement in markets, the Group could have a short-term funding requirement to meet its payment obligations to counterparties. Any failure by the Group to meet its payment obligations could result in market counterparties closing the Group's hedge positions, which would have materially adverse consequences for the Group's business. The level of liquidity required is influenced by the level of client activity and volatility in the markets

The contractual undiscounted maturities of the Group's liabilities at the balance sheet date are as follows

	GROUP As at 31 March 2012				Total £'000
	On demand £'000	Due within 3 months £'000	Due between 4 and 12 months £'000	Due between 1 and 5 years £'000	
Non-derivative Financial Liabilities					
Other creditors and accruals	170	17,335	1,420	4,890	23,815
Loan payable	-	-	28,836	86,473	115,309
Onerous lease provision	-	-	207	-	207
Total non-derivative financial liabilities	<u>170</u>	<u>17,335</u>	<u>30,463</u>	<u>91,363</u>	<u>139,331</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	GROUP				Total
	As at 31 March 2012				
	On demand	Due within 3 months	Due between		
			4 and 12 months	Due between 1 and 5 years	
	£'000	£'000	£'000	£'000	£'000
Derivative Financial Liabilities					
Trade creditors	49,311	-	-	-	49,311
Other creditors and accruals	-	-	-	-	-
Total derivate financial liabilities	49 311	-	-	-	49 311

	GROUP As at 31 March 2011				Total
	On demand	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	
£'000	£'000	£'000	£'000	£'000	
Non-derivative Financial Liabilities					
Other creditors and accruals	-	11 873	9 216	1,931	23,020
Loan payable	5 250	2,500	48,959	105,808	162,517
Onerous lease provision	-	-	545	61	606
Total non-derivative financial liabilities	5 250	14,373	58 720	107,800	186,143

	GROUP As at 31 March 2011				Total
	On demand	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	
	£'000	£'000	£'000	£'000	£'000
Derivative Financial Liabilities					
Trade creditors	72 383	-	-	-	72,383
Other creditors and accruals	-	425	-	-	425
Total derivate financial liabilities	72 383	425	-	-	72,808

The Group's policy is to hold its own and its clients' cash reserves with a diversified range of counterparties, each of which is a major clearing bank or a financial institution. The Group's own money is held almost entirely on demand as it needs to be readily available to meet short-term funding requirements. Segregated client cash is held primarily on demand but deposits of longer duration are also placed where this can increase returns within an agreed maturity risk profile.

Market risk

Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices. The main associated risks for the Group are equity price risk, interest rate risk and currency rate risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Equity price risk

The Group is exposed to equity price risk because of investments held by the Group and classified as held at fair value through profit or loss. To manage the price risk arising from these investments the Group diversifies its portfolio in accordance with limits set by the board of directors.

The Group's investment portfolio includes equity instruments and other indices that are publically traded. A 10% increase in the FTSE-all-share index (the "Index") at the reporting date would have increased profit after tax by £0.85 million (2011: £0.73 million), an equal change in the opposite direction would have decreased profit after tax by £0.85 million (2011: a decrease of £0.73 million). The analysis was performed on the same basis for 2011.

The Group had 1.77 million listed contract-for-difference positions open at the year end (2011: 1.77 million). A 10% increase in the Index at the reporting date would have increased profit after tax by £0.1 million (2011: £0.1 million), an equal change in the opposite direction would have decreased profit after tax by £0.1 million (2011: £0.1 million). The Directors manage this risk by having direct control over the positions opened and closed and by assessing the Group's risk exposure at periodic intervals.

Daily and intra-day margin calls are made on clients to reflect market movements affecting client positions. The Group's clients sign a Terms of Business agreement, in which, under certain circumstances, the Group unilaterally reserves the right to close out client positions. Exposure management is dependent on the liquidity of the relevant markets and hedging policy. These policies include limits, or a methodology for setting limits, for each liquid financial market in which the Group trades, and for markets which the Directors consider to be correlated. The limits determine the maximum net exposure arising from client activity and associated hedging.

The estimated fair value of financial assets and liabilities is made in accordance with the requirements of FRS 26 as described in note 1(u).

Interest rate risk

The interest bearing financial assets and liabilities of the Group comprise cash, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Exposures to interest rate fluctuations are managed through floating rate instruments which give the Group its required interest and maturity profile. Interest rate and maturity profiles are regularly monitored in the light of current performance and the economic environment. The Group is also exposed to interest rate risk in the form of financing income or expense on open positions held with clients. Financing interest rate is pegged to LIBOR and overnight deposit rates.

The Group hedges its clients' trades to the extent determined by its risk management policies by executing mirror trades with its brokers in order to mitigate interest rate risk.

As at 31 March 2012, an increase of 100 basis points with all other variables held constant would decrease post-tax profit and equity by £0.8 million (2011: £1.0 million). Conversely, a decrease of 100 basis points with all other variables held constant would increase post tax profit and equity by £0.7 million (2011: £1.0 million).

A sensitivity of 100 base points represents a reasonable movement given the current level of volatility observed in respect of the main interest rates the Group is normally exposed to in its day-to-day operations. The calculation assumes an average Group tax rate of 26%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30 FINANCIAL INSTRUMENTS (continued)

Currency rate risk

The principal currencies in which the Group trades are sterling (GBP£), United States Dollars (US\$) and Euro. This gives rise to currency risk on the translation of its net current assets (mainly net funds held on behalf of clients) together with a currency risk on the conversion of its non-sterling income into sterling. The Group economically hedges this risk to the extent required by its hedging strategy.

The main currencies included in the other currency category are Australian Dollars, Kenyan Shilling and Japanese Yen.

The currency risk of the Group's assets and liabilities at the balance sheet date are as follows:

	Group As at 31 March 2012				
	GBP£ £'000	US\$ £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Investments available-for-sale	62	-	-	-	62
Investments at fair value through profit or loss	35,968	6,546	2,909	2,756	48,179
Trade debtors*	5,899	27,595	8,545	5,994	48,033
Other debtors and accrued income	13,317	446	121	672	14,556
Cash at bank and in bank	27,048	42,983	1,089	16,067	87,187
Total financial assets	82,294	77,570	12,664	25,489	198,017
Financial liabilities					
Trade creditors*	19,219	41,424	1,020	17,983	79,646
Other creditors and accruals	13,626	8,486	1,119	584	23,815
Loan payable	115,309	-	-	-	115,309
Onerous lease provision	207	-	-	-	207
Total financial liabilities	148,361	49,910	2,139	18,567	218,977
Net position					
Total net financial assets/(liabilities)	(66,067)	27,660	10,525	6,922	(20,960)

* For the purposes of this table trade debtors and trade creditors are shown as the gross position per currency.

If there was a 20% strengthening of sterling with all other variables held constant then there would be a:

- decrease in profit	(4,094)	(1,558)	(1,024)	(6,676)
- decrease in equity	(4,094)	(1,558)	(1,024)	(6,676)

If there was a 20% weakening of sterling with all other variables held constant then there would be an:

- increase in profit after tax	4,094	1,558	1,024	6,676
- increase in total equity	4,094	1,558	1,024	6,676

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Currency rate risk (continued)

A sensitivity of 20% represents a reasonable movement given the current level of volatility observed in respect of the main exchange rates the Group is normally exposed to in its day-to-day operations. The calculation assumes an average Group tax rate of 26%.

	Group As at 31 March 2011				
	GBP£ £'000	US\$ £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Investments available-for-sale	74	45	-	-	119
Investments at fair value through profit or loss	38,184	6,573	2,975	-	47,732
Trade debtors*	23,837	37,616	19,513	18,162	99,128
Other debtors and accrued income	18,236	969	125	233	19,563
Cash at bank and in bank	10,832	40,253	6,688	12,637	70,410
Total financial assets	91,163	85,456	29,301	31,032	236,952
Financial liabilities					
Trade creditors*	7,769	35,639	25,473	16,431	85,312
Other creditors and accruals	19,013	2,256	219	1,957	23,445
Loan payable	146,043	-	-	-	146,043
Onerous lease provision	606	-	-	-	606
Total financial liabilities	173,431	37,895	25,692	18,388	255,406
Net position					
Total net financial assets/(liabilities)	(82,267)	47,561	3,609	12,644	(18,453)

* For the purposes of this table trade debtors and trade creditors are shown as the gross position per currency.

If there was a 20% strengthening of sterling with all other variables held constant then there would be an

- decrease in profit	(6,849)	(520)	(1,821)	(9,189)
- decrease in equity	(6,849)	(520)	(1,821)	(9,189)

If there was a 20% weakening of sterling with all other variables held constant then there would be an

- increase in profit after tax	6,849	520	1,821	9,189
- increase in total equity	6,849	520	1,821	9,189

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

30. FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages capital to ensure that it has available resources and access to markets to ensure the continued growth of the Group and to meet its borrowing and regulatory requirements. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure that complies with loan covenants and externally imposed capital requirements. The Group manages capital through the bank loan financing as disclosed above.

A large proportion of the Group's activities are regulated in a number of jurisdictions and are therefore subject to various regulation and legislation relating to technology, the provision of internet services, the use of the internet and regulatory capital. This imposes extensive reporting requirements and continuing self-assessment and appraisals. The Compliance Departments of Group companies are designed to ensure that all the Group's entities meet the rules of the regulators in each of the jurisdictions in which the Group operates. The Group is required to be regulated on a consolidated basis by the United Kingdom's Financial Services Authority as discussed in note 1(c). The Group maintains a close working relationship with its regulators and continually seeks to improve its operating efficiencies and standards. The compliance officers are in regular contact with the Senior Executive Management. The regulatory environment is constantly evolving and imposes significant demands on the resources of the Group. The Group continues to devote considerable resources to meet the requirements, including increased training and provision of adequate capital.