

**CITY INDEX LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 March 1997**

**Company Number 1761813**



**CITY INDEX LIMITED****Report of the Directors**

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The directors present their report and audited financial statements of the company for the year ended 31 March 1997.

**PRINCIPAL ACTIVITY**

The principal activity of the Company during the year was to provide market making services in a variety of financial and sporting indices to individuals and companies.

**REVIEW OF BUSINESS**

The directors are pleased to report a year of increased turnover and gross profit. This in part reflects the investment in significant marketing and promotional expenditure during the year that will support continued growth in future years.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £579,746 (1996 - £686,678).

In view of the Company's current and future requirements for the maintenance and development of its business, the directors do not recommend that a dividend be declared but propose that the balance on the profit and loss account be carried forward.

**DIRECTORS**

The directors who served during the year are shown below.

M A Spencer	(Appointed 30 January 1997)
J Sparke	
A S Wollenberg	
M Whitaker	(Resigned 30 January 1997)

The interests of Mr. J. Sparke and Mr. A. S. Wollenberg in the shares of City Index Holdings Limited, the Company's immediate parent company, are shown in the director's report of that company. The interests of Mr. M.A. Spencer in the shares of Intercapital Group Limited, the company's ultimate parent company, are shown in the directors' reports of that company. The directors had no other interests required to be disclosed.

**DONATIONS**

During the year charitable donations made by the Company amounted to £1,622 (1996 - £9,540). The Company also made a political donation of £10,000 (1996 - £Nil) to the Conservative and Unionist Party.

## CITY INDEX LIMITED

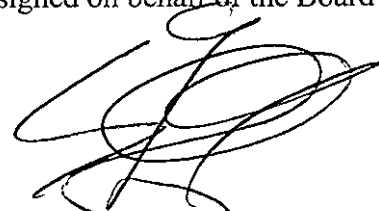
### Report of the Directors

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#### AUDITORS

Moore Rowland have expressed their willingness to continue in office as auditors and a resolution for their reappointment will be presented at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'S.H.J. Mansell', written over a circular stamp or seal.

**S.H.J. Mansell**  
*Secretary*

Cardinal Court  
23 Thomas More Street  
LONDON E1 9YY

25 June 1997

**CITY INDEX LIMITED****Statement of Directors' Responsibilities**

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## CITY INDEX LIMITED

### **Auditors' Report to the Members of City Index Limited**

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We have audited the financial statements on pages 5 to 14.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **OPINION**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Moores Rowland**  
Chartered Accountants  
Registered Auditors  
London

26 June 1997

## CITY INDEX LIMITED

## Profit and Loss Account for the year ended 31 March 1997

	Notes	1997 £	1996 £
<b>TURNOVER</b>	2	4,859,868	4,011,780
Cost of sales		(410,354)	(295,431)
<b>GROSS PROFIT</b>		4,449,514	3,716,349
Administrative expenses		(3,713,893)	(2,945,705)
<b>OPERATING PROFIT</b>	3	735,621	770,644
Interest receivable	5	190,125	231,034
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		925,746	1,001,678
Tax on profit on ordinary activities	6	(346,000)	(315,000)
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>		579,746	686,678
Retained profit at 1 April		1,904,010	1,217,332
Retained profit at 31 March		£2,483,756	£1,904,010

All disclosures relate only to continuing operations. The company made no recognised gains or losses for the current financial year or preceding financial year other than those reported in the profit and loss account.

## CITY INDEX LIMITED

## Balance Sheet as at 31 March 1997

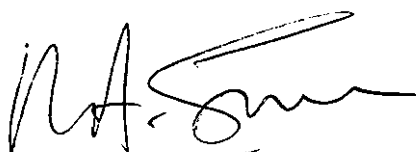
	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	235,513	166,303
Investments	8	38,821	38,821
		<u>274,334</u>	<u>205,124</u>
<b>CURRENT ASSETS</b>			
Debtors	9	5,332,940	4,421,346
Cash at bank and in hand		1,450,050	1,277,377
		<u>6,782,990</u>	<u>5,698,723</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(1,122,243)	(548,512)
		<u>5,660,747</u>	<u>5,150,211</u>
<b>NET CURRENT ASSETS</b>			
		<u>£5,935,081</u>	<u>£5,355,335</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	75,000	75,000
Special capital reserve		3,376,325	3,376,325
Profit and loss account		2,483,756	1,904,010
<b>SHAREHOLDERS' FUNDS</b>			
	12	<u>£5,935,081</u>	<u>£5,355,335</u>

THE FINANCIAL STATEMENTS WERE APPROVED  
BY THE BOARD OF DIRECTORS ON 25 JUNE 1997

Signed on behalf of the Board of Directors



A. S. WOLLENBERG



M. A. SPENCER

## CITY INDEX LIMITED

## Cash Flow Statement for the year ended 31 March 1997

	Notes	1997 £	1996 £
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>			
Operating profit		735,621	770,644
Depreciation		99,735	126,310
Increase in debtors		(911,594)	(1,548,887)
Increase/(decrease) in creditors		477,060	(50,664)
Profit on disposal of fixed assets		(2,341)	-
		<u>£398,481</u>	<u>£(702,597)</u>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow/(outflow) from operating activities		398,481	(702,597)
Return on investments and servicing of finance	13	190,125	231,034
Taxation		(249,329)	(54,649)
Capital expenditure	13	(166,604)	(129,683)
Increase/(decrease) in cash		<u>£172,673</u>	<u>£(655,895)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
	14		
Increase/(decrease) in cash for the year		172,673	(655,895)
Net funds at 1 April		1,277,377	1,933,272
Net funds at 31 March		<u>£1,450,050</u>	<u>£1,277,377</u>



## CITY INDEX LIMITED

### Notes to the Financial Statements - 31 March 1997

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#### 1. ACCOUNTING POLICIES

The 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 financial statements have been prepared under the historical cost convention.
- b) **Tangible Fixed Assets** - Fixed assets are shown at historical cost.

Depreciation is provided, at the following annual rates in order to write off each asset over its estimated useful life.

Motor vehicles	25 % on cost
Fixtures and fittings	20 % on cost
Computer equipment	33 % on cost
Short leasehold property	10 % on cost

- c) **Pension Costs** - The pension costs relate to contributions to an employee's personal plan and are charged to the profit and loss account as incurred.
- d) **Foreign Exchange** - Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.
- e) **Valuation of Open Bets** - In view of the nature of the Company's business, in order to give a true and fair view of the result for the year, the directors consider that it is necessary to vary the accounting requirements of the Companies Act 1985 by valuing open bets at market value. These bets are with customers and brokers and are included in trade debtors and trade creditors at market value. The unrealised profit carried forward in the balance sheet under this policy at 31 March 1997 was £295,866 (1996 - £357,161).
- f) **Leases** - Amounts payable under operating leases are charged to the profit and loss account as they are incurred.

#### 2. TURNOVER

Turnover and profit on ordinary activities before taxation are attributed to the principal activity of market making services in a variety of financial and sporting indices.

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

3. OPERATING PROFIT	1997 £	1996 £
Operating profit is stated after charging:		
Operating lease rentals:		
- Office equipment	20,073	4,104
- Buildings	53,211	80,022
Auditors' remuneration:		
- Audit services	20,000	20,000
- Non-audit services	33,000	52,700
Depreciation	99,735	126,310
Profit on disposal of fixed assets	(2,341)	-
	<hr/>	<hr/>

## 4. DIRECTORS AND EMPLOYEES

Particulars of employees (including directors) are shown below:	1997 £	1996 £
Staff costs during the year amounted to:-		
Wages and salaries	1,234,733	908,380
Social security costs	123,841	91,914
Other pension costs	3,933	367
	<hr/>	<hr/>
	£1,362,507	£1,000,661
	<hr/>	<hr/>

The average number of employees during the year was as follows:-

	1997 Number	1996 Number
Management and administration	14	11
Dealing	19	16
	<hr/>	<hr/>
	33	27
	<hr/>	<hr/>

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

4.	<b>DIRECTORS AND EMPLOYEES (Continued)</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>

Directors:-

Aggregate emoluments

154,314

155,833

Company pension contributions

3,933

367

Mr. A.S. Wollenberg is a partner in Rakisons, solicitors, who undertake professional work for the Company and receive fees charged on an arms length basis. During the year under review, Mr M. A. Spencer entered into transactions with the Company in the ordinary course of business and on an arms length basis. The value of the transactions is not material to either the Company or the directors concerned.

5.	<b>INTEREST RECEIVABLE</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>

Bank interest

143,525

184,694

Other interest

46,600

46,340

£190,125

£231,034

6.	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>

Based on the profit for the year

Corporation tax at 33%

£346,000

£315,000

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

## 7. TANGIBLE FIXED ASSETS

	Short Leasehold £	Fixtures & Fittings £	Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 April 1996	85,211	155,758	257,667	10,630	509,266
Additions	-	85,139	50,711	35,754	171,604
Disposals	-	-	-	(10,630)	(10,630)
At 31 March 1997	85,211	240,897	308,378	35,754	670,240
<b>Depreciation</b>					
At 1 April 1996	32,884	85,321	216,787	7,971	342,963
Charge for the year	8,521	45,919	43,195	2,100	99,735
Disposals	-	-	-	(7,971)	(7,971)
At 31 March 1997	41,405	131,240	259,982	2,100	434,727
<b>Net Book Value</b>					
At 31 March 1997	£43,806	£109,657	£48,396	£33,654	£235,513
At 31 March 1996	£52,327	£70,437	£40,880	£2,659	£166,303

## 8. FIXED ASSET INVESTMENTS

	Unlisted investments £	Shares in Group undertakings £	Total £
<b>COST</b>			
At 1 April 1996 and 31 March 1997	£38,815	£6	£38,821

Under the provisions of Section 228 of the Companies Act 1985, the company does not prepare consolidated financial statements as it is a 70.26% owned subsidiary of InterCapital Group Limited, which the directors regard as the company's ultimate parent company. The company has three 100% subsidiaries, City Index Market Makers Limited, City Index (Racing) Limited and City Index Sports Bars Limited, none of which traded during the year.

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

9. DEBTORS	1997 £	1996 £
Trade debtors	4,537,972	3,493,758
Amounts owed by parent company	645,309	450,698
Other debtors	39,657	424,593
Prepayments and accrued income	110,002	52,297
	<u>£5,332,940</u>	<u>£4,421,346</u>

The amounts owed by the parent company, City Index (Holdings) Limited, are repayable after more than one year.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997 £	1996 £
Amounts owed to Intercapital Brokers Limited	38,794	33,830
Other creditors	393,312	6,900
Corporation tax	412,022	315,351
Accruals and deferred income	278,115	192,431
	<u>£1,122,243</u>	<u>£548,512</u>

11. CALLED UP SHARE CAPITAL	1997 £	1996 £
Authorised:-		
2,333,065 ordinary shares of £1 each	£2,333,065	£2,333,065
Allotted and fully paid:-		
75,000 ordinary shares of £1 each	£75,000	£75,000

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

## 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	579,746	686,678
Opening shareholders' funds	5,355,335	4,668,657
Closing shareholders' funds	<u>£5,935,081</u>	<u>£5,355,335</u>

## 13. GROSS CASH FLOWS

	1997 £	1996 £
Returns on investment and servicing of finance:-		
Interest received	<u>190,125</u>	<u>231,034</u>
Capital expenditure:-		
Payment to acquire fixed assets	(171,604)	(129,683)
Receipts from sale of fixed assets	<u>5,000</u>	<u>-</u>
	<u>(166,604)</u>	<u>(129,683)</u>

## 14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1996 £	Cash Flow £	At 31 March 1997 £
Cash at bank	<u>1,277,377</u>	<u>172,673</u>	<u>1,450,050</u>

## CITY INDEX LIMITED

## Notes to the Financial Statements - 31 March 1997

## 15. FINANCIAL COMMITMENTS

Operating leases	Office equipment		Buildings	
	1997	1996	1997	1996
Annual commitments at 31 March 1997 in respect of operating leases expiring:	£	£	£	£
Within one year	-	-	19,500	16,900
Between two and five years	25,253	7,800	-	92,000
Greater than five years	-	-	83,700	-
	<u>£25,253</u>	<u>£7,800</u>	<u>£103,200</u>	<u>£108,900</u>

## 16. RELATED PARTIES

The directors consider the immediate parent company to be City Index (Holdings) Limited. The ultimate parent company and controlling party is Intercapital Group Limited. Copies of the group financial statements of Intercapital Group Limited are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

## 17. SEGREGATED FUNDS

As required by the Financial Services Act 1986, the company maintains balances held on behalf of clients in segregated bank accounts totalling £2,586,697 (1996 - £1,226,236). These amounts and the related liabilities to clients are not included in the company's balance sheet.