

CITYINDEX

www.cityindex.com
www.finspreads.com
www.ifxmarkets.com

City Index Limited

Report and Financial Statements

for the year ended 31 March 2009

WEDNESDAY



LTNU4H7N

LD6

03/02/2010




6

COMPANIES HOUSE

Contents

	Page
General Information	2
Directors' Report	3-7
Independent Auditors' Report to the Members of City Index Limited	8
Profit and Loss Account	9
Balance Sheet	10
Statement of Recognised Gains and Losses	11
Statement of Changes in Shareholders' Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-40

General Information

Company number	1761813		
Directors	Martin Belsham Simon Bird Arthur Grimley Roger Hambury Bret Woudstra	Chief Executive Officer Chief Operating Officer Chief Financial Officer	
Secretary	Bibi Ally		
Registered address	Park House 16 Finsbury Circus London EC2M 7EB United Kingdom		
Locations	United Kingdom	Eastern Europe	
  	Park House 16 Finsbury Circus London EC2M 7EB United Kingdom	LIM Centre Level 14 Al Jerozolimskie 65/79 00-697 Warsaw Poland	
Ultimate parent Company	IPGL Limited Park House 16 Finsbury Circus London EC2M 7EB United Kingdom		
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ United Kingdom		
Solicitors	Macfarlanes 10 Norwich Street London EC4A 1BD United Kingdom		
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP United Kingdom	The Lloyds Banking Group plc 25 Gresham Street London EC2V 7HN United Kingdom	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4RB United Kingdom

Directors' Report

The Directors present their annual report on the affairs of City Index Limited (the "Company" or "CIL"), together with the Financial Statements and Auditors' Report for the year ended 31 March 2009 (the "Financial Statements")

Principal activities

The principal activity of the Company during the year continued to be the provision of market-making and spread-trading services in a variety of financial products and markets. The product offerings currently include spread trading on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates, exchange traded futures and options and fixed odds on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial instruments. There have not been any significant changes in the Company's principal activities in the year under review.

The Company is authorised and regulated by the Financial Services Authority ("FSA"). The Company's FSA Register Number is 113942, for details see www.fsa.gov.uk/register

The Directors are not aware, at the date of this report, of any changes in the Company's activities in the forthcoming year, although they continue to look for opportunities to grow the business, both organically and through acquisition.

The immediate parent company is City Index (Holdings) Limited ("CIHL"). The intermediate parent company is City Index Group Limited ("CIGL"). The ultimate parent company and controlling party is IPGL Limited ("IPGL"). The smallest group into which the Company is consolidated is CIHL.

Directors

The Directors who served during the year, together with those serving at the date of this report, are as follows:

Martin Belsham	Chief Executive Officer	(appointed 12 January 2009)
Simon Bird	Chief Operating Officer	(appointed 29 October 2008)
Arthur Grimley		(appointed 28 April 2009)
Roger Hambury		
Bret Woudstra	Chief Financial Officer	(appointed 1 May 2008)
Thomas Binks		(resigned 20 March 2009)
Geoffrey Chapman		(resigned 31 December 2008)
Clive Cooke		(resigned 17 March 2009)
Geoffrey Lott		(resigned 8 July 2008)
David Morris		(resigned 3 August 2009)
Kaye Spicer		(resigned 30 November 2008)
Alexis Webster		(resigned 30 April 2009)
Mark Whitlock		(resigned 21 August 2009)

During the year the Company has strengthened its management team with the appointment of a new Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The Board of Directors would like to thank Clive Cooke for his contribution and hard work over the past number of years and wish him well in his new endeavours.

Results

The loss for the year after taxation amounted to £54,613,000 (2008: loss of £27,767,000). Despite these losses, the Company experienced a net cash inflow from operating activities amounted to £6,652,000 (2008: cash outflow of £75,920,000) as the losses were primarily non-cash impairments of receivables. Additionally, the Company saw a significant decrease in the year-end level of trade receivables. The Profit and Loss Account for the year is set out on page 9 and the Statement of Cash Flows on page 12.

The Directors do not recommend that any dividend be declared in respect of the year (2008: In specie dividend of £25,000,000, being the distribution of all of its shares in its wholly owned subsidiary, IFX Markets Inc, to City Index (Holdings) Limited ("CIHL").

Business review

The financial year ended 31 March 2009 has been a period of considerable change for City Index but we are pleased to report that we ended the year in a far stronger position than we started it. During the year the Company suffered substantial bad debts (net of recoveries) amounting to £20,804,000 (see Note 8 to the Financial Statements) largely as a direct result of the impact of the recent financial crisis on customers' ability to fund margin calls in respect of their losses from equity related trading.

City Index Limited

Report and Financial Statements 2009

Addressing the causes of bad debts and mitigating their impact has therefore been the principal priority of the Directors, so we are pleased to report that as a result of the steps taken to tighten our risk management procedures and restrict the level of market and credit risk, this period is now behind us. Indeed, since the December 2008 quarter there have been no additional significant provisions for new doubtful debts. The Company is currently completing its roll out of a systematic approach to closing client positions automatically (called "auto-closeout"). Whilst giving us further protection from potential bad debts, auto-closeout has also been well received by our clients who recognise the benefits of containing their own losses.

Significant effort and investment continues to be made in all areas of technology, particularly in the non-FX business platform. A major equities systems upgrade was successfully released during the year, which included a redesigned website with enhanced functionality. Subsequent to the launch of this release considerable resource has been directed to improving aspects of stability and performance. This is a process of continual improvement and the Directors believe such investment is both necessary and important for the future success of the business.

The increased efficiency from the new non-FX technology systems and new internal processes has enabled the Company to rationalise its non-FX cost base significantly. Average monthly overheads between April 2009 and December 2009 were £3,500,000 per month, down from £4,500,000 per month at the start of 2008/2009 financial year. The Directors are optimistic that further cost savings can be identified and realised, further improving the position of the business going forward.

In summary, whilst the business had an extremely difficult trading period in 2008/2009, with trading volumes and average ticket sizes falling as a result of market dislocation, conditions have now stabilised with reduced volatility, more benign trading conditions and a healthy rebound in stock markets giving clients time to rebuild equity and reassess their risk appetite. At the date of this report the Group has now returned to profitability and the Directors are optimistic that the prior two years of poor performance are behind us.

Financial review

The Company's financial position has significantly deleveraged during the year. During the year a borrowing facility of £100,000,000 was repaid, largely facilitated by the working capital improvements achieved by the implementation of changes to customer trading terms and conditions reported in last year's Directors Report. This enabled the Company to move to a net cash funds position of £16,477,000 at the year end (2008 net debt of £28,092,000).

In addition the Company held as detailed in Note 19 to the Financial Statements, £111,355,000 (2008 £192,427,000) in segregated client money accounts. This is not recognised on the balance sheet but is deposited with us and can be utilised by clients to cover subsequent position losses or margin for new trades.

The loss for the financial year of £54,613,000 (2008 loss of £27,767,000) primarily arose from the large bad debts outlined earlier as well as difficult trading conditions. These losses have been offset by the injection of capital by shareholders in the form of preference shares issued for the conversion of subordinated debt. The loss for the financial year before exceptional items, depreciation, amortisation, interest and taxation was £19,061,000 (2008 loss of £1,261,000). At the balance sheet date the Company had net assets of £58,962,000 (2008 £64,585,000).

Going concern review

The Company'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 above. Note 2 of the Financial Statements sets out the basis upon which the Directors have made their going concern assessment. The Directors', after making due enquiries, consider there to be reasonable evidence that the Company has sufficient resources, including support from its ultimate parent company, 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.

Principal risks and uncertainties

The Board is responsible for determining and managing the principal risks and uncertainties of the Company. This is subject to periodic review, at least annually and is performed in consultation with its shareholders. The Company seeks to mitigate its risks through the application of limits and controls, a monitoring process at both Company and operational level, and the use of hedging instruments and insurance policies. The Company has a Risk and Credit Committee, which meets at least monthly. The Company's existing risk management tools continue to be enhanced by the ongoing development of a real-time risk management system across all products.

The principal risks and uncertainties faced by the Company are primarily financial risks. The principal non-financial risk faced by the Company is operational risk. All of these risks are summarised further below.

- **Credit risk**

Credit risk represents the loss that the Company would incur if a client or counterparty failed to perform its contractual obligations. A client credit exposure exists where a client's net contractual payable to the Company is greater than the margin or other collateral received by the Company ("margin deficiency") net of any credit provisions made against the margin deficiency.

A counterparty exposure exists where the Company's net contractual receivable is greater than the margin or other collateral deposited by the Company with the counterparty ("excess margin"). Clients do not normally have external credit ratings. 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 small minority of clients are permitted to deal within specific credit terms.

The Company 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 Company to credit risk, as well as determining the account limits which are allocated to a client. The Company also has potential credit risk arising from its exposure to market counterparties with which it hedges and with banks. The Company 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 at least every six (6) months.

During the current year the Company incurred some significant credit losses which are detailed in Note 7 and Note 8 to the Financial Statements. As a consequence of these losses the Company continued to strengthen and enhance the policies, including the introduction of auto-closeout, particularly in light of current global market conditions.

- **Market risk**

Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices. Daily and intra-day margin calls are made on clients to reflect market movements affecting client positions. The Company's clients sign a terms of business agreement, in which, under certain circumstances, the Company 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 every single liquid financial market in which the Company 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. During the year the Company significantly reduced its risk profile and increased hedging levels commensurate with market volatility.

- **Currency risk**

The principal currencies in which the Company trades are British Pounds, Euros and United States Dollars. 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-British Pounds income into British Pounds. The Company hedges this risk to the extent it considers appropriate in the circumstances.

- **Interest rate risk**

The Company is exposed to interest rate risk as it has net earnings on its own cash deposits and those of its clients. Exposures to interest rate fluctuations are managed through floating rate instruments, which give the Company its required interest and maturity profile. Interest rate and maturity profiles are regularly monitored in light of current performance and the economic environment. The Company is also exposed to interest rate risk in the form of financing income or expense on open positions held with clients. The financing interest rate is pegged to both LIBOR and overnight deposit rates. The Company manages its interest rate risk by hedging its clients' trades to the extent required by its risk management policies. This is generally achieved by entering into offsetting trades with its broking counterparties on a net exposure basis or specific risk limit basis.

The Company's interest-bearing financial assets mature in the short-term, with maturities no longer than one (1) year. As a result, the Company is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Excess cash of the Company is invested in short-term cash deposits with the term to maturity typically no longer than three (3) months.

- **Liquidity risk**

In the event of a significant movement in markets, the Company could have a short-term funding requirement to meet its payment obligations to counterparties. Any failure by the Company to meet its payment obligations could result in market counterparties closing the Company's hedge positions, which would have materially adverse consequences for the Company's business. The level of liquidity required is influenced by the level of client activity and volatility in the markets.

The Company's policy is to hold both 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. Client money is held and accounted for in accordance with the FSA client money rules. The Company'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.

- **Regulatory capital and regulatory risk**

The Company's activities are regulated in a number of jurisdictions and are therefore subject to various regulation and legislation relating to conduct of business, technology, the provision of internet services and additionally in the United Kingdom in relation to regulatory capital. This imposes extensive reporting requirements and continuing self-assessment and appraisal.

City Index Limited
Report and Financial Statements 2009

The Company has both a Compliance Department and a Regulatory Capital Department which are responsible for ensuring that it meets the rules of the regulators in each jurisdiction. The Company maintains close working relationships with its regulators and seeks continually to improve its operating efficiencies and standards. The compliance officers are in regular contact with the Directors and Senior Executive Management. The regulatory environment is constantly evolving and imposes significant demands on the resources of the Company. The Company continues to provide considerable resources to meet the regulatory requirements.

The Company is subject to the capital adequacy supervision requirements of the FSA and has maintained adequate levels of capital within the Company during the year. The regulatory capital structure of the Company largely comprises share capital, preference shares and reserves (net of intangible assets). Capital requirements are calculated from market risk, counterparty risk, credit risk and operational risk assessments. The Company has an Internal Capital Adequacy Assessment Process ("ICAAP") as required by the FSA for establishing the appropriate amount of regulatory capital to be held. The ICAAP gives consideration to both current and projected financial and capital positions, and includes stress testing for adverse economic conditions. The ICAAP is updated, at least annually, to reflect changes to the Company's structure and the business environment. Capital adequacy is monitored on an ongoing basis by Management. The Company uses the standardised approach to market risk, the simplified approach to credit and risk and the basic indicator approach to operational risk. At the balance sheet date the Company's FSA regulatory capital position indicates that capital resources represented 141% of the capital resources requirement (the "Solvency Ratio"). At 29 January 2010 the Solvency Ratio was 145%.

IPGL, the Company's ultimate parent company, is located in the European Economic Area and therefore the FSA applies consolidated capital adequacy supervision requirements at this level. Further details are contained in the financial statements of IPGL and Note 2 to the Financial Statements.

• **Operational risk**

Operational risk, inherent in all businesses, 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 Company has policies and procedures to mitigate operational risk and is currently in the process of implementing a more comprehensive operational risk management framework in conjunction with the CIGL Group Internal Audit Department.

Internal audit

In April 2008, a CIGL Group Internal Audit Department was established to oversee the control environment of both the CIGL Group and the Company. The Department is overseen by the CIGL Group Audit Committee, which comprises representatives of the CIGL Group's two (2) major shareholders and two (2) Directors of CIGL.

Share issues

Share issues and other capitalisation activities of the Company are detailed in Note 25 and Note 26 to the Financial Statements and the Statement of Changes in Shareholders' Equity on page 11 to the Financial Statements.

Donations

During the year charitable donations made principally to charities in which the Company or its employees have an interest, amounted to £14,000 (2008: £43,000). During the year the Company made a £5,000 political donation to the Conservative Party (2008: £Nil).

Disabled employees

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

Employee consultation

The Company 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 Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting current and future interests and developments.

Pensions

The Company offers all employees the opportunity to participate in a defined contribution scheme (see Note 11 to the Financial Statements).

Directors' and employees' remuneration

The Company maintains a compensation policy for its employees to facilitate pay-for-performance and to retain key employees. The benefits accruing under the policy are based upon employee achievement and the financial performance of the Company. This includes CIGL's share option schemes for certain executives and employees of both the Company and CIGL Group, as detailed in Note 25 to the Financial Statements.

City Index Limited
Report and Financial Statements 2009

Environmental policy

Although the Company does not have a formal environmental policy it endeavours to minimise harm to the environment by adopting energy efficient products and re-cycling the waste it produces where possible

Supplier payment policy and practice

It is the Company's policy to agree terms of payment with suppliers when agreeing the terms for each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice except where different terms have been agreed with the supplier at the outset. There were 38 creditor days (2008: 55 days) of suppliers' invoices outstanding at the year end. The average creditor days for the year was 44 (2008: 38 days).

Directors and officers

The Company has Directors' and Officers' Liability insurance policies which covers all Directors and staff.

Events since the balance sheet date

There were no events occurring subsequent to the balance sheet date requiring disclosure in these Financial Statements.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the directors to prepare such Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company and cash flow statement for that period and comply with the Companies Act 1985. 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, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' Report are listed above. Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no audit information (as defined by the Companies Act 1985) relevant to the preparation of their report of which the Company's auditors are unaware, and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information (as defined in the Companies Act 1985) and to establish that the Company's auditors are aware of that information.

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

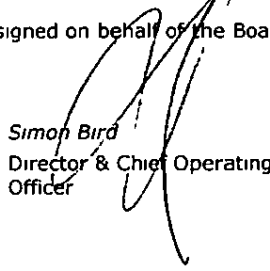
Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Martin Belsham
Director & Chief Executive Officer



Simon Bird
Director & Chief Operating Officer



Bret Woudstra
Director & Chief Financial Officer

Park House
16 Finsbury Circus
London
EC2M 7EB
United Kingdom

1 February 2010

Independent Auditors' Report to the Members of City Index Limited

We have audited the Financial Statements (the "Financial Statements") of City Index Limited (the "Company") for the year ended 31 March 2009 which comprise the profit and loss Account, the balance sheet, the statement of total recognised gains and losses, the Statement of changes in shareholders' equity, the cash flow statement and the related Notes 1 to 31. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 which 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of the Company's loss for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements.



Deloitte LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

1 February 2010

Profit and Loss Account

(in thousands of £)

		For the year ended 31 March	
	Note	2009	2008
Net trading income	3	34,078	47,886
Net fee and commission income	4	3,387	10,731
Net finance income (expense)	5	2,696	(3,541)
Total operating income		40,161	55,076
Administrative expenses		59,222	56,337
Depreciation and amortisation	6	7,606	5,640
		66,828	61,977
Exceptional items	7	12,222	34,223
Total administrative expenses		79,050	96,200
Operating loss	8	(38,889)	(41,124)
Interest income	9	6,151	10,600
Interest expense	10	(8,537)	(3,637)
Provision against investment in subsidiary company	15	(5,327)	-
Provision against loss on disposal of subsidiary companies	15	-	(1,142)
Income from shares in group company - dividend received		-	238
Loss on ordinary activities before taxation		(46,602)	(35,065)
Tax (charge) credit on loss on ordinary activities	12	(8,011)	7,298
Loss for the financial year		(54,613)	(27,767)

The Statement of Total Recognised Gains and Losses is detailed on page 11. All financial results derived from continuing operations in the current and preceding year.

The accompanying notes on pages 13 to 40 are an integral part of these Financial Statements

Balance Sheet


(in thousands of £)

		As at 31 March	
	Note	2009	Restated 2008
Non-current assets			
Intangible assets	13	16,726	18,817
Tangible fixed assets	14	14,465	11,864
Investment in subsidiary undertakings	15	-	5,727
		31,191	36,408
Current assets			
Deferred tax assets	12	-	4,960
Financial assets available-for-sale	16	305	499
Trade receivables	17	62,633	171,075
Prepayments and other receivables	18	48,326	32,557
Cash at bank and in hand	19	16,172	71,409
		127,436	280,500
Current liabilities			
Trade payables	20	75,514	119,598
Other payables	21	21,931	31,325
Loans payable	22	-	92,000
		97,445	242,923
NET CURRENT ASSETS		29,991	37,577
Non-current liabilities			
Loans payable - subordinated loans	23	-	8,000
Provisions for liabilities and charges	24	2,220	1,400
		2,220	9,400
NET ASSETS		58,962	64,585
Capital and reserves			
Equity share capital	25	88	86
Preference shares	26	106,000	58,000
Share premium		36,134	35,236
Retained earnings		(86,636)	(32,113)
Special reserve		3,376	3,376
TOTAL EQUITY		58,962	64,585

These Financial Statements were approved by the Board of Directors and authorised for issue on 1 February 2010 Signed on behalf of the Board of Directors


Martin Belsham
Director & Chief Executive Officer


Simon Bird
Director & Chief Operating Officer


Bret Woudstra
Director & Chief Financial Officer

Park House
16 Finsbury Circus
London
EC2M 7EB
United Kingdom

The accompanying notes on pages 13 to 40 are an integral part of these Financial Statements

Statement of Total Recognised Gains and Losses

(in thousands of £)

	Note	For the year ended 31 March 2009	2008
Loss for the financial year		(54,613)	(27,767)
Fair value movement of investments available-for-sale	16	90	-
Total losses recognised since last annual report and financial statements		(54,523)	(27,767)

Statement of Changes in Shareholders' Equity

(in thousands of £)

	Equity share capital	Preference shares	Share premium	Retained earnings	Special reserve	Total equity
Balance at 31 March 2007	77	58,000	353	20,085	3,376	81,891
Additional shares Issued (Note 25)	9	-	34,883	-	-	34,892
Loss for the financial year	-	-	-	(27,767)	-	(27,767)
Employee share based payments (Note 25)	-	-	-	569	-	569
Dividend paid	-	-	-	(25,000)	-	(25,000)
Balance at 31 March 2008	86	58,000	35,236	(32,113)	3,376	64,585
Additional shares Issued (Note 25)	2	-	898	-	-	900
Additional preference shares Issued (Note 26)	-	48,000	-	-	-	48,000
Loss for the financial year	-	-	-	(54,613)	-	(54,613)
Total recognised gains and losses - fair value of Investments available-for-sale	-	-	-	90	-	90
Balance at 31 March 2009	88	106,000	36,134	(86,636)	3,376	58,962

The share premium reserve represents the difference between the nominal value of the shares issued and the consideration received

On 5 February 2008 the Directors declared an in specie dividend of £25,000,000 by the distribution of all of its shares in its wholly owned subsidiary, IFX Markets Inc, to its parent company, City Index (Holdings) Limited as part of a group reorganisation (see Note 15 to the Financial Statements)

The special reserve of £3,376,000 was created on the cancellation of the then share premium reserve on 24 February 1995 and is non-distributable

The accompanying notes on pages 13 to 40 are an integral part of these Financial Statements

Statement of Cash Flows

<i>(in thousands of £)</i>		For the year ended 31 March	
	Note	2009	2008
Reconciliation of operating loss to operating cash flows			
Loss for the financial year		(54,613)	(27,767)
Interest income	9	(6,151)	(10,600)
Interest expense	10	8,537	3,637
Provision against loss on disposal of subsidiary companies	15	400	1,142
Provision against investment in subsidiary company	15	5,327	-
Income from shares in group company - dividend received		-	(238)
Income tax expense (credit)	12	8,011	(7,298)
Operating loss		(38,489)	(41,124)
<i>Adjustments or non-cash and other items</i>			
Impairment of trade receivables		25,295	48,074
Depreciation and amortisation		7,606	5,640
Redundancy provision		(798)	-
Tangible fixed assets written off (non exceptional)	7	1,736	364
Share based payment		-	569
Net increase (decrease) in onerous lease provisions	24	820	(322)
		(3,830)	13,201
Decrease in trade receivables		83,147	14,565
Increase in prepayments and other receivables		(20,258)	(19,333)
Decrease in trade payables		(44,084)	(97,554)
(Decrease) increase in other payables		(8,323)	13,201
Net cash inflow (outflow) from operating activities		6,652	(75,920)
Returns on investments and servicing of finance			
Interest income	9	6,151	10,600
Interest expense	10	(8,537)	(3,637)
		(2,386)	6,963
Tax received (paid)		2,338	(1,572)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10,125)	(8,880)
Acquisitions and disposals			
Sales proceeds (purchase) of investments held as available-for-sale	16	284	(499)
Sales proceeds (purchase) of subsidiary undertakings	15	-	(1,851)
		284	(2,350)
Net cash outflow before financing		(3,237)	(81,759)
Financing			
Loans (repaid) received - other		(100,000)	62,000
Preference shares issued	26	48,000	34,892
		(52,000)	96,892
(Decrease) increase in cash at bank and in hand in the year		(55,237)	15,133

The reconciliation of net debt is detailed in Note 27 to the Financial Statements

The accompanying notes on pages 13 to 40 are an integral part of these Financial Statements

Notes to the Financial Statements

1 ORGANISATION

City Index Limited (the "Company" or "CIL") is a private limited liability company incorporated under number 1761813 on 17 October 1983 under the United Kingdom's Companies Act

The principal activity of the Company during the year continued to be the provision of market-making and spread-trading services in a variety of financial products and markets. The Company currently operates in the United Kingdom and Poland, with its offices located in London and Warsaw

The immediate parent company is City Index (Holdings) Limited ("CIHL"), a company incorporated in the United Kingdom. The principal intermediate parent company is City Index Group Limited ("CIGL"), a company incorporated in the United Kingdom and which is the top company of the operating sub-group that the Directors consider the Company to be part of. This sub-group is generally referred to as the City Index Group. The ultimate parent company and controlling party is IPGL Limited ("IPGL"), which is the largest group that prepares financial statements into which the Company is consolidated. The smallest group into which the Company is consolidated is CIHL. Copies of the financial statements of IPGL and CIGL are available from the Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ

In September 2008 CIHL purchased the remaining 2.2% equity interest it did not hold in the Company from two (2) Directors of the Company for cash consideration of £4,427,000, which represented an arm's length transaction. On this date the Company became a wholly-owned subsidiary of CIHL

The Financial Statements have been prepared in accordance with the provisions of the Companies Act 1985. The significant accounting policies adopted by the Company are set out in Note 2 to the Financial Statements

The Company is authorised and regulated by the Financial Services Authority ("FSA"). The Company's FSA Register Number is 113942, for details see www.fsa.gov.uk/register

The Financial Statements of City Index Limited for the year ended 31 March 2009 ("the Financial Statements") were authorised for issue by the Board of Directors on 1 February 2010 and the Balance Sheet signed on the board's behalf by Martin Belsham, Simon Bird and Bret Woudstra

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• Basis of preparation

The Financial Statements of the Company are prepared in accordance with the historical cost basis, except for the revaluation of certain financial instruments as described below, and in accordance with applicable United Kingdom accounting standards and with the provisions of the Companies Act 1985. The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to the years presented. The Financial Statements are presented in thousands of British Pounds ("£" or "GBP"), which is the Company's presentation and functional currency

Going concern The Company'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 contained within the Directors' Report and the Financial Statements. In addition the Directors' Report includes the Company's financial risk management objectives

The current economic conditions have created uncertainty in respect of current trading levels and credit risk exposures to customers. During the year, the Company's financial performance was affected by these difficult trading conditions, as well as by the significant specific bad debts which are detailed in Note 7 and Note 8 to the Financial Statements. The resulting losses were offset by capital injected by the shareholders in the form of preference shares. The Company has taken a number of measures to improve trading performance and working capital. These have included the introduction of enhanced market and counterparty risk management procedures, revised terms of business for customers and cost reduction measures. The Company continues to progress these initiatives and, together with stabilising markets, they have resulted in improved post year end levels of trading as well as a significant reduction in bad debt levels

At the balance sheet date the Company's immediate parent company, CIHL, has a bank term loan facility of £23,250,000 that fell due for repayment on 28 November 2008 and is secured over the Company's shares. Principal and interest payments on the term loan have continued to be made by CIHL in accordance with the original loan terms and the loan has not been recalled by the lenders. At the date of this report the bank term loan amount outstanding was £16,500,000. The loan is repayable on demand and is guaranteed by IPGL, the Company's ultimate parent company. CIHL, in conjunction with IPGL, remains in negotiation with the lending banks to renew the facility on revised terms

City Index Limited
Report and Financial Statements 2009

IPGL has provided a commitment to CIGL, and therefore the Company, to provide additional working capital up to a maximum of £35,000,000 (increased from £10,000,000), if required, for a period of fifteen (15) months from the date of this report. The Directors believe this provides additional committed funds if trading were to deteriorate significantly, although the Company's current projections do not anticipate utilising this support.

The Directors have made enquiries of IPGL and believe it has sufficient resources to enable it to meet its obligations to the CIGL Group and to the Company.

IPGL, the Company's ultimate parent company, is located in the European Economic Area and therefore FSA applies consolidated capital adequacy supervision requirements at this level. The Directors of both the Company and IPGL, an unregulated entity, have raised concerns with the FSA regarding the application and interpretation of the rules as they relate to IPGL, whose business is acting as an investment holding company, and in particular the punitive treatment that certain assets that it holds which the Directors regard as both liquid and tradable at values significantly in excess of their historic cost and recorded book values, but which are treated as deductions from regulatory assets. The Directors have been in discussions with the FSA for a number of months on this matter and have presented proposals on the treatment of these assets which they consider more appropriately reflect the economic substance of IPGL's business and the value of its assets. Over this period the FSA has not required additional capital to be provided by shareholders of either IPGL or the Company. Also, it should be noted that the Company has maintained capital in excess of its solo regulatory capital requirements. The Directors of the Company and of IPGL remain in constructive discussions with the FSA on this matter and believe it will be resolved satisfactorily in due course. In addition to considering different treatments for consolidated capital calculations, these discussions include alternative actions such as a possible restructuring whereby certain businesses of the IPGL Group giving rise to the consolidated regulatory capital deficit would be moved outside of the European Economic Area. The Directors of the Company and IPGL are satisfied that the FSA will permit them sufficient time to implement whichever solution is agreed.

Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. Therefore after making due enquiries, including taking into consideration current market conditions, the IPGL guarantee of the outstanding bank facility, provision by IPGL of further working capital (which the projections do not currently anticipate utilising) and IPGL's financial position and the regulatory capital position, the Directors believe they have a reasonable basis to conclude that the Company has 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.

• **Consolidated financial statements**

Under the provisions of Section 228 of the Companies Act 1985, the Company does not prepare consolidated financial statements as it is a wholly owned subsidiary of City Index (Holdings) Limited, which does prepare consolidated financial statements.

• **Restatement of comparatives**

Certain reclassifications have been made to the prior year's Financial Statements to enhance comparability with current year Financial Statements. As a result, certain line items have been amended on the Balance Sheet and the related notes to the Financial Statements. There have been no changes to the reported results for the previous year. The only significant change that affects reported equity is the restatement of preference shares from debt to equity, which had the following impact on prior year comparatives:

<i>(in thousands of £)</i>	2008 year reported in current year as	Previously reported 2008 year as	Difference
Non-current liabilities	9,400	67,400	(58,000)
Net assets and total equity	64,585	6,585	58,000

After taking legal advice following the issue of further preference shares with similar terms during the current year (see Note 26 to the Financial Statements) it was determined that all of the Company's issued preference shares have the characteristics of equity rather than debt and therefore they have been reclassified accordingly, with the prior year balance restated. The principal reason for the equity classification is that the terms of the preference shares include no contractual obligation for the Company to repay the holder (either in cash or another financial asset) and specifically, the Company has the sole discretion to determine whether a dividend is paid.

- **Application of significant accounting policies, critical accounting judgements and key sources of estimation uncertainty**

Preparation of Financial Statements in conformity with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") requires the use of certain critical accounting estimates. It also requires the Company's Management to exercise its judgement in the process of applying the Company's accounting policies.

The Company's accounting policies described herein are integral to understanding its results of operations and financial condition. The preparation of the Financial Statements requires the Company's Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense for the reporting periods. Use of available information and application of judgement are inherent in the formation of estimates. The Company's Management bases its estimates and judgements on information available, historical experience and on various other factors that are believed to be reasonable under the circumstances. The Company's Management evaluates its estimates and judgements on an ongoing basis, including those related to provisions, investments, income taxes, contingencies and litigation. Actual results in the future could differ from such estimates, and the differences may be material to the Financial Statements. The most significant Management estimates and assumptions are:

- **Allowance for impairment of trade receivables**

The Company regularly reviews its trade receivables to assess impairment and uses estimates based on historical loss experience for similar assets with similar credit risk characteristics. The Company 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.

- **Intangible assets**

Intangible assets, including goodwill, are carried at historical cost less accumulated amortisation and accumulated impairment. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company uses its judgement to assess impairment and to the extent these assumptions change this could affect reported values. Details of the goodwill are contained in Note 13 of the Financial Statements.

Key sources of estimation uncertainty There are no other assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Cash balances**

Cash consists of cash on hand and deposits repayable on demand from financial institutions that are free from contractual encumbrances. For the purposes of the preparation of the cash flow statement, net cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts. These balances exclude client monies held by the Company (see client monies accounting policy).

Client monies not subject to the client money rules are held in non-segregated bank accounts and are included on the Balance Sheet where they are disclosed as either cash or receivables, depending on their nature, with a corresponding creditor. The return received on managing client balances is included within interest received.

- **Client monies**

The Company holds money on behalf of clients in accordance with the client money rules of its regulators, where required. Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the Balance Sheet because the Company is not beneficially entitled to them.

• **Dividends**

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared and approved by shareholders before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the Financial Statements are authorised for issue.

• **Equity share capital**

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of external costs directly attributable to the issue. Ordinary shares and preference shares, where they share the characteristics of equity, are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

• **Exceptional items**

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

• **Financial assets and liabilities**

Financial assets and liabilities are recognised on trade date. Financial assets and liabilities in the scope of Financial Reporting Standard 26 - Financial Instruments: Recognition and Measurement ("FRS 26") are classified into one of the following four (4) categories, as appropriate:

- financial assets or liabilities at fair value through profit or loss,
- financial assets or liabilities available-for-sale,
- loans and receivables, or
- financial assets or liabilities held-to-maturity

Financial assets and liabilities are initially measured at fair value including transaction costs, except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. The Company determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at each financial year end, where applicable.

• **Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities comprising open spread bets, contracts for difference and options are classified as derivative financial instruments in accordance with Financial Reporting Standard 25 - Financial Instruments: Disclosure and Presentation ("FRS 25"). Financial assets and liabilities at fair value 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 Company manages together and has a recent actual pattern of short-term-profit-taking, or
- a derivative that is not designated and effective as a hedging instrument.

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 Profit and Loss Account.

Balances arising from the above are disclosed as either trade receivables or trade payables. Trade receivables or trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to or from the Company. A provision for impairment is established where there is objective evidence of non-collectability.

- **Financial assets available-for-sale**

Financial assets available-for-sale are those non-derivative financial assets that are classified as available-for-sale or are not classified as being in any of the other categories and are initially recognised at cost (which includes directly attributable transaction costs). After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Profit and Loss Account. Interest is calculated using the effective interest method and recognised in the Profit and Loss Account. Dividends on available-for-sale equity instruments are recognised as profit when the Company's right to receive payment is established.

- **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, including preference share borrowings, 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 method and recognised in the Profit and Loss Account.

- **Financial Liabilities**

Except for derivatives and held-for-trading liabilities, which are classified as at fair value through profit and loss on initial recognition, all other financial liabilities are carried at amortised cost using the effective interest rate method.

- **Fair value of financial assets and liabilities**

Financial assets and liabilities purchased or sold are recorded on a trade date basis and include

- spread trading on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates, exchange traded futures and options, and
- fixed odds on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial instruments

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. Valuation pricing 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 Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks and counterparty credit risk. The Company'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 Balance Sheet.

The carrying amounts of cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments.

- **De-recognition of financial assets and liabilities**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire

- **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Profit and Loss Account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the Profit and Loss Account to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

- **Financial instruments disclosure**

Financial Reporting Standard 29 - Financial Instruments Disclosure ("FRS 29") requires 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 Company's objectives, policies and processes for managing capital.

The Company has taken advantage of the exemption permitted under FRS 29 and not disclosed the required information as it is a wholly owned subsidiary of City Index (Holdings) Limited which prepares consolidated financial statements which provides the required information on a group basis.

For amortised interest relating to financial assets and liabilities the Company uses the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees or points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period.

- **Foreign currency translation**

The Financial Statements are presented in thousands of GBP, which is the Company's presentation currency. The Company discloses the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with FRS 29. Foreign currency transactions are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the Profit and Loss Account. Unrealised exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their fair value. For a non-monetary financial asset classified as held for trading, unrealised exchange differences are recognised in the Profit and Loss Account. For non-monetary financial assets, which are classified as available-for-sale, unrealised exchange differences are recorded directly in equity until the asset is sold or becomes impaired.

- **Impairment of assets**

At least annually, or when annual impairment testing is required, the Directors consider the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of realisable value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately as an expense.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

- **Intangible assets**

Intangible assets are carried at historical cost less accumulated amortisation and accumulated impairment. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the income statement in the period of derecognition. Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Goodwill ten (10) years

- Investments in subsidiaries

In the Company Balance Sheet investments in subsidiaries are stated at cost less provision for impairment. For investments in subsidiaries acquired through the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued, with any premium being ignored.

- **Offsetting and netting**

Financial assets and financial liabilities are only offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to set off the recognised amounts and where the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

- **Operating leases**

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the period of the lease term and are included in operating expenses, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern over which economic benefits from the leased asset are consumed.

- **Other payables**

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant

- **Other receivables**

Other receivables 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 and loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, as well as through the amortisation process. A provision for impairment is established where there is objective evidence of non-collectability.

- **Provisions and contingencies**

Provisions are recognised when the Company has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed, unless the possibility of any future cash outflows is considered to be remote. A contingent asset is not recognised in the Balance Sheet but is disclosed when an inflow of economic benefits is probable.

- **Receivables from and payables to brokers and dealers**

Amounts receivable from and payable to brokers and dealers represent cash in margin accounts with brokers and dealers, and payments receivable and payable on unsettled securities transactions.

- **Related party transactions**

The Company's Financial Statements include transactions and arrangements between related parties. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to its substance and not merely the legal form. During the year the Company entered into transactions, in the ordinary course of business, with related parties. A summary of such related party transactions is detailed in Note 29 to the Financial Statements.

- **Revenue**

Revenue is recognised when it is probable that economic benefits associated with the transaction will accrue to the Company and can be reliably measured. Revenue is recognised on the following basis:

- **Net trading income**

Net trading income includes gains and losses on the operation of the spread trading markets and trading in financial markets and foreign exchange gains or losses on positions, net of commissions expensed. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue together with gains and losses realised on positions that have closed. Costs directly attributable to trading activities are deducted from net trading income, and include government duties and taxes. Dividends receivable relating to trading activities are recognised when the right to receive the payment is established.

• **Interest and finance costs**

Interest is recognised in the Profit and Loss Account on a time basis by reference to the contractual amount outstanding and is charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs are included in the determination of the effective interest rates. Interest receivable and interest payable to the extent it relates to a client and financing activity is disclosed net as part of net financing income or expense. All other interest is shown separately as interest income or interest expense.

• **Net fee and commission income**

Net fee and commission income from clients are recognised over the service period. Costs directly attributable to fee and commission income are deducted against net fee and commission income, and include broker's commissions and clearing fees.

• **Share-based payments**

The Company has applied the provisions of Financial Reporting Standard 20 – Share-based Payments ("FRS 20"). In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. CIGL, the intermediate parent company, issues equity settled share-based payments to certain employees of its subsidiaries, including the Company's employees. The direct attributable expense related to the employees of the Company is then charged to the Company rather than CIGL.

Equity settled share-based payments are measured at fair value (excluding the effect of any non-market based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity settled share-based payments is expensed on a straight line basis over the vesting period, based on CIGL's estimate of shares that will eventually vest and adjusted for the effect of any non-market based vesting conditions. Fair value is measured by use of a Black-Scholes pricing model. Any unamortised expense is charged to the Profit and Loss Account if awards are cancelled or vest early.

• **Tangible fixed assets**

Tangible fixed assets are stated at historical cost, net of accumulated depreciation and any accumulated impairment. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on de-recognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the Profit and Loss Account in the period of de-recognition. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

• Furniture, office and other equipment	five (5) years
• Computer and telecommunications equipment	three (3) years
• Website and software development costs	three (3) years
• Leasehold improvements	period to first break

Website 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. Software development expenditure incurred on the development of the Company's trading, settlement and risk management systems is capitalised. All other software expenditure is charged to the Profit and Loss Account in the period in which it is incurred.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses.

• **Taxation**

• **Corporation taxes**

Corporation taxes have been provided for in the Financial Statements in accordance with the tax legislation enacted or substantively enacted by the balance sheet date in the jurisdictions in which the Company operates. Taxable profit differs from profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or tax deductible. The corporation tax charge comprises current and deferred taxes and is recognised in the Profit and Loss Account. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Current tax is charged or credited to the Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case the current tax is dealt with in equity.

• **Deferred taxes**

Deferred tax is generally accounted for on all timing differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited to the Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity.

Taxes, such as non-recoverable value added taxes and betting duties are recorded with in operating expenses.

3 NET TRADING INCOME

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Equities	26,354	38,037
Foreign exchange	7,724	9,849
Total net trading income	34,078	47,886
of which from CIGL group companies	139	279
of which to IPGL group companies	(367)	(43)

4 NET FEE AND COMMISSION INCOME

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Net commission income	2,431	9,758
Fee income	956	973
Total net fee and commission income	3,387	10,731
of which (to) from CIGL group companies	(4,763)	10
of which from IPGL group companies	136	292

City Index Limited
Report and Financial Statements 2009

5 NET FINANCE INCOME (EXPENSE)

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Interest income		
Interest received from clients	11,653	57,432
Interest received from brokers	5,971	8,748
	17,624	66,180
Interest received from CIGL group companies	147	-
Interest received from IPGL group companies	3,634	-
Total interest income	21,405	66,180
Interest expense		
Interest paid to clients	2,608	4,607
Interest paid to brokers	15,659	65,040
	18,267	69,647
Interest paid to CIGL group companies	7	-
Interest paid to IPGL group companies	435	74
Total interest expense	18,709	69,721
Net interest income (expense)	2,696	(3,541)

6 DEPRECIATION AND AMORTISATION

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Depreciation of tangible fixed assets	5,515	3,549
Amortisation of goodwill	2,091	2,091
Total depreciation and amortisation	7,606	5,640

7 EXCEPTIONAL ITEMS

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Impairment of receivables, net of recoveries (exceptional)	7,985	34,223
Business transformation restructuring costs	1,679	-
Property related restructuring costs	2,558	-
Total exceptional items	12,222	34,223

Impairment of receivables (exceptional) In July 2008 the Company incurred a significant net credit loss on a group of connected client exposures which, in the opinion of the Directors, was exceptional by its nature and size. The group of clients failed to meet their margin obligation under the relevant contract-for-difference terms and conditions. They eventually confirmed they could not meet these obligations and the positions were closed with a net loss to the Company of £19,133,000. This net loss was previously estimated at the time of approval of the 31 March 2008 accounts as being £12,000,000. The Directors currently anticipate further recoveries on this account but at this stage the quantum remains uncertain and no contingent asset has been recognised.

The current year exceptional impairment of receivables charge of £7,985,000 represents the £19,133,000 loss incurred in July 2008, net of the current year recoveries of £11,148,000 in respect of prior year losses detailed below.

During the prior year the Company incurred significant credit losses in respect of one counterparty which, in the opinion of the Directors, was exceptional by its nature and size. This related to a Spanish regulated brokerage firm to which the Company provided white-label services, whose clients failed to meet their margin obligations under the relevant contract-for-difference terms and conditions. The net loss to the Company, including post year end recoveries, was £34,223,000 (€43,498,000).

City Index Limited
Report and Financial Statements 2009

The Company has received promissory notes from the brokerage firm for an amount of £12,467,000 (£15,000,000) under the terms of settlement, of which £1,319,000 (£2,000,000) was received up to 3 September 2008 and was taken into account in determining the impairment charge for the 2008 year. The net loss to the Company in the 2008 year, net of post year end recoveries which were treated as adjusting post balance sheet events under UK GAAP, was £34,223,000 (£43,498,000). During the current year the Company received a further £11,148,000 (£13,000,000) in recoveries under promissory notes held in connection with a settlement agreement with the clients promissory notes receivable under the terms of settlement agreement which have not been recognised as an asset in the Financial Statements.

Other exceptional costs: During the current year the Directors initiated a business transformation project to restructure and refocus the business. This identified costs to be treated as exceptional operating items due to their size and non-recurring nature. These primarily relate to redundancy costs (£1,679,000), onerous lease commitments on non-utilised property (£822,000) and the write-off of redundant information technology assets (£1,736,000).

8 OPERATING LOSS

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Operating loss is stated after charging		
Amortisation of goodwill	2,091	2,091
Auditors' remuneration		
Audit fees payable to auditors for the audit of		
Company's annual accounts	914	703
Non-audit fees		
Tax services	7	47
Charitable donations	14	43
Depreciation of tangible fixed assets	5,515	3,549
Employee share-based payments (Note 25)	-	569
Impairment of receivables, net of recoveries (non exceptional)	12,819	13,851
Operating lease rentals - other	-	23
Operating lease rentals - land and buildings	2,174	1,101
Provision against investment in subsidiary company (Note 15)	5,327	-
Provision against loss on disposal of subsidiary companies (Note 15)	-	1,142
Tangible fixed assets written off (non exceptional)	-	364

Impairment of receivables (non exceptional items). During the year ended 31 March 2009, in addition to the credit losses the Directors considered exceptional and which are described in Note 7 to the Financial Statements above, the Company also incurred other credit losses amounting to £12,819,000 of which the four (4) largest were £3,679,000 in aggregate represented 29% of the non-exceptional total of impairment losses (2008 £13,851,000, of which £12,702,000 related to significant credit losses on five (5) clients, representing 92% of the total). The Directors consider that collectively these losses, whilst incurred in the normal course of business, are significant by virtue of their size and impact on reported results and continue to pursue recoveries on these accounts, although at this stage the quantum of any recoveries of any recoveries remains uncertain.

The following table provides additional detail on the impairment charges to the profit and loss account by accounting period.

City Index Limited
Report and Financial Statements 2009

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Impairment of receivables, net of recoveries (non-exceptional)	12,819	13,851
Impairment of receivables, net of recoveries (exceptional)	7,985	34,223
	20,804	48,074

Analysis by reporting period	Impairment provisions *	Recoveries *	Total Impairment
March 2008	49,687	(1,613)	48,074
Recoveries relating to March 2008	-	(14,363)	(14,363)
June 2008	4,980	-	4,980
September 2008	24,951	(291)	24,660
December 2008	5,356	-	5,356
March 2009	171	-	171
	35,458	(14,654)	20,804
Total	85,145	(16,267)	68,878

* For the purpose of this table the impairment charge and recoveries have been included in the period in which the initial client default occurred

The impairment losses in the two quarters ending 30 September 2009 amounted to £29,640,000

9 INTEREST INCOME

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Interest received from bank accounts	5,626	10,600
Interest received from IPGL group companies	525	-
Total interest income	6,151	10,600

10 INTEREST EXPENSE

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Interest paid on bank loans	6,727	3,110
Interest paid to others	117	-
	6,844	3,110
Interest paid to CIGL group companies	1,317	-
Interest paid to IPGL group companies	376	527
Total interest expense	8,537	3,637

Included in interest paid to banks is interest paid of £2,700,000 (2008 £3,090,000) and refinancing fees of £1,918,000 (2008 £1,142,000) in connection with the Company's revolving bank loan facility (see Note 22 to the Financial Statements) used to finance client trading and associated hedging activities. This facility was repaid on 22 October 2008 and is no longer utilised.

11 DIRECTORS AND EMPLOYEES INFORMATION

	For the year ended 31 March	
	2009	2008
Directors and employees		
The average number of employees (including Directors) during the year was as follows	No.	No
Management and administration	166	169
Information and technology	110	68
Dealing	32	68
	308	305
<i>(in thousands of £)</i>		
Staff costs during the year amounted to:		
Wages and salaries	14,635	16,083
Social security costs	2,183	1,499
Company contributions to money purchase pension schemes	43	402
Employee share based payments (see Note 25)	-	569
	16,861	18,553
Total aggregate emoluments of all Directors		
Emoluments	2,202	2,579
Compensation for loss of office	287	427
	2,489	3,006
Company contributions to money purchase pension plans	22	271
	2,511	3,277
Aggregate emoluments in respect of highest paid Director		
Emoluments	224	745
Compensation for loss of office	137	-
	361	745
Company contributions to money purchase pension plans	8	225
	369	970

The Company 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 Company. The Company also provides employees with health insurance and other benefits. Amounts payable under the compensation policy at reporting dates have been accrued in full in the Company's Balance Sheet and recorded as part of Administrative Expenses in the Company's Profit and Loss Account.

Directors' and employees' emoluments have been calculated as the sum of cash, bonuses and benefits in kind. Other than as disclosed above there are no termination, post-employment or other long-term benefits accruing to Directors. Details of share-based payments are disclosed in Note 25 to the Financial Statements.

Pension arrangements: The Company's makes both required social contributions in accordance with local legislation on behalf of its employees and individual personal pension contributions on a limited basis. These contributions are expensed as incurred and the Company has no legal or constructive obligation to make any further payment in respect of such statutory social and pension contributions. The Company makes pension contributions to money purchase schemes in respect of one (1) Director (2008 three (3) Directors).

City Index Limited
Report and Financial Statements 2009

12 TAX CHARGE (CREDIT) ON LOSS BEFORE TAX

(in thousands of £)

For the year ended 31 March
2009 2008

Current tax charge (credit)

Corporation tax credit on taxable loss for the year
Prior year group relief

-	(2,338)
3,051	-
3,051	(2,338)

Deferred tax charge (credit)

Deferred tax - origination and reversal of timing differences

4,960	(4,960)
--------------	----------------

Total tax charge (credit) on loss on ordinary activities

8,011	(7,298)
--------------	----------------

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

Loss on ordinary activities before tax

(46,602)	(35,065)
-----------------	-----------------

Tax on loss on ordinary activities at standard rate 28% (2008. 30%)

(13,049)	(10,519)
-----------------	-----------------

Factors affecting tax charge for the period

Depreciation for period in excess of capital allowances
Share-based payments not deductible for tax purposes
Expenses not deductible for tax purposes
Amortisation of goodwill
Utilisation of tax losses
Other timing differences
Deferred tax losses not recognised
Prior year corporation tax

425	1,237
-	171
2,531	757
585	517
-	4,960
-	539
9,508	-
3,051	-

Total actual amount of current tax

3,051	(2,338)
--------------	----------------

Current tax

Balance at 1 April
Current year tax credit
Tax (received) paid
Prior year group relief

5,064	(5,347)
-	2,338
(2,338)	1,572
(2,726)	6,501

Total net current tax receivable at 31 March

-	5,064
----------	--------------

Deferred tax asset

Deferred tax movements during the year were as follows

Balance at 1 April
(Reversal) origination of timing differences
Other timing differences

4,960	-
(4,960)	4,638
-	322

Total net deferred tax asset at 31 March

-	4,960
----------	--------------

Represented by

Tax losses available
Other timing differences

-	4,638
-	322
-	4,960

Tax losses carried forward in respect of the year ended 31 March 2009 are currently expected to be recovered in the foreseeable future based on current profit projections

-	16,564
----------	---------------

City Index Limited
Report and Financial Statements 2009

<i>(in thousands of £)</i>	For the year ended 31 March	
	2009	2008
Deferred tax asset not recognised - timing differences relating to capital allowances, losses and other timing differences that will only be recovered if there is sufficient future taxable net income		
Balance at 1 April	1,812	920
Current Year	33,958	892
Reversal of prior year recognised tax losses	31,974	-
Total deferred tax asset not recognised at 31 March	67,744	1,812
 Potential tax effect of deferred tax asset not recognised at current tax rate of 28% (2008: 30%)		
	18,968	544

13 INTANGIBLE ASSETS

<i>(in thousands of £)</i>	For the year ended 31 March 2009	For the year ended 31 March 2008
	Goodwill	Goodwill
Cost		
Balance at 31 March	20,908	20,908
Accumulated amortisation		
Balance at 1 April	2,091	-
Amortisation charge for year	2,091	2,091
Balance at 31 March	4,182	2,091
Net book value at 31 March	16,726	18,817

The net book value of goodwill relates to the acquisition on 31 March 2007 of the business, the assets and the liabilities of the United Kingdom based business of IFX Markets Limited, which continues to be operated separately under the "Finspreads" brand. The fair value to the Company of the net assets acquired was calculated to be £34,092,000. The consideration given was £55,000,000 and was financed by the issue of 55,000,000 £1 preference shares (see Note 26 to the Financial Statements). This resulted in goodwill of £20,908,000, which is being amortised over 10 years.

Goodwill arising on acquisitions is capitalised and written off on a straight line basis over its estimated useful economic life, which is ten (10) years. 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.

At the balance sheet date the Directors considered whether any indicators of impairment existed in respect of the Finspreads income generating unit. Finspreads has experienced profitable trading with its separate customer base of smaller retail clients and the credit and trading losses incurred elsewhere by the Company are unrelated to this business. Therefore, it was concluded that no indicators of impairment were present.

City Index Limited
Report and Financial Statements 2009

14 TANGIBLE FIXED ASSETS

(in thousands of £)

For the year ended 31 March 2009

	Leasehold improve- ments	Office equipment, fixtures and fittings	Computer and other equipment	Website and software develop- ment	Total
Cost					
Balance at 1 April 2008	1,978	3,034	6,778	7,435	19,225
Additions	4,564	991	2,855	1,715	10,125
Disposals or write-offs	(2,169)	(358)	(4,416)	(2,303)	(9,246)
Balance at 31 March 2009	4,373	3,667	5,217	6,847	20,104
Accumulated depreciation					
Balance at 1 April 2008	895	1,346	2,955	2,165	7,361
Depreciation charge for year	410	136	2,506	2,463	5,515
Disposals or write-offs	(1,235)	(307)	(3,733)	(1,962)	(7,237)
Balance at 31 March 2009	70	1,175	1,728	2,666	5,639
Net book value at 31 March 2009	4,303	2,492	3,489	4,181	14,465

(in thousands of £)

For the year ended 31 March 2008

	Leasehold improve- ments	Office equipment, fixtures and fittings	Computer and other equipment	Website and software develop- ment	Total
Cost					
Balance at 1 April 2007	1,577	1,401	8,165	3,796	14,939
Additions	401	1,642	2,468	4,289	8,800
Disposals or write-offs	-	(9)	(3,855)	(650)	(4,514)
Balance at 31 March 2008	1,978	3,034	6,778	7,435	19,225
Accumulated depreciation					
Balance at 1 April 2007	449	935	5,664	1,254	8,302
Depreciation charge for year	446	420	1,146	1,537	3,549
Disposals or write-offs	-	(9)	(3,855)	(626)	(4,490)
Balance at 31 March 2008	895	1,346	2,955	2,165	7,361
Net book value at 31 March 2008	1,083	1,688	3,823	5,270	11,864

15 INVESTMENT IN SUBSIDIARY COMPANIES

(in thousands of £)

	City Index Asia Pte Limited	City Index Advisory Limited	IFX Markets Inc	Total
Balance at 31 March 2007	3,826	702	25,490	30,018
Increase in investments	1,501	350	-	1,851
Provision for loss on disposal of subsidiaries	-	(652)	(490)	(1,142)
In specie dividend (see Note 25)	-	-	(25,000)	(25,000)
Balance at 31 March 2008	5,327	400	-	5,727
Provision against investment in subsidiary company	(5,327)	-	-	(5,327)
Disposal	-	(400)	-	(400)
Balance at 31 March 2009	-	-	-	-

City Index Limited
Report and Financial Statements 2009

The subsidiaries of the Company are shown below

Company		Domicile	Holding	Voting rights	Principal Business
City Index Asia Pte Limited	1	Singapore	Ordinary shares	100%	Financial trading and spread betting
City Index Markets Limited		England & Wales	Ordinary shares	100%	Dormant
City Index Racing Limited		England & Wales	Ordinary shares	100%	Dormant
CI Markets Limited		England & Wales	Ordinary shares	100%	Dormant
Sportsline Limited		England & Wales	Ordinary shares	100%	Dormant

1 Regulated in Singapore by the Monetary Authority of Singapore ("MAS")

Employee Benefit Trusts

The Company has two Employee Trusts which have not been utilised to date

At the balance sheet date the Directors concluded that it was appropriate to make full provision against the carrying value of its investment in City Index Asia Pte Limited on the basis of its current trading performance

On 5 February 2008 the Directors declared an in specie dividend of £25,000,000 by the distribution of all of its shares in its wholly owned subsidiary, IFX Markets Inc, to its parent company, City Index (Holdings) Limited ("CIHL") as part of a group reorganisation. As part of the reorganisation there was an intra-group loss on disposal of £490,000

On 1 April 2008 the Company divested its wholly owned subsidiary, City Index Advisory Limited to that entity's management for £400,000 as it was not deemed to be a core activity. A provision of £652,000 was made during the year ended 31 March 2008 in respect of this disposal

Under the provisions of Section 228 of the Companies Act 1985, the Company does not prepare consolidated financial statements as it is a 100% (2008 97.8%) owned subsidiary of City Index (Holdings) Limited which does prepare consolidated financial statements

16 FINANCIAL ASSETS AVAILABLE-FOR-SALE

(in thousands of £)

	As at 31 March	
	2009	2008
Total financial assets available-for sale	305	499
Represented by		
Balance at 1 April	499	-
Additions during the year	-	499
Disposals during the year	(284)	-
Revaluations during the year	90	-
Balance at 31 March	305	499

The highest, lowest and average exposure in relation to the financial assets available for sale were £521,000, £146,000, £229,000 respectively (2008 £533,000, £Nil, £475,000). Subsequent to the balance sheet date the asset was sold for £514,000

17 TRADE RECEIVABLES

(in thousands of £)

	As at 31 March	
	2009	2008
Brokers and dealers	50,076	157,128
Clients	12,557	13,947
Total trade receivables	62,633	171,075

Included in client trade receivables are balances with related parties entered into in the ordinary course of business as follows

of which from IPGL group companies	289	-
------------------------------------	-----	---

City Index Limited
Report and Financial Statements 2009

Trade receivables represent balances due from brokers and dealers and clients as a result of unsettled derivative transactions or funds advanced by the Company for clients' derivative transactions (after provision for impairments or amounts written off). Trade receivables are presented by netting brokers and dealers and client balances by counterparty where the Company is legally entitled to and intends to settle on a net basis. Balances are within limits established by the Company's Risk and Credit Management Department and approved by the Company's Risk and Credit Committees. The trade receivables represent the Company's exposure to credit risk in relation to financial assets. Interest receivable on these balances is disclosed in Note 5 to the Financial Statements.

At the balance sheet date the Company had the following credit risk exposures in relation to trading exposures:

<i>(in thousands of £)</i>	As at 31 March	
	2009	2008
Brokers and dealers	50,076	157,128
Clients	12,557	13,947
	62,633	171,075

Amount of broker and dealer trade receivables where the Company's net contractual receivable is greater than the margin or other collateral deposited by the Company with the counterparty ("excess margin")

A	1,125	2,979
A+	10,307	365
A-1	-	65,611
A-2	-	74
AA-	22,737	87,872
BBB	34	227
Non-rated	15,873	-
	50,076	157,128

Amount of client trade receivables where client's net contractual payable to the Company is greater than the margin or other collateral received by the Company ("margin deficiency") net of any credit provisions made against the margin deficiency. All non-rated

12,557	13,947
---------------	---------------

<i>(in thousands of £)</i>	As at 31 March	
	2009	2008
Amount of credit extended to clients	4,160	13,347
Amount of unutilised credit extended to clients	11,354	121,054

The amount of credit extended to clients as at the date of the approval of the Financial Statements was as follows:

	22-Jan-2010
Amount of credit extended to clients	133
Amount of unutilised credit extended to clients	608

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 client's margin requirement and trading resource. Waived Margin is a fixed amount allocated to an account utilised calculation of the initial margin required. In effect initial margin is reduced and the client is only required to fund losses on an account.

City Index Limited
Report and Financial Statements 2009

18 PREPAYMENTS AND OTHER RECEIVABLES

(in thousands of £)

	As at 31 March	
	2009	2008
Prepayments	1,565	1,920
Other debtors and accrued income	2,043	636
Corporation tax recoverable	-	5,064
	3,608	7,620
Amounts due from ultimate parent company, IPGL	650	-
Amounts due from other CIGL group companies	44,068	24,374
Amounts due from CIL subsidiary companies	-	563
Total prepayments and other receivables	48,326	32,557

Amounts due from the ultimate parent company and other CIGL group companies: The amounts due from group companies are unsecured, interest free and are repayable on demand

19 CASH AT BANK AND IN HAND

(in thousands of £)

	As at 31 March	
	2009	2008
Cash at bank and in hand	12,322	71,186
Bank deposits	3,850	223
Monies held on behalf of non-segregated clients	-	-
Total cash at bank and in hand	16,172	71,409

Represented by

OECD banks and regulated financial institutions	16,149	71,388
Non OECD banks and regulated financial institutions	23	21
	16,172	71,409

Ratings as follows

AA	-	115
AA-	-	7,005
A+	6,534	16,431
A	48	47,837
A-	9,562	-
BBB	5	-
Non-rated	23	21
	16,172	71,409

This category consists of cash on hand and deposits repayable on demand from financial institutions and are free from contractual encumbrances. This accounts with financial institutions earn interest at floating rates based on daily bank rates. The fair value of cash at bank and in hand is not materially different from the book value. The balances above exclude client monies held by the Company (see client monies accounting policy), which are set out below.

Client money - segregated not recognised in Financial Statements (see Note 2 accounting policy)

111,355	192,427
----------------	----------------

City Index Limited
Report and Financial Statements 2009

20 TRADE PAYABLES

(in thousands of £)

	As at 31 March	
	2009	2008
Brokers and dealers	20,330	13,289
Clients	55,184	106,309
Total trade payables	75,514	119,598

Included in client trade payables are balances with related parties entered into in the ordinary course of business as follows

of which from CIGL group companies	-	510
of which from IPGL group companies	-	10,511

Payables represent balances due to brokers and dealers and clients as a result of unsettled derivative transactions or funds received by the Company for clients' derivative transactions. Trade payables are presented by netting brokers and dealers and client balances by counterparty where the Company is legally entitled to and intends to settle on a net basis. Balances are within limits established by the Company's Risk and Credit Management Department and approved by the Company's Risk and Credit Committees. Interest payable on these balances is disclosed in Note 5 to the Financial Statements.

21 OTHER PAYABLES

(in thousands of £)

	As at 31 March	
	2009	2008
Accruals and deferred income	5,606	11,232
Other taxes and social security	565	491
Other creditors	5,523	13,281
	11,694	25,004
Amounts due to ultimate parent company, IPGL	-	210
Amounts due to other IPGL group companies	-	114
Amounts due to other CIGL group companies	10,208	5,997
Amounts due to CIL subsidiary companies	29	-
Total other payables	21,931	31,325

Amounts due to the ultimate parent company and other CIGL group companies. The amounts due to group companies are unsecured, interest free and are repayable on demand.

22 BANK LOANS

(in thousands of £)

	As at 31 March	
	2009	2008
Bank loans	-	92,000

The Company had a revolving loan facility with a maximum drawdown amount of £99,000,000 secured by a fixed and floating charge over the assets of the Company and the CIHL Group on which interest was payable quarterly at 0.9% per annum above LIBOR ("Facility B"). The loan was guaranteed by IPGL, the ultimate parent company. At 31 March 2008 the Company had drawn down £92,000,000 under Facility B. As detailed in Note 7 and Note 8 of the Financial Statements, the Company incurred significant credit losses the effect of which was that certain key bank covenants were breached and Facility B became repayable on demand. The Company renegotiated Facility B with its lending banks on an interim basis with extensions agreed until 21 July 2008, then 12 August 2008 and then 31 October 2008. On 22 October 2008 Facility B was repaid in full and the drawdown facility terminated.

Since 21 April 2008 and up to the date of repayment the interest rates incurred have ranged from 1.50% to 3.50% over LIBOR. Interest payable on Facility B is disclosed in Note 10 to the Financial Statements. Fees and costs associated with the renegotiation and extension of the loan facility amounted to £1,918,000 (2008 £2,282,000).

City Index Limited
Report and Financial Statements 2009

23 LOANS PAYABLE – SUBORDINATED LOANS

(in thousands of £)

	As at 31 March	
	2009	2008
Total loans payables	-	8,000
IPGL, the ultimate parent company, has provided loans to the Company as follows		
19 December 2007 -subordinated loan, repayable by 19 December 2010, interest at LIBOR+ 1 1% per annum Repaid on 30 March 2009 (see Note 26)	-	2,000
17 February 2008 - subordinated loan, repayable by 17 December 2011, interest at LIBOR+ 1 1% per annum Repaid on 30 March 2009 (see Note 26)	-	6,000
	-	8,000

On 30 April 2008 and 22 July 2008, CIHL entered into a £15,000,000 and £25,000,000 subordinated loan facilities with the Company to provide additional long-term financing to the Company. Both facilities were repayable by 31 March 2011 and interest was payable at LIBOR + 2% per annum. Repayment was subject to approval by Company's regulator, the Financial Services Authority. This transaction was entered into following the losses incurred during the year by City Index Limited as detailed in Note 7 and Note 8 to these Financial Statements. Interest payable on these balances is disclosed in Note 10 to the Financial Statements.

On 30 March 2009 all outstanding subordinated debt facilities at that date were capitalised into Preference Shares as part of an overall refinancing of the Company (see Note 26 to the Financial Statements).

24 PROVISIONS FOR LIABILITIES AND CHARGES

(in thousands of £)

	As at 31 March	
	2009	2008
Total provisions for liabilities and charges - onerous lease provision	2,220	1,400
<i>Represented by</i>		
Balance at 1 April	1,400	1,722
Charges (credit) to the Profit and Loss Account - lease provisions	820	(322)
Balance at 31 March	2,220	1,400

The onerous lease provision relates to vacant office space as a consequence of the integration of the operations in London during 2008 and 2009. The provision includes an amount to cover dilapidations of £205,000 (2008: £440,000). The Company had no other provisions for liabilities or charges at the year-end (2008: £Nil).

25 EQUITY SHARE CAPITAL

(in thousands of £)

	As at 31 March	
	2009	2008
Authorised		
233,306,500 ordinary shares of £0.01 each	2,333	2,333
Called up, allotted and fully paid		
8,869,220 ordinary shares of £0.01 each	88	86

On 17 September 2009 the Company converted 225,000 Nil paid shares into 225,000 fully paid ordinary shares of £0.01 for cash of £900,000 to the existing shareholder of the Nil paid shares. The difference between the nominal value of the shares issued and the consideration received was credited to the share premium reserve.

City Index Limited
Report and Financial Statements 2009

Equity shares of the Company are identical, including economic rights and voting rights. The rights, preferences, and restrictions with respect to voting, the distribution of dividends, and the repayment of capital are contained in the Memorandum and Articles of Association. At the balance sheet date, there were no limitations on the distribution of retained earnings to shareholders other than dependent on the Company's loan covenant arrangements. No dividends have been paid during the year (2008 none).

Equity-settled share option scheme CIGL had share option schemes for certain executives and employees of both the Company and CIGL Group. Although the Company has no cash or financial obligations to any party in respect of any options granted by its parent, the services in return for which such options granted include services to the Company and the employment contracts of the option holders are with the Company, consequently a charge in respect of such options has been recognised by the Company. As part of the FX Solutions LLC acquisition (see 2008 Directors' Report) all options were cancelled. The amounts cancelled during the year ended 31 March 2008 resulted in the Company recognising a charge in that year of £569,000 relating to equity-settled share-based payment transactions.

In April 2008 CIGL issued options to certain executives and employees of both the CIGL Group and CIGL Group on the same terms as previously issued. Options were exercisable at a price equal to the Company's Directors' Valuation of its shares on the date of grant. The vesting period is three years. If the options remained unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves before the options vest.

Details of the share options outstanding are as follows:

	As at 31 March 2009		As at 31 March 2008	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	-	-	115,000	16.86
Granted during the year	99,611	34.00	30,977	34.00
Forfeited during the year	(25,000)	34.00	-	-
Cancelled during the year	-	-	(145,977)	-
Outstanding at the end of the year	74,611		-	
<i>Exercisable at the end of the period</i>	<i>74,611</i>		<i>-</i>	
The inputs into the Black-Scholes option-pricing model used to fair value the options granted during the period are as follows:				
Weighted average share price	£24.64		£35.34	
Weighted average exercise price	£34.00		£34.00	
Expected volatility	30%		30%	
Expected life	3 years		4 years	
Risk-free rate	5.00%		5.04%	
Expected dividends	Nil		Nil	
<i>(in thousands of £)</i>				
Charge to Profit and Loss Account for the year	-		569	

In respect of the share options granted during the year no charge has been booked as the Directors' calculations indicated that any such quantum would be immaterial.

City Index Limited
Report and Financial Statements 2009

26 PREFERENCE SHARES

(in thousands of £)

	As at 31 March	
	2009	Restated 2008
Authorised		
150,000,000 (2008 60,333,065) redeemable non-voting preference shares of £1 00 each	<u>150,000</u>	<u>60,333</u>
Issued and fully paid		
106,000,000 (2008 58,000,000) redeemable non-voting preference shares of £1 00 each	<u>106,000</u>	<u>58,000</u>

On 31 March 2007 the Company authorised and issued 58,000,000 £1 redeemable preference shares to CIHL to finance the acquisition of the UK based business of IFX Markets Limited and that entity's investment in the entire share capital of IFX Markets Inc

On 9 February 2009 the Company increased its authorised redeemable non-voting preference share capital from 60,333,065 redeemable non-voting preference shares of £1 each to 150,000,000 redeemable non-voting preference share of £1 each

On 9 February 2009 the Company issued 30,000,000 redeemable non-voting preference shares of £1 to CIHL through the capitalisation of £30,000,000 of subordinated loan financing provided to the Company by CIHL (see Note 23 to the Financial Statements)

On 30 March 2009 the Company issued £18,000,000 redeemable non-voting preference shares of £1 to CIHL as part of an overall refinancing of the Company. The refinancing, in conjunction with CIGL, CIHL and IPGL, consolidated all remaining subordinated debt financing provided by CIHL and IPGL during the year (see Note 23 to the Financial Statements)

The redeemable preference shares carry a non-cumulative preferential cash dividend at the rate of 2% per annum above the average base rate of Barclays Bank PLC applicable in the six months period up to the date of payment of the dividend. The redeemable preference shares carry no voting rights and are redeemable at any time at the option of the Company and with the prior consent of the Financial Services Authority. The preference shares rank in priority to the ordinary shares for repayment in the event of the Company being wound up. There is no obligation on the Company to redeem or declare dividends in respect of the preference shares. No non-cumulative preferential dividends were declared by the Company either in general meeting or by its Directors either during the year or in respect of the previous year.

27 ANALYSIS OF NET FUNDS (DEBT)

(in thousands of £)

	Note	At 1 April 2008	Cash flow	At 31 March 2009
Cash and cash equivalents	19	<u>71,409</u>	<u>(55,237)</u>	<u>16,172</u>
Debt				
Debt due within one (1) year	22	(92,000)	92,000	-
Debt due after one (1) year	23	<u>(8,000)</u>	<u>8,000</u>	<u>-</u>
		<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Financial assets available-for-sale	16	<u>499</u>	<u>(194)</u>	<u>305</u>
Net (debt) funds		<u>(28,092)</u>	<u>44,569</u>	<u>16,477</u>

(in thousands of £)

		At 1 April 2007	Cash flow	At 31 March 2008
Cash and cash equivalents				
Cash in bank and in hand	19	56,365	15,044	71,409
Bank overdraft		<u>(89)</u>	<u>89</u>	<u>-</u>
		<u>56,276</u>	<u>15,133</u>	<u>71,409</u>
Debt				
Debt due within one (1) year	22	(30,000)	(62,000)	(92,000)
Debt due after one (1) year	23	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>
		<u>(38,000)</u>	<u>(62,000)</u>	<u>(100,000)</u>
Financial assets available-for-sale	16	<u>-</u>	<u>499</u>	<u>499</u>
Net funds (debt)		<u>18,276</u>	<u>(46,368)</u>	<u>(28,092)</u>

28 SEGMENT REPORTING

The principal activity of the Company during the year continued to be the provision of market making and spread trading services in a variety of financial products and markets. In reporting to the Company's Management, the Company's operating results are primarily managed as two (2) distinct business streams, that is, equity or foreign exchange based. All activity relates to one geographic area being Europe, the location where clients transact trades with the Company.

The Company allocates income and expenses between the two (2) segments. Due to the integrated nature of the business segments, estimates and judgements have been made in allocating certain income and expense items, internal charges and transfer pricing adjustments are reflected in the performance of each segment. The allocation process is consistent with the manner in which the business of the Company is managed.

The segment information presented is prepared according to the following broad methodologies:

- income and expenses directly associated with each segment are included in determining segment results,
- income and expenses related to transactions involving multiple segments are allocated at internally agreed transfer prices or at transaction values,
- corporate includes items that have not been allocated to individual reporting segments and inter-segment eliminations, and
- assets and liabilities are allocated according to the segment in which they are employed.

The Company's Management believes that the following information by segment provides a reasonable representation of each segment's contribution to the total income and pre-tax profit, and is consistent with information that is used by the Company's Management in its decision-making processes.

(in thousands of £)

Business segment	For the year ended 31 March 2009			
	Equities	Foreign exchange	Corporate	Total
Net trading income	26,827	7,251	-	34,078
Net fee and commission income	2,592	795	-	3,387
Net financing income	2,129	567	-	2,696
Total segment income	31,548	8,613	-	40,161
Administration expenses	48,866	7,740	2,616	59,222
Depreciation and amortisation	4,991	524	2,091	7,606
	53,857	8,264	4,707	66,828
Exceptional items	12,446	-	2,008	12,222
Total segment administrative expenses	66,303	8,264	6,715	79,050
Operating (loss) profit	(34,755)	349	(6,715)	(38,889)
Interest income	4,445	1,182	524	6,151
Interest expense	(5,718)	(1,010)	(1,809)	(8,537)
Provision against investment in subsidiary company	-	-	(5,327)	(5,327)
Segment (loss) profit before tax	(36,028)	521	(13,327)	(46,602)
Tax credit on loss on ordinary activities				(8,011)
Net loss for the year from operations				(54,613)
Percentage of total segment income	79%	21%	-	100%
Percentage of segment result before tax	(77%)	1%	(29%)	(105%)
Segment assets				
Trade receivables	47,293	15,340	-	62,633
Other assets	67,176	7,085	21,733	95,994
Segment liabilities				
Trade payables	(55,951)	(19,563)	-	(75,514)
Other liabilities	(16,550)	(4,371)	(3,230)	(24,151)
	41,968	(1,509)	18,503	58,962

City Index Limited
Report and Financial Statements 2009

(in thousands of £)

For the year ended 31 March 2008

Business segment	Equities	Foreign exchange	Corporate	Total
Net trading income	38,037	9,849	-	47,886
Net fee and commission income (expense)	12,103	(1,372)	-	10,731
Net financing (expense) income	(7,276)	3,735	-	(3,541)
Total segment income	42,864	12,212	-	55,076
Administration expenses	49,058	5,866	1,413	56,337
Depreciation and amortisation	3,004	545	2,091	5,640
	52,062	6,411	3,504	61,977
Exceptional items	34,223	-	-	34,223
Total segment administrative expenses	86,285	6,411	3,504	96,200
Operating (loss) profit	(43,421)	5,801	(3,504)	(41,124)
Interest income	6,692	3,638	270	10,600
Interest expense	(2,626)	(484)	(527)	(3,637)
Provision against loss on disposal of subsidiary companies	-	-	(1,142)	(1,142)
Income from shares in group company - dividend received	-	-	238	238
Segment (loss) profit before tax	(39,355)	8,955	(4,665)	(35,065)
Tax credit on loss on ordinary activities				7,298
Net loss for the year from operations				(27,767)
Percentage of total segment income	78%	22%	-	100%
Percentage of segment result before tax	(113%)	26%	(13%)	(100%)
Segment assets				
Trade receivables	142,163	28,912	-	171,075
Other assets	78,034	-	67,799	145,833
Segment liabilities				
Trade payables	(7,945)	(15,806)	(95,847)	(119,598)
Other liabilities	(132,725)	-	-	(132,725)
	79,527	13,106	(28,048)	64,585

29 RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to its substance not merely the legal form. The Company's immediate parent is disclosed in Note 1 to the Financial Statements.

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at the balance sheet date were as follows:

Transactions with related parties

The income and expense items with related parties for the respective years were as follows:

City Index Limited
Report and Financial Statements 2009

(in thousands of £)

For the year ended 31 March
2009 2008

Transactions with ultimate parent company, IPGL:

Net trading loss	(367)	(43)
Net fee and commission (expense) income	136	292
Net finance income	3,199	(74)
Interest income	525	-
Interest expense	(376)	(1,692)

Transactions with CIGL group companies:

Net trading (loss) income	139	279
Net fee and commission (expense) income	(4,763)	10
Net finance income	140	-
Interest expense	1,317	-

Net group balances - net income (expense) **(50) (1,228)**

Balances with related parties

At the balance sheet dates the outstanding balances with related parties were as follows

(in thousands of £)

As at 31 March

2009 2008

Balances with ultimate parent company, IPGL

Trade receivables	289	-
Prepayments and other receivables	650	-
Trade payables	-	(10,511)
Other payables	-	(210)

Balances with CIGL group companies

Prepayments and other receivables	43,168	24,937
Trade payables	-	(510)
Other payables	(10,237)	(5,997)

Balances with other IPGL group companies

Other payables	-	(114)
----------------	---	-------

Net group balances - net receivable **33,870 7,595**

In addition to the above, as outlined in Note 23 and Note 26 to the Financial Statements, CIHL, IPGL and the Company have entered into certain other transactions details of which are contained in the respective notes

Terms and conditions of transactions with related parties

Expense recharges between related parties are made on an arm's length basis. Outstanding balances with entities are, unless otherwise specified, unsecured and interest free and placed on intercompany accounts and are repayable on demand.

Transactions with directors' and key management

There were no transactions with the Directors other than as disclosed in the Directors' Remuneration summary detailed in Note 11 to the Financial Statements and the purchase by the CIHL of the minority interests shareholdings held by Directors of the Company detailed in Note 11 to the Financial Statements and further disclosed in the financial statements of CIHL.

30 FINANCIAL COMMITMENTS AND CONTINGENCIES

• Operating leases

At 31 March the Company's commitments under non-cancellable operating leases were as follows

(in thousands of £)

	For the year ended 31 March	
	2009	2008
Future annual commitments at balance sheet date in respect of operating leases relating to land and buildings (including estimated service charges) which expire		
Within one year	-	910
Within two to five years inclusive	1,051	2,250
Over five years	1,986	486
	<u>3,037</u>	<u>3,646</u>
Future annual commitments at balance sheet date in respect of other operating leases which expire		
Within one year	-	1
Within two to five years inclusive	40	-
	<u>40</u>	<u>1</u>

• Capital expenditure

The Company is currently in the process of its continuous upgrade of its information technology infrastructure in order to meet increased growth and expected demand in the coming years. The cost of this upgrade is currently not expected to exceed £10,000,000. The amount of committed expenditure is £5,000,000. The Company has no other material committed expenditure as of 31 March 2009 (2008: £Nil).

• Contingent liabilities

The Company is a defendant to several litigation claims, some of which are for material amounts. The Company's Management believe that claims outstanding as at 31 March 2009 and 31 March 2008 are either without merit, can be successfully defended or will not have a material adverse effect on the Company's financial condition, results of operations or liquidity. On the facts known to the Directors, 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.

There has been no governmental, legal or arbitration proceedings, including any which are pending or threatened that the Company is aware of which may have, or have had in the recent past, significant effect on Company's financial position or results of operations or prospects.

The Company has provided a bank with a Singapore Dollar 2,000,000 guarantee on behalf of its wholly owned subsidiary, City Index Asia Pte Limited ("CIAPL"), in connection with a contractual arrangement the Company has with a joint client. The Company will be liable to the extent of the guarantee if CIAPL does not perform its obligations.

31 EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events occurring subsequent to the balance sheet date requiring disclosure in these Financial Statements.