Evolution Securities Limited

Financial Report
For the 15 months ended 31 March 2012

Registered Number: 2316630

DIRECTORS' REPORT
For the 15 months ended 31 March 2012

The directors of Evolution Securities Limited (the "Company") present their report together with the audited Financial Statements for the period ended 31 March 2012

During the period Investec Plc, the "Ultimate Parent Company", made an offer to purchase The Evolution Group Plc, the "Immediate Parent Company" of Evolution Securities Limited The offer was accepted by the shareholders in September 2011 and the purchase of The Evolution Group Plc and its subsidiaries was completed in December 2011

In order to bring the balance sheet date in line with Investec Plc, the Company changed its balance sheet date from 31st December 2011 to 31st March 2012 Therefore the current reporting period is for 15 months from 1st January 2011 to 31st March 2012 The prior year period is therefore not comparable

Principal activities

The Company is a limited company incorporated and domiciled in the United Kingdom The address of its registered office is 9th Floor, 100 Wood Street, London, EC2V 7AN

The Company is authorised and regulated by the Financial Services Authority ("FSA") and is a member of International Capital Markets Association ("ICMA")

Prior to 16th January 2012, the Company was a UK based securities brokerage firm providing the following services corporate finance and advisory services to public and private companies as well as institutional sales, trading and research services in equities, fixed income and debt capital markets

Once Investec Plc completed the purchase of The Evolution Group Plc and its subsidiaries including the Company, all principal activities within the Company were transferred across to Investec Plc and its subsidiaries on 16th January 2012, most notably to Investec Bank Plc ("IBP"), the investment banking subsidiary of Investec Plc

The Company had a single branch based in Spain and a wholly owned subsidiary based in the U S (Evolution Securities US Inc) Both the branch in Spain and the Company's subsidiary in the U S ceased trading during the period

Business review

The decrease in total income for the period (down 42% from £54 7m in the 12 months to 31st December 2010 to £31 5m in the 15 months to 31st March 2012) led to a loss, after tax, for the period of £30 1m (2010 £5 0m loss)

Continued economic uncertainty across Europe and North America meant that Equity and Fixed Income market conditions during the period were characterised by extreme nervousness and low trading volumes This had a severe impact on the Company's trading revenues and corporate finance transactions

Prior to being acquired in December 2011, the Company had been responding to the difficult conditions by cutting non-profit making sectors in order to reduce costs and improve medium-term profitability However, the subsequent acquisition of The Evolution Group Plc and its subsidiaries by Investec Plc resulted in a significant level of one-off expenses principally via the writing down of intangible assets and business realignment costs

The corporate fundraising market continued to be subdued with equity corporate finance completing 10 transactions (2010 20) and helping to raise £1 5bn (2010 £1 2bn) on behalf of clients Revenues in the period were £6 8m (2010 £12 3m)

Significant progress had been made during the period in the debt advisory and origination business ("DCM") The DCM team successfully generated revenues of £2 0m (2010 £0 1m), and completed 8 transactions (2010 nil) raising £0 7bn (2010 £nil) on behalf of clients including Tesco, Provident Financial, Places for People and the National Grid

The equity agency broking business generated sales commission revenues of £19 1m (2010 £34 0m) before the transfer of the business across to IBP, a subsidiary of the Ultimate Parent Company, on 16th January 2012 The fixed income business generated revenues of £9 1m (2010 £14 0m) Revenues in both businesses were negatively impacted by markets continuing to be extremely challenging with falling trading volumes and tightening spreads

DIRECTORS' REPORT (continued)
For the 15 months ended 31 March 2012

Going concern

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the Financial Statements Under the going concern basis, it is assumed that a company will continue in operation for the foreseeable future and there is neither the intention nor the need to cease trading

The Directors have determined that it is no longer appropriate for the Financial Statements to be prepared on a going concern basis because the Company ceased trading in January 2012 and the Directors intend to wind up the Company Consequently the Financial Statements have been prepared on a break up basis

Whilst the Financial Statements will be prepared on a break up basis, it is not anticipated that the Company will face difficulties in discharging its liabilities in full during the Company's wind down period The Directors are also not aware of any material contingent liabilities such as legal proceedings outstanding against the Company

Results and dividend

During the period the Company made a loss after taxation of £30 1m (2010 £5 0m loss) The directors do not recommend the payment of a dividend for the period ended 31 March 2012 (2010 £nil)

Directors

The directors of the Company, who held office since 1 January 2011, unless otherwise stated, are as shown below

	Date of appointment	Date of resignation
Alex Snow	-	-
Andrew Westenberger	-	12th August 2011
Rupert Fraser	-	14th December 2011
Colin Philips	-	20th June 2011
David Currie	3rd February 2012	-
Patric Johnson	19th July 2011	12th March 2012

Company secretary

	Date of appointment	Date of resignation
Tony Lee	-	31st January 2012
David Miller	31st January 2012	-

Charitable donations

During the period the Company donated £nil (2010 £3,755) to charity

Principal risks and uncertainties

Due to the transfer of principal activities to IBP in January 2012, the Company's principal risks and uncertainties had significantly reduced by 31st March 2012

Prior to the transfer of principal activities to IBP, the Company had implemented a risk framework for the identification, measurement and management of its principal risks These were categorised broadly as

- Strategic and business risks,
- Market, credit and liquidity risks, and
- Operational, regulatory and reputation risks

Within the Company's risk framework, the Board had responsibility for determining an appropriate risk appetite for each of these risks The Board's risk appetite included a tolerance for unexpected losses and this formed the basis for the Parent Company's Internal Capital Adequacy Assessment Process ("ICAAP") to the FSA

Strategic and business risks
The markets for institutional brokerage services were highly competitive, against a backdrop of relatively limited levels of market activity since the financial crisis began several years ago

DIRECTORS' REPORT (continued)
For the 15 months ended 31 March 2012

The Company was exposed to volume and margin pressures on its agency brokerage activities during the period To mitigate this, the Company maintained a variable cost base and looked to balance revenues between its fixed income and equity businesses as well as between corporate broking, origination and distribution activities

Market, credit and liquidity risks
The Company operated predominantly in listed and cash securities markets in the UK and Europe and was exposed to market and credit risk in both the products it trades and the clients or counterparties with whom it dealt

Before the transfer of the trading and market making businesses to IBP, market risk exposures were monitored against limits intraday Daily risk reports analysed exposures by sector for stocks and by maturity and credit rating for fixed income positions Further sensitivity analysis and stress tests were performed regularly and formally reviewed monthly between the risk function, finance and trading management

Counterparty credit exposures were limited in view of the short-dated settlement required in these markets – products typically settled for cash within three working days, although it was possible for the settlement period to be up to twenty five working days in some markets The Company regularly reviewed the creditworthiness of its clients and counterparties and each was subject to an internal rating which determined its limit for credit exposure and potential future exposure

The Company had substantial excess liquidity throughout the period Liquidity risk may theoretically arise where there are settlement mismatches or fails but the Company had intraday facilities to mitigate such risks and monitored its cash position daily Limits were set on working capital usage prior to the use of surplus cash Whilst there was regular trading activity, liquidity was also stress-tested regularly and the Company maintained a minimum liquidity buffer based on the stress test results

Operational, regulatory and reputation risks
Operational risks broadly include exposures to financial crime, failures of business practice, or failures in processes or technology Whilst these risks can never be eliminated, the Company mitigated its exposure by a system of strong internal controls and a well embedded risk management culture Operational risk exposures were mapped out and quantified for each major business area, with regular reviews conducted to ensure that these risks and controls were being effectively managed

The Company is regulated by the FSA Regulatory risk may arise as a consequence of operational risk events or due to changes in regulatory rules or guidance to which the Company needs to respond promptly To mitigate this risk, as part of the risk governance mechanism, reports were provided regularly to the Board on new regulatory requirements and the results of compliance investigations, reviews and monitoring programmes

There are also operational risks from winding up a business including failures in the control processes, financial crime and unresolved balances To mitigate these risks, key members of staff were retained to manage the wind down of the Company in an orderly manner

Reputational risk is seen as a consequential risk in that it may arise from a failure to manage any of the risks outlined above, where the failure is transparent to the market or the client base Its impact occurs over a period of time in terms of lost revenues and potentially increased costs to regain the confidence of counterparties and clients It has been, and continues to be, the intention of the Board to minimise the potential impact of a reputational issue by communicating proactively with its clients, the marketplace and regulatory authorities

Statement of directors' responsibilities

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

Company law requires the directors to prepare Financial Statements for each financial period Under that law the directors have prepared the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these Financial Statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and accounting estimates that are reasonable and prudent,
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements,

Evolution Securities Limited

DIRECTORS' REPORT (continued)
For the 15 months ended 31 March 2012

- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

In accordance with the provisions of Section 418 of the Companies Act 2006, having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- To the best of each Director's knowledge and belief, there is no information 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 any relevant audit information and to establish that the Company's auditors are aware of that information

ON BEHALF OF THE BOARD

Alex Snow
Chief Executive Officer
12th June 2012

Registered Number: 2316630

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLUTION SECURITES LIMITED
For the 15 months ended 31 March 2012

We have audited the Financial Statements of Evolution Securities Limited for the period ended 31 March 2012 which comprises the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error

This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Financial Statements

In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited Financial Statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements

In our opinion the Financial Statements
- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss and cash flows for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the Financial Statements, which explains that following the period end, the Directors have decided that the Company will cease trading Accordingly the going concern basis of accounting is no longer appropriate Instead, the Directors have adopted the break-up basis of accounting

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLUTION SECURITES LIMITED (continued)
For the 15 months ended 31 March 2012

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Carl Sizer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
12th June 2012

INCOME STATEMENT

	Note	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Fee and commission income		**37,035**	60,011
Fee and commission expense		**(437)**	(2,174)
Net fee and commission income	4	**36,598**	57,837
Trading losses	4	**(5,529)**	(3,951)
Other income	4	**400**	781
Total income		**31,469**	54,667
Net gain / (loss) on available-for-sale financial assets	5	**415**	(49)
Operating expenses	6	**(61,961)**	(58,053)
Operating loss		**(30,077)**	(3,435)
Finance income	9	**258**	178
Finance costs	9	**(1,239)**	(1,065)
Loss for the period / year before tax		**(31,058)**	(4,322)
Tax credit / (charge)	10	**993**	(693)
Loss for the period / year after tax		**(30,065)**	(5,015)

The notes on pages 11 to 36 form an integral part of these Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Loss for the period / year		**(30,065)**	(5,015)
Net (gain) / loss on available-for-sale financial assets transferred to the Income Statement	5	**(415)**	49
Revaluation of available-for-sale financial assets, net of tax		**329**	48
Deferred tax debit on share options taken to equity		**(1)**	(285)
Other comprehensive expense for the period / year, net of tax		**(87)**	(188)
Total comprehensive expense for the period / year		**(30,152)**	(5,203)

The notes on pages 11 to 36 form an integral part of these Financial Statements

Evolution Securities Limited

BALANCE SHEET

	Note	31/03/2012 £'000	31/12/2010 £'000
ASSETS			
Non-current assets			
Goodwill	11	-	3,110
Intangible assets	12	-	114
Deferred tax assets	13	-	2,547
Investment in subsidiary undertakings	14	-	211
Loan to subsidiary	15	-	1,291
Total non-current assets		-	7,273
Current assets			
Trade and other receivables	16	**1,611**	63,713
Available-for-sale financial assets	17	-	503
Trading portfolio assets	18	-	20,400
Current tax assets		-	2
Cash and cash equivalents	19	**11,657**	42,940
Total current assets		**13,268**	127,558
Total assets		**13,268**	134,831
LIABILITIES			
Current liabilities			
Trade and other payables	20	**1,576**	73,980
Trading portfolio liabilities	21	-	6,133
Loan from parent company	22	-	20,000
Total current liabilities		**1,576**	100,113
Non-current liabilities			
Deferred tax liabilities	13	-	31
Total non-current liabilities		-	31
Total liabilities		**1,576**	100,144
Net Assets		**11,692**	34,687
EQUITY			
Capital and reserves attributable to owners			
Share capital	23	**8,946**	1,446
Share premium		**11,375**	11,375
Available-for-sale reserve		-	86
(Accumulated losses) / retained earnings		**(8,629)**	21,780
Total equity		**11,692**	34,687

The notes on pages 11 to 36 form an integral part of these Financial Statements

The Financial Statements on pages 7 to 36 were approved by the Board of Directors on 12th June 2012 and were signed on its behalf by

Alex Snow
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	AFS reserve	(Accumulated losses) / retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2011		**1,446**	**11,375**	**86**	**21,780**	**34,687**
Loss for the period		-	-	-	(30,065)	(30,065)
Net gain on available-for-sale financial assets transferred to the Income Statement	5	-	-	(415)	-	(415)
Revaluation of available-for-sale financial assets		-	-	329	-	329
Deferred tax charge on share options taken to equity	13	-	-	-	(1)	(1)
Total comprehensive expense for the period		-	-	(86)	(30,066)	(30,152)
Share options value of employee services provided		-	-	-	(448)	(448)
Adjustment of contributions received on issuance of employee share options		-	-	-	(246)	(246)
Recharge of share purchases by Parent Company		-	-	-	351	351
Issue of class A ordinary shares		7,500	-	-	-	7,500
Transactions with shareholders		7,500	-	-	(343)	7,157
Balance at 31 March 2012		**8,946**	**11,375**	**-**	**(8,629)**	**11,692**

	Note	Share capital	Share premium	AFS reserve	Retained earnings (restated)	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010		1,443	11,375	(11)	25,784	38,591
Loss for the year		-	-	-	(5,015)	(5,015)
Net loss on available-for-sale financial assets transferred to the Income Statement	5	-	-	49	-	49
Revaluation of available-for-sale financial assets		-	-	48	-	48
Deferred tax charge on share options taken to equity	13	-	-	-	(285)	(285)
Total comprehensive income / (expense) for the year		-	-	97	(5,300)	(5,203)
Share options value of employee services provided		-	-	-	1,532 *	1,532
Contributions received on issuance of employee share options		-	-	-	1,137 *	1,137
Tax deductions on options exercised		-	-	-	62 *	62
Recharge of share purchases by Parent Company		-	-	-	(1,435)	(1,435)
Issue of class B ordinary shares		3	-	-	-	3
Transactions with shareholders		3	-	-	1,296	1,299
Balance at 31 December 2010		1,446	11,375	86	21,780	34,687

* Refer to note 1 on page 11 for a description of the restatements

The notes on pages 11 to 36 form an integral part of these Financial Statements

Evolution Securities Limited

CASH FLOW STATEMENT

	Note	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Cash flows from operating activities			
Cash used in operations	24	**(22,087)**	(7,714)
Finance income received		**258**	178
Finance costs paid		**(1,239)**	(1,065)
Tax received / (paid)		**3,510**	(2)
Net cash flows from operating activities		**(19,558)**	(8,603)
Cash flows from investing activities			
Sale of available-for-sale financial assets		**883**	134
Sale of options		**81**	57
Net cash flows from investing activities		**964**	191
Cash flows from financing activities			
Repayment of loan from parent company		**(20,000)**	20,000
Issue of class A ordinary shares		**7,500**	-
Investment in subsidiary		**(246)**	-
Net refund / (recharge) for purchase of shares in The Evolution Group Plc by the Parent Company		**351**	(1,435)
Contribution (paid) / received on issuance of employee share options		**(373)**	1,267
Net cash flows from financing activities		**(12,768)**	19,832
Net (decrease) / increase in cash and cash equivalents		**(31,362)**	11,420
Cash and cash equivalents at beginning of the period / year		**42,940**	31,330
Exchange gains on cash and cash equivalents		79	190
Cash and cash equivalents at end of the period / year		**11,657**	42,940

The notes on pages 11 to 36 form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
For the 15 months ended 31 March 2012

1 ACCOUNTING POLICIES

The Company is a limited company incorporated and domiciled in the United Kingdom The address of its registered office is 9th Floor, 100 Wood Street, London, EC2V 7AN

The principal accounting policies adopted in the preparation of these Financial Statements are set out below Except as explained below, these policies have been consistently applied to the periods presented

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss

In order to bring the balance sheet date in line with the Ultimate Parent Company, Investec Plc, the Company changed its balance sheet date from 31st December 2011 to 31st March 2012 Therefore the current reporting period is for 15 months from 1st January 2011 to 31st March 2012 and not comparable to the prior year period

Going concern

IAS 1 states that Financial Statements should be prepared on a going concern basis unless management intends to liquidate the entity, or to cease trading

Following the transfer of principal trading and corporate activities from the Company to IBP, a subsidiary of the Ultimate Parent Company, the Company effectively ceased trading during the period The Company's remaining assets are being liquidated and the liabilities are being settled

Therefore in accordance with IAS 1, the Directors do not consider it appropriate to prepare of the Financial Statements on a going concern basis Instead they have been prepared on a break-up basis

Restatement

Certain transactions with shareholders on the comparative Statement of Changes in Equity have been restated to reflect the actual nature of the transactions The restatements, which have not impacted total equity or loss after tax, are shown below

Statement of Changes in Equity – retained earnings at 31st December 2010	Previously published £'000	Restated £'000
Share options value of employee services provided	1,964	1,532
Tax deductions on options exercised	767	62
Contributions received on issuance of employee share options	-	1,137

Significant accounting policies

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2011 that would be expected to have a material impact on the Company

1. ACCOUNTING POLICIES (continued)

The new and amended standards the company have adopted are

- IAS 24 (amendment), 'Related Party Disclosures', effective for periods beginning on or after 1 January 2011, now requires the Company to clarify the definition of a related party and include an explicit requirement to disclose commitments involving related parties

- IAS 1 (amendment), 'Presentation of Financial Statements' effective for periods beginning on or after 1 January 2011_clarifies that an entity will present an analysis of other comprehensive income for each component of equity either in the statement of changes in equity or in the notes to the Financial Statements

- IFRS 7 (amendment), 'Financial instruments' effective for periods beginning on or after 1 January 2011 emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards have not been early adopted by the Company, as the Company is being wound up and early adoption by the Company would have no significant effect on the Financial Statements

- IAS 1 (amendment), 'Presentation of items of other comprehensive income,' effective for periods beginning on or after 1 July 2012, is a requirement for entities to group items presented in other comprehensive income based on whether these items can potentially be reclassified to profit or loss subsequently

- IFRS 7 (amendment), 'Disclosures – transfer of financial assets,' effective for periods beginning on or after 1 July 2011 An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred

- IFRS 9, 'Financial instruments,' effective for periods beginning on or after 1 January 2015 subject to endorsement by the EU IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and requires financial assets to be classified into two measurement categories those measured as at fair value and those measured at amortised cost The determination is made at initial recognition The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument For financial liabilities, the standard retains most of the IAS 39 requirements The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch

- IFRS 10, 'Consolidated Financial Statements,' effective for periods beginning on or after 1 January 2013 subject to endorsement by the EU, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated Financial Statements of the parent company The standard provides additional guidance to assist in the determination of control where this is difficult to assess

- IFRS 12, 'Disclosures of interests in other entities', effective for periods beginning on or after 1 January 2013 subject to endorsement by the EU, includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purposes vehicles and other off balance sheet vehicles

- IFRS 13 'Fair value measurement,' effective for periods beginning on or after 1 January 2013 subject to endorsement by the EU, aims to improve consistency and reduce complexity by providing a precise definition of fair value measurement and disclosure requirements for use across IFRSs

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact

1 ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The Company's shares in subsidiary undertakings are stated in the Balance Sheet at cost less provision for any impairment incurred

The carrying values of investments in subsidiary undertakings are assessed at the reporting date or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable The impairment review comprises a comparison of the carrying amount of the investment with its recoverable amount The recoverable amount is the higher of an investment's fair value less costs to sell and its value in use An impairment loss is recognised in the Income Statement in the period in which it occurs for the amount by which the investment's carrying amount exceeds its recoverable amount

The Company has prepared company only Financial Statements having applied the exemption permitted within IAS 27, 'Consolidated and Separate Financial Statements', where the Company's Ultimate Parent produces consolidated Financial Statements that comply with IFRS

Income recognition

Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the Company's activities Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that the economic benefits associated with the transaction will flow into the Company

a) Fee and commission income
Fee and commission income includes those amounts receivable from equity and debt capital market transactions by way of fees, commission and retainer income In addition, execution and clearing commission from brokerage activities is recognised on the difference between the consideration received on the sale of a security and the purchase of a security

Fees and commissions are recognised in the income statement when the related services are performed and all legal conditions have been satisfied, and when considered recoverable

b) Fee and commission expense
Fee and commission expense include amounts paid to other third parties in connection with corporate finance fee income such as introduction fees Costs incurred in the normal course of executing commission transactions across exchanges and settling through recognised networks is also included

c) Trading income
Trading income from market making and principal trading activities comprises all gains and losses from changes in the fair value of financial assets and liabilities held for trading, together with any related dividend income on positions held Costs incurred in the normal course of executing trading transactions across exchanges and settling through recognised networks are included within other administrative expenses

Trading income also includes derivative contracts relating to equity options and warrants received in lieu of corporate finance fees

d) Other income
Other income includes foreign exchange gains and losses resulting from the re-translation and settlement of foreign currency transactions, commitment fees and bridging loan fees and interest on facilities offered to corporate clients and any dividend income on available-for-sale financial assets and finance income on segregated client money accounts Dividend income is recognised in the Income Statement when the right to receive payment is established Interest income on segregated client money accounts is also included within this category Finance income is recognised in accordance with the accounting policy below

Operating leases

The lease on the current premises is in the name of Evolution Group Services Limited ("EVGS"), a fellow subsidiary of the Parent company, details of which can be seen in the Financial Statements of that company EVGS recharges the Company for usage of these premises

1. ACCOUNTING POLICIES (continued)

Provisions for dilapidation on the premises are also recharged to the Company's income statement However, the provision is held in the balance sheet of EVGS in accordance with the name on the lease

Onerous contracts

An onerous contract exists where the unavoidable costs of meeting the contractual obligations exceeds the economic benefits received under it In line with IAS37, any contracts meeting these criteria are provided for

Foreign currency translation

a) Functional and presentation currency
The Financial Statements of the Company are presented in Sterling, which is the Company's functional and presentational currency

b) Transactions and balances
Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within other income in the Income Statement

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity

Finance income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'finance income' and 'finance expense' in the income statement using the effective interest method

Goodwill

The cost of an acquisition is measured at the fair value of the identifiable assets given, equity instruments issued and liabilities or contingent liabilities incurred or assumed at the date of exchange, together with any costs directly related to the acquisition The excess of the cost of an acquisition over the Company's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill Goodwill is stated at cost less accumulated impairment losses, which are charged to the Income Statement If the cost of the acquisition is less than the fair value of the Company's share of identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised immediately in the Statement of Comprehensive Income

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any The company's intangible assets represent purchased customer relationships amortised over an estimated useful life of 5 years

Impairment of goodwill and intangible assets

Goodwill is not subject to amortisation or depreciation and is tested annually for impairment Other intangibles are assessed at the reporting date or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount of the asset or cash generating unit (for goodwill and intangible assets with an indefinite useful life) The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use An impairment loss is recognised in the Income Statement in the period in which it occurs for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount The assets' residual values and useful lives are reviewed and adjusted if necessary at each Balance Sheet date

1 ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The Company classifies its financial assets and liabilities as trading portfolio assets and liabilities, available-for-sale financial assets, derivative financial instruments, stock borrowing and lending, trade and other receivables, cash and cash equivalents, trade and other payables and loan from parent company The classification depends on the purpose for which the assets and liabilities were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the Income Statement Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires

The Company has financial assets and financial liabilities that offset to a net amount when presented in the Financial Statements This arises when the Company transacts with central clearing counterparties that it does not hold a direct membership with, and is therefore contractually obliged to settle any outstanding financial assets or liabilities on a net basis In all other cases the Company presents its financial assets and financial liabilities on a gross basis as per its standard terms and conditions

Trading portfolio assets and liabilities
Financial assets and liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management Purchases and sales of investments are recognised on trade date, being the date on which the Company commits to purchase or sell the asset

Available-for-sale financial assets
Available-for-sale financial assets are either designated in this category or are not classified in any other category Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices

Measurement of trading portfolio assets and liabilities and available-for-sale financial assets
For trading portfolio assets and liabilities and available-for-sale financial assets that are quoted in active markets, fair values are determined by reference to the current quoted bid / offer price, with trading portfolio assets marked to the bid price and trading portfolio liabilities marked at the offer price Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data These may include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models such as Black-Scholes and other valuation techniques commonly used by market participants

Available-for-sale financial assets are initially recognised at fair value and are subsequently held at fair value The Company makes an assessment at each Balance Sheet date as to whether there is any objective evidence of impairment In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired in which case the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement) is removed from equity and recognised in the Income Statement Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement unless the related asset is subsequently disposed of at a gain to the impaired valuation Gains and losses arising from changes in fair values are included as a separate component of equity within fair value and other reserves until sale or when impaired

Derivative financial instruments
Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value The gain or loss on re-measurement is taken to the Income Statement within trading income All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to settle net

The regular way purchase or sale of held for trading financial assets is recognised using trade date accounting A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frames established generally by regulation or convention in the market-place concerned Purchases or sales that do not fall within the regular way classification (generally beyond three days settlement) are treated as derivatives in the period

1 ACCOUNTING POLICIES (continued)

between the trade date and the settlement date, i e as a forward purchase or sale of security The contract value (i e the trade date receivable or payable) of such transactions is not recorded on the Balance Sheet, but the change in fair value is recognised on the Balance Sheet and Income Statement within trading income in the intervening period between the trade date and settlement date

Stock borrowing and lending
The Company enters into stock borrowing and lending arrangements with certain institutions on a collateralised basis with securities or cash advanced or received as collateral The transfer of securities to institutions is not reflected on the Balance Sheet Where cash collateral is advanced or received, an asset or liability is recorded at the amount of cash collateral advanced or received Securities borrowed are recognised on the Balance Sheet and are recorded as a trading liability and measured at fair value Fees charged in the course of borrowing are recorded on an accruals basis and included within other operating expenses Interest received or paid on collateral is included within finance income or expense

Trade and other receivables
Trade and other receivables (which include counterparty receivables) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables Evidence that an impairment of the asset may be required includes ageing of the debt beyond 180 days, persistent lack of communication and internal awareness of third party trading difficulties

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the Income Statement within operating expenses

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are normally those with original maturities of three months or less and bank overdrafts

Trade and other payables
Trade and other payables, (which include counterparty payables), are recognised initially at fair value, which is the agreed market price at the time goods or services are provided and are subsequently measured at amortised cost using the effective interest rate The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value

Loan from parent company
The loan from parent company is recognised initially at fair value and subsequently carried at amortised cost

Employee benefits

(a) Pension obligations
The Company does not offer any company pension schemes However, the Company does make defined contributions to employees' approved personal pension plans, and the costs of these are charged to the income statement when they are incurred

(b) Share-based plans
The Parent company's management awards high-performing employees incentives in the form of equity-settled share-based payments, from time to time, on a discretionary basis including through its Growth Share Ownership Plan ("GSOP"), Executive Share Incentive Plan and the Executive share Option Scheme Equity-settled share-based payments are measured at fair value at the date of grant Fair value is measured by use of the Black-Scholes pricing model or, in the case of awards of call rights, which have an exercise price of 1 penny per ordinary share, the fair value is based on the market value at the time of grant discounted by the dividend yield over the expected life of the grant period The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest The options are generally subject to a three year service vesting condition, and their fair value is recognised as an employee benefit expense with a corresponding increase in retained earnings within equity over the vesting period The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

1 ACCOUNTING POLICIES (continued)

Under the GSOP, if employees ceased employment with the Company before the vesting date, they were deemed to be "Bad Leavers" The original contribution from a "Bad Leaver" is retained within Equity with all un-lapsed GSOP shares forfeited for an aggregate nominal value of £1

There were circumstances where leaving employees were considered as "Good Leavers," and thus eligible for recovering the portion of their GSOP awards that had yet to lapse This includes situations where employees leave the Company though redundancy, retirement, death or serious illness The original consideration from "Good Leavers" was shown as a liability prior to settlement

(c) Evolution Group Share Incentive Plan ("SIP")
The SIP allows every employee to purchase up to £1,500 worth of the Parent company's shares per annum on a tax efficient basis These are purchased on a monthly basis and held in trust and are matched by shares issued by the Parent company on a one-for-one basis Employees are entitled to receive the matching shares after a period of 3 years employment The cost of the matching shares is charged to the Income Statement on a straight line basis over the 3 year period Where an individual's employment is terminated with the company prior to completing the 3 year period, the life to date charge is reversed from the Income Statement

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Balance Sheet date in the countries where the Company's subsidiaries operate and generate income

Deferred taxes are computed using the liability method, on temporary differences between the bases of assets and liabilities and their carrying amounts in Financial Statements The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which tax losses or deductible temporary differences can be utilised

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is charged or credited in the Income Statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in equity

The Company is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under UK tax rules As explained under "Share-based plans" above, a compensation expense is recorded in the Company's Income Statement over the period from the grant date to the vesting date of the relevant options As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the Balance Sheet date) with the cumulative amount of the compensation expense recorded in the Income Statement If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense, at the statutory tax rate, the excess is recorded directly in equity, against retained earnings

Share capital

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares or options have been shown in equity as a deduction from the proceeds, net of tax

Group recharge

Another subsidiary of the Parent company through the normal course of business incurs costs on behalf of its subsidiaries These costs generally relate to operating expenses and are recharged to the Company

1. ACCOUNTING POLICIES (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised in equity in the Financial Statements in the period in which the dividends are paid Final dividends are recognised at the date they are approved by those shareholders

2 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed below

Goodwill impairment and intangible assets
Goodwill and other intangible assets, such as customer relationships and distribution channels, are tested for impairment based on the higher of value-in-use or fair values less costs to sell The calculations require management's assumptions and estimates of future cash flows and discount rates

At 31st March 2012, the Company carried out the impairment review of goodwill and intangible assets and concluded that the recoverable amount of both the goodwill and investments in subsidiaries was £nil (2010 £3,321k) Therefore these assets were deemed fully impaired and a charge of £3,321k was recognised in the income statement

Income taxes
The Company is subject to income taxes Judgment is required in determining the extent that it is probable that taxable profits will be available in the future against which deferred tax assets can be utilised

Based on the Company being wound up, the Company no longer expects to generate future taxable profits to allow it to recover any of its deferred tax assets

The Company had £7 0m in deferred tax assets on the balance sheet at the end of December 2011 All of the deferred tax assets were transferred to the Ultimate Parent Company for use against future taxable profits, leaving a balance of £nil as at 31 March 2012 (2010 £2 5m)

3. MANAGEMENT OF FINANCIAL RISK

Financial Risks include market, credit and liquidity risks This section outlines the exposures to each of these risks at 31 March 2012 and describes the risk management processes relating to them

(a) Management of market risk

Until the transfer of principal trading activities to IBP, the Company made markets in small to mid-cap UK equities and was also a market-maker in the LSE's Retail Bond Market (ORB) The Company held some short-term trading positions in large cap UK and European equities as well as some sovereign and corporate bonds The Company had therefore been exposed to changes in equity prices as well as changes in interest rates and traded credit markets The risk function monitored exposures intraday and produced daily reports for both equity and fixed income activities which identified any breaches of approved trading limits Trading management was asked to explain any breaches and on the basis of the explanation given, the Chief Risk Officer either approved the breach or determined that the exposure should be reduced The process was logged so that it was possible for example, to analyse limit breach patterns or limit utilisation over time Sensitivity analysis and stress tests on equity price risk for stocks and on interest rate basis point variation (BPV) and credit risk (CR 01) for bonds were performed regularly and formally reviewed monthly between the risk function and trading management

Equity price risk

The Company held £nil of equity holdings as at 31st March 2012 The Company does not have any trades settling beyond 25 business days from trade date

i) Available-for-sale financial assets
The book value of the available-for-sale financial assets at the end of the period was £nil Therefore a 10% increase / decrease in equity prices would result in a £nil increase / decrease respectively in equity reserves (2010 £43,000)

3 MANAGEMENT OF FINANCIAL RISK (continued)

ii) Trading book holdings
There were no trading book holdings at the end of the period Therefore a 10% increase / decrease in equity prices on trading portfolio assets would increase / decrease profit in the Income Statement by £nil (2010 £1,759,000) A 10% increase / decrease in equity prices on trading portfolio liabilities would decrease / increase profit in the Income Statement by £nil (2010 £434,000)

iii) Derivatives
The Company occasionally used derivatives to hedge the economic risk of its trading portfolio All such positions are discussed with senior management and independently monitored by the risk function There were no derivatives held by the Company at the end of the period

Therefore the impact of a 10% increase / decrease in equity prices on derivatives would increase / decrease profit in the Income Statement by £nil (2010 £34,000)

Interest rate and traded credit risks

The Company is exposed to interest rate movements on its cash or cash equivalents including some elements of its working capital and was exposed to both interest rate and credit risk on its trading book bond holdings in the previous year

i) Cash and cash equivalents
The Company has a policy of maintaining excess funds in cash and short term deposits and is exposed to short term interest rate risk At the period end, all of the Company's excess funds were invested in cash and short term deposits The Company does not use any derivatives to hedge interest rate risk

If LIBOR market interest rates had been 100 basis points higher / lower throughout the period ending 31st March 2012, with all other variables held constant, profit for the period would have been £117,000 (2010 £213,000) higher and £58,000 (2010 £120,000) lower respectively

ii) Trading book bond holdings
A 100 basis point increase in interest rates across all maturities on trading portfolio assets at 31 March 2012 would increase profit in the Income Statement by £nil (2010 £201,000) A 100 basis point decrease in interest rates across all maturities on trading portfolio assets at 31 March 2012 would decrease profit in the Income Statement by £nil (2010 £119,000)

A 10% increase in interest rates across all maturities on trading portfolio liabilities would decrease profit in the Income Statement by £nil (2010 £29,000) respectively A 10% decrease in interest rates across all maturities on trading portfolio liabilities would increase profit in the Income Statement by £nil (2010 £17,000) respectively

A 100 point increase / decrease in the credit risk (issuer risk represented by CR 01) on trading book assets at 31 March 2012 would increase / decrease profit in the Income Statement by £nil (2010 £nil) A 100 point increase / decrease in the credit risk on trading portfolio liabilities would decrease / increase profit in the Income Statement by £nil (2010 £nil)

Foreign exchange risk

The following table summarises the Company's currency exposure arising from unmatched monetary assets or liabilities not denominated in the Company's functional currency

	2012 £'000	2010 £'000
Euro	**46**	2,026
US Dollar	**1**	2,642
Swiss Franc	**-**	4
Canadian Dollar	**-**	5
Other Currencies	**58**	(8)
Net assets	**105**	4,669

3. MANAGEMENT OF FINANCIAL RISK (continued)

The Company's activities are primarily denominated in Sterling but there has been activity in other currencies, notably in Euros and US Dollars, as the Company has conducted parts of its business overseas As a result, the Company's foreign currency exposure is reviewed monthly with any material exposure hedged via one month forward exchange contracts

There were no foreign currency hedges at the end of the period This was due to there being no significant foreign currency exposure in the Company at the end of the period As at 31st December 2010, there were foreign currency hedges of EUR 4 0m and USD 2 9m

Based on the Company's period end net assets denominated in non-Sterling currencies, the impact of a 10% strengthening or weakening in Sterling against all major currencies would result in a gain or loss of £10,000 (2010 £467,000)

Fair value estimation

IFRS 7 requires disclosure of fair value measurements for Balance Sheet financial instruments by level according to the following measurement hierarchy

- Level 1 – quoted prices unadjusted in active markets for identical assets or liabilities,
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices, and
- Level 3 – inputs for the asset or liability that are not based on observable market data

The following tables present the Company's assets and liabilities measured at fair value at 31st March 2012 and 31st December 2010 respectively

Assets as at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale financial assets	-	-	-	-
Trading portfolio assets	-	-	-	-
Trading portfolio assets - derivatives	-	-	-	-
Total Assets	-	-	-	-

Liabilities as at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading portfolio liabilities	-	-	-	-
Trading portfolio liabilities - derivatives	-	-	-	-
Total Liabilities	-	-	-	-

Assets as at 31 December 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale financial assets	503	-	-	503
Trading portfolio assets	20,064	248	-	20,312
Trading portfolio assets - derivatives	88	-	-	88
Total Assets	**20,655**	**248**	-	**20,903**

Liabilities as at 31 December 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading portfolio liabilities	2,920	-	-	2,920
Trading portfolio liabilities – derivatives	3,213	-	-	3,213
Total Liabilities	**6,133**	-	-	**6,133**

3 MANAGEMENT OF FINANCIAL RISK (continued)

The carrying values of assets and liabilities not held at fair value (cash and cash equivalents, trade receivables, counterparty receivables, other receivables, and trade and other payables) are not significantly different from fair value

(b) Management of counterparty credit risk

The Company has exposure to counterparty credit risk (or settlement risk) in its cash or cash equivalents deposits with third parties and through its sales and trading activities

The Company has £6 0m of its £11 7m total cash balance deposited with a single A rated UK Bank (2010 £33 0m), with the remaining £5 7m deposited with Investec Plc who is rated BBB-

Before the transfer of principal sales and trading activities to IBP, obligations were settled via clearing agents for delivery versus payment (DVP) Therefore the risk exposure was limited to the excess (for sales of securities) or deficit (for purchases) between the original transaction value and the market value of unsettled trades at 31 March 2012 If a counterparty had failed in their obligation to settle, the Company would have been forced to close out the trade at a possible loss

Potential future exposure to such losses is negligible since the Company ceased trading in January 2012

The Company is also exposed to credit risk on non-trade related receivables such as client advisory fees or reimbursable expenses Exposure to this risk is managed by taking into account financial position, past experience and other factors

Credit risk control for sales and trading activities

As at 31st March 2012, the Company had no principal trading activity and no significant client and trading counterparty risk other than cash at bank As a result, the risk function did not carry out a credit review at the end of the period As the Company is being wound up, there are no new client accounts being set up

During the period before the Company's principal activities were transferred to IBP, the risk function undertook a credit review of all new accounts and periodically reviewed all existing clients and counterparties As part of the review, each client or counterparty was assigned a credit limit according to the guidelines in the Credit Limit Book Limits were based on a combination of information including net assets, liquidity and leverage, profitability and any available risk assessments from third party providers New accounts could not begin to trade until the credit review had been completed and the counterparty assigned an internal credit rating which determined its credit limit

The table below summarises the credit quality of the Company's exposure to clients and counterparties by third party credit ratings (if available)

	2012	2010
	%	%
AAA - A rated	52	62
BBB+ - B rated	48	-
Un-rated institutional clients and funds	-	32
Un-rated	-	6
	100	100

The ratings noted above were derived using source information from Standard & Poors and Moody's

The risk function prepared a daily report showing all credit risk exposures and potential exposures against limits Credit limit breaches for any period were assessed as to when future settlements are expected to reduce the exposure The Chief Risk Officer reviewed the breaches and determined what action may be required, i e whether sufficient efforts were being made to reduce settlement fails and whether to reduce the level of trading or to cease trading altogether with a given counterparty

3 MANAGEMENT OF FINANCIAL RISK (continued)

The following table of financial assets analyses amounts due by ageing

As at 31 March 2012	Neither past due nor impaired £'000	Past due but not impaired 0-3 months £'000	3-6 months £'000	6-12 months £'000	> 1 year £'000	Impaired £'000	Carrying value before provision £'000
Trade receivables	-	247	120	8	-	617	992
Counterparty receivables	-	60	-	-	-	-	60
Other receivables	617	-	-	-	-	-	617
Amounts owed by group undertakings	551	-	-	-	-	-	551
Available-for-sale financial assets	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-
Cash and cash equivalents	11,657	-	-	-	-	-	11,657
	12,825	**307**	**120**	**8**	**-**	**617**	**13,877**

The carrying amounts disclosed above for the Company's financial assets represents the maximum exposure to credit risk Collateral held as security against receivables exposure as at 31 March 2012 was £nil (2010 £5 6m)

As at 31 December 2010	Neither past due nor impaired £'000	Past due but not impaired 0-3 months £'000	3-6 months £'000	6-12 months £'000	> 1 year £'000	Impaired £'000	Carrying value before provision £'000
Trade receivables	447	170	256	84	-	275	1,232
Counterparty receivables	49,755	4,965	-	-	1,401	-	56,121
Other receivables	4,295	-	-	-	-	-	4,295
Amounts owed by group undertakings	170	-	-	-	-	-	170
Available-for-sale financial assets	503	-	-	-	-	-	503
Trading portfolio assets	20,400	-	-	-	-	-	20,400
Cash and cash equivalents	42,940	-	-	-	-	-	42,940
	118,510	**5,135**	**256**	**84**	**1,401**	**275**	**125,661**

(c) Management of liquidity risk

The Company sought to manage liquidity risk, by maintaining a mixture of cash and short term deposits to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The Company deems that it has an adequate liquidity surplus

The Company's exposure to liquidity arose predominantly from the equity and fixed income trading activities within the investment banking business and the settlement of trades within this business However there was no material liquidity risk as at 31st March 2012 due to the winding up of the Company's activities

3. MANAGEMENT OF FINANCIAL RISK (continued)

The tables below analyse the Company's future cash outflows based on the remaining period to the contractual maturity date

	As at 31 March 2012 Less than one year Total £'000	As at 31 December 2010 Less than one year Total £'000
Trade and other payables	1,576	73,980
Trading portfolio liabilities	-	2,920
Trading portfolio liabilities – derivatives	-	3,213
Loan from parent company	-	20,000
	1,576	100,113

(d) Capital Risk Management

The Company manages capital on the basis of Basel Pillar 1 and Pillar 2 regulatory capital requirements in a manner that is consistent with others in the industry

The Company's current objective when managing capital is to maintain an optimal capital structure in order to minimise the cost of capital whilst complying with the regulatory requirements

Capital adequacy and the use of regulatory capital is monitored by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, and implemented for supervisory purposes by the FSA Compliance with FSA regulatory requirements was maintained throughout the period

The Parent Company completed an Internal Capital Adequacy Assessment Process (ICAAP) during the period, which it uses to manage regulatory capital including all its subsidiaries such as the Company This Assessment takes into account the risk profile and future plans of the business Under this process the Company is satisfied that there is sufficient capital to absorb potential losses or that mitigating controls are in place to limit the impact of unexpected losses

On 31st March 2012, the Company had £11 7m (2010 £30 0m) of regulatory capital resource, which is in excess of its regulatory capital requirement commitments With the Company's activities being wound up, the FSA granted a waiver on 1st May 2012 to eliminate the capital requirement for operational risk with immediate effect If the waiver was applied to the regulatory capital requirement as at 31 March 2012, the regulatory capital requirement would have been reduced by £11 4m

4. TOTAL INCOME

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Corporate finance fees	**8,873**	12,308
Commissions		
- Fixed income commission	**9,056**	13,969
- Equity sales commission	**19,106**	33,734
Fee and commission income	**37,035**	60,011
Fee and commission expense	**(437)**	(2,174)
Net fee and commission income	**36,598**	57,837
Trading losses	**(5,363)**	(3,860)
Fair value losses on options taken through profit and loss	**(166)**	(91)
Total trading losses	**(5,529)**	(3,951)
Other income	**321**	591
Foreign exchange gains	**79**	190
Total other income	**400**	781
Total Income	**31,469**	54,667

5 NET GAIN / (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Loss transferred from equity on impairment of available-for-sale financial assets	-	(51)
Net profit on disposal of available-for-sale financial assets	**415**	2
	415	(49)

During the period, the available-for-sale assets were sold to Guinness Mahon & Co Limited, a subsidiary of IBP, at fair value realising a net gain of £415,000

6 OPERATING EXPENSES

The following items have been included in arriving at operating loss

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Operating expenses		
Employee remuneration expense (note 8)	**30,827**	34,761
Management recharge depreciation	**920**	936
Management recharge amortisation of computer software	**211**	271
Management recharge impairment of computer software	**1,159**	-
Management recharge operating lease charges	**1,167**	1,094
Other property costs	**923**	910
Amortisation of intangibles (note 12)	**114**	195
Impairment of goodwill (note 11)	**3,110**	-
Impairment of loan to subsidiary (note 15)	**1,249**	-
Auditors' remuneration (note 7)	**148**	246
Market data and system costs	**9,625**	7,626
Transaction costs	**2,227**	3,497
Other operating expenses	**10,281**	8,517
	61,961	58,053

7 AUDITORS' REMUNERATION

During the period, the Company obtained the following services from its auditors at costs as detailed below

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Audit services:		
Fees payable to the Company's auditor for		
- statutory audit in respect of the Company	**124**	133
- other services pursuant to legislation	**29**	28
	153	161
Fees payable to the Company's auditor and its associates for other services:		
(Release of taxation services accruals) / services relating to taxation	**(6)**	55
All other services	**1**	30
	(5)	85
	148	246

Fees for audit services above include all amounts payable to the Company's auditors in their capacity as such Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice

8. EMPLOYEES AND DIRECTORS

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Employee remuneration expense		
Wages and salaries	**22,266**	28,789
Social security costs	**2,731**	3,714
Pension costs	**37**	35
(Reversal of) / cost of share options	**(443)**	1,532
Redundancy costs	**6,126**	485
Other staff costs	**110**	206
Total employee remuneration expense	**30,827**	34,761

The average number of employees (including Directors) during the period was as follows

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Front office	**128**	176
Support	**40**	52
Total average staff numbers	**168**	228

The actual number of full time employees at 31 March 2012 was 10 (31 December 2010 238)

Directors

The emoluments of the highest paid director were £187,000 (2010 £352,000) In addition, gains on exercise of share options of the highest paid director were £496,000 (2010 £nil)

Aggregate emoluments of the directors were

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Salaries and short term employee benefits	**379**	597
Termination benefits (note 27)	**232**	-
Gains made on exercise of share options	**668**	-
	1,279	597

No director accrued benefits under money purchase pension schemes during the period (2010 nil)

During the period, directors exercised a total of 980,628 share options (2010 0)

9 NET FINANCE COSTS

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Interest income	**258**	178
Interest payable to third parties	**(93)**	(217)
Interest payable on borrowings from the Parent Company (note 27)	**(1,107)**	(807)
Interest payable to fellow group company in respect of fixed assets (note 27)	**(39)**	(41)
Net finance costs	**(981)**	(887)

Interest is paid to third parties on overdrawn balances with clearing or settlement institutions

10. TAX (CREDIT) / CHARGE

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Current tax:		
Total UK Corporation tax (income) / expense on losses / profits	**(3,508)**	62
Deferred tax		
Current period / year movement	**2,515**	631
Total income tax (credit) / charge	**(993)**	693

Factors affecting the income tax (credit) / charge for the period / year are explained below

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Loss before tax	**(31,058)**	(4,322)
Loss multiplied by the average rate of corporation tax in the UK of 26 4% (2010 28%)	**(8,199)**	(1,210)
Tax effects of		
Expenses not deductible for tax purposes	**1,472**	776
Non-taxable income	**(149)**	-
Tax deduction for options exercised	**(866)**	(767)
Current period / year tax losses not utilised	**4,393**	374
Group relief surrendered	**3,358**	847
Capital Allowances	**-**	(9)
Amounts received from IBP in respect of group relief	**(3,510)**	-
Other expense adjustments	**(7)**	-
Equity charge on options	-	51
Current tax (credit) / charge	(3,508)	62
Deferred tax expense in current period / year	**2,515**	631
Total income tax (credit) / charge	(993)	693

The standard rate of corporation tax in the UK for the period ended 31 March 2012 was reduced from 28% to 26% during the period (2010 28%)

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget The change which was substantially been enacted in March 2012, is that the corporation tax rate for the Financial Year beginning 1 April 2012 will reduce the corporation tax rate to 24%

Deferred tax on items charged to Income Statement	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Deferred tax charge on stock options	**723**	736
Deferred tax charge / (credit) on trade losses	**819**	(820)
Deferred tax charge on streamed losses	**908**	729
Deferred tax credit on intangibles	**(31)**	(37)
Deferred tax charge on capital allowances	**38**	10
Deferred tax charge on other temporary differences	**58**	13
Total deferred tax charged to Income Statement	**2,515**	631

Deferred tax of £1,000 (2010 £285,000 credit) relating to share options charges has been released from reserves

11. GOODWILL

	2012	2010
	£'000	£'000
Cost		
At 1 January	**3,110**	3,110
Goodwill impairment	**(3,110)**	-
At end of period / year	**-**	3,110

Impairment test for goodwill

The recoverable amount of the Company is determined based on value-in-use calculations These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five year period The result of this calculation showed that the Company had a £nil value, implying a 100% impairment The goodwill was also tested for impairment using the fair value less costs to sell method The result of this calculation showed negative future earnings and therefore a £nil recoverable value Consequently the decision was taken to impair the goodwill in full and recognise a charge of £3,110k (2010 £nil) in the income statement

12 INTANGIBLE ASSETS

	2012	2010
Customer Relationships	£'000	£'000
Cost		
At 1 January	**978**	978
Acquisitions	**-**	-
At end of period / year	**978**	978
Aggregate amortisation and impairment		
At 1 January	**864**	669
Charge for the financial period / year	**114**	195
At end of period / year	**978**	864
Net book value		
At 1 January	**114**	309
At end of period / year	**-**	114

Customer relationships have a finite useful life and are amortised over their useful life of 5 years Amortisation is included in operating expenses on the Income Statement The customer relationships had become fully amortised during the period

13. DEFERRED TAX

DEFERRED TAX ASSETS

The movement on the deferred tax assets is detailed below

	Trading losses	Options	Capital allowances	Other temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	1,636	1,745	48	71	**3,500**
Income statement credit / (charge)	91	(736)	(10)	(13)	**(668)**
Equity credit	-	(285)	-	-	**(285)**
At 31 December 2010	**1,727**	**724**	**38**	**58**	**2,547**
Income statement charge	(1,727)	(723)	(38)	(58)	**(2,546)**
Equity charge	-	(1)	-	-	**(1)**
31 March 2012	**-**	**-**	**-**	**-**	**-**

All trading losses were sold to IBP for use against future taxable profits leaving a balance of £nil as at 31st March 2012

13 DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is detailed below

	2012 £'000	2010 £'000
Non-current		
At 1 January	**31**	68
Income tax credit – amortisation of intangibles	**(31)**	(37)
At end of period / year	**-**	31

14. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2012 £'000	2010 £'000
Investment at cost at 1 January	**211**	211
Additional investment at cost	**246**	-
Impairment of the investment in subsidiary undertakings	**(457)**	-
At end of period / year	**-**	211

The investment in subsidiary undertakings relates to the Company's wholly owned subsidiary Evolution Securities (US) Inc, a company incorporated in United States of America During the period, trading ceased in this subsidiary and the recoverable amount of the investment was deemed to be £nil Therefore the balance was written down to £nil and a charge of £457k (2010 £nil) was recognised in the Income Statement

15. LOAN TO SUBSIDIARY

	2012 £'000	2010 £'000
At 1 January	**1,291**	1,243
FX translation	**(42)**	48
Impairment of the loan	**(1,249)**	-
At end of period / year	**-**	1,291

The $2m loan was granted by the Board in 2009 and related to ESUS, the Company's wholly owned subsidiary

During the period, it was recognised that ESUS, which had ceased trading during the period, had insufficient resources to repay the loan to the Company The loan was therefore fully forgiven and a £1,249,000 charge recognised in the Company's Income Statement

16. TRADE AND OTHER RECEIVABLES

	2012 £'000	2010 £'000
Current		
Trade receivables	**992**	1,232
Less provision for impairment of trade receivables	**(617)**	(275)
Trade receivables – net	**375**	957
Counterparty receivables	**60**	56,121
Amounts owed by group undertakings	**551**	170
Other receivables	**617**	4,295
Prepayments and accrued income	**8**	2,170
	1,611	63,713

16. TRADE AND OTHER RECEIVABLES (continued)

The opening provision for impairment of trade receivables was £275,000 (2010 £227,000), with a net debit to the Income Statement of £342,000 for the provision of bad and doubtful debts in the current period (2010 debit of £257,000) This has resulted in a closing provision for impairment of receivables of £617,000 (2010 £275,000)

The opening provision for impairment of counterparty receivables was £nil (2010 £nil) and in the period £nil of the provision was utilised (2010 £nil) No credits or charges were taken to the Income Statement (2010 £nil) This has resulted in a closing provision for impairment of counterparty receivables of £nil (2010 £nil)

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 £'000	2010 £'000
At 1 January	**503**	597
Disposals	**(883)**	(134)
	(380)	463
Revaluation surplus recognised	**380**	40
At end of period / year	-	503
Available for sale investments include the following:		
Listed securities		
- Equity securities – UK	-	428
Unlisted securities		
- Equity securities – UK	-	75
	-	503

All available-for-sale positions that had a non-zero value were sold during the period to Guinness Mahon & Co Limited, a subsidiary of IBP, which in turn is a subsidiary of the Ultimate Parent Company, at fair value

18. TRADING PORTFOLIO ASSETS

	2012 £'000	2010 £'000
Long positions in market-making and dealing operations at fair value	-	20,064
Options and warrants received in lieu of corporate finance income	-	248
Derivative forward contracts arising from non-regular way trades	-	88
	-	20,400

All trading portfolio assets were sold by the Company to IBP, a subsidiary of the Ultimate Parent Company, in January 2012 at fair value

The nominal value (based on the exercise price) of options and warrants held at 31 March 2012 was £nil (2010 £1,267,000)

19. CASH AND CASH EQUIVALENTS

	2012 £'000	2010 £'000
Cash and cash equivalents		
Cash at bank and in hand	-	11,640
Short term bank deposits	11,657	31,300
	11,657	42,940

Cash at bank includes £nil (2010 £312,000) received in the course of settlement of client transactions, which is held in trust on behalf of clients, but may be utilised to settle outstanding transactions

20 TRADE AND OTHER PAYABLES

	2012 £'000	2010 £'000
Counterparty payables	**21**	60,887
Amount owed to group undertaking	**312**	2,905
Other payables	**66**	282
Accruals and deferred income	**1,177**	9,906
	1,576	73,980

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

21 TRADING PORTFOLIO LIABILITIES

	2012 £'000	2010 £'000
Short positions in market making and dealing operations	-	2,920
Derivative forward contracts arising from non-regular way trades	-	3,213
	-	6,133

All trading portfolio liabilities were sold by the Company to IBP, a subsidiary of the Ultimate Parent Company, in January 2012 at fair value

22. LOAN FROM PARENT COMPANY

	2012 £'000	2010 £'000
Loan from the Immediate Parent Company	**20,000**	20,000
Loan repayments	**(20,000)**	-
At end of period / year	-	20,000

In March 2010 the Company borrowed £20m from The Evolution Group Plc, the Immediate Parent Company The loan had no fixed maturity date and bore an interest at a rate of 5% per annum The loan was repaid in full during the period

23. SHARE CAPITAL

	2012 £'000	2010 £'000
Authorised:		
Class A ordinary shares 12,300,000 (2010 4,800,000) of £1 each	**12,300**	4,800
Allotted, called up and fully paid:		
A ordinary shares 8,943,314 (2010 1,443,314) of £1 each	**8,943**	1,443
Authorised:		
Class B ordinary shares 40,000 (2010 40,000) of £0 10 each	**4**	4
Allotted, called up and fully paid:		
Class B ordinary shares 31,800 (2010 31,600) of £0 10 each	**3**	3

Terms of share capital

The holder of each class A ordinary share is entitled to one vote on a poll The holders also have the right to receive dividends and the right to participate on a return of capital

The class B ordinary shares were awarded from June 2010 onwards under the Evolution Securities Limited 2010 Growth Share Ownership Plan ("GSOP") The holder of class B ordinary shares is entitled to one vote, irrespective of the number of B shares held

24. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating loss to net cash inflow from operating activities

Cash generated from operations	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Operating loss	**(30,077)**	(3,435)
Adjustments for		
Amortisation of intangible assets	**114**	195
Impairment of intangible assets	**3,110**	-
Impairment of investment in subsidiaries	**457**	-
Impairment of sub-loan	**1,291**	-
Impairment of available-for-sale investments	**-**	51
Share options (credit) / charge	**(448)**	1,534
Net profit on disposal of available-for-sale financial assets	**(415)**	(2)
Shares received in lieu of fee	**-**	(281)
Foreign exchange gain on cash and cash equivalents	**(79)**	(190)
Exchange rate difference on investment in subsidiary	**6**	(8)
	4,036	1,299
Changes in working capital		
Decrease in trade and other receivables	**3,830**	6,629
Decrease in trade and other payables	**(10,088)**	(12,902)
(Decrease) / increase in net market counterparty payables	**(4,806)**	4,538
Decrease / (increase) in net trading portfolio positions	**15,018**	(3,843)
	3,954	(5,578)
Cash generated from operations	**(22,087)**	(7,714)

25. CAPITAL COMMITMENTS AND CONTINGENCIES

In the ordinary course of business the Company has given letters of indemnity to clients in respect of lost share certificates Although the contingent liability arising from these cannot be precisely quantified, it is not believed to be material By the end of May 2012, there were no outstanding letters of indemnity in the Company's name against the company's clients

26. LEASE COMMITMENTS

The leases on the Company's main premises were in the name of Evolution Group Services Limited ('EVGS"), a related company, details of which can be seen in the Financial Statements of that company EVGS recharges the Company for use of these premises

27 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of the Immediate Parent Company which in turn is a wholly owned subsidiary of the Ultimate Parent Company, the consolidated Financial Statements of which are publicly available

A related party transaction is defined as a transfer of resources, services or obligations between related parties, regardless of whether a price is charged

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 15 months ended 31 March 2012

27. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties

i) Intra-group trading and balances

During the period the following transactions took place with other Group companies

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Amount received from Guinness Mahon & Co Limited in relation to sale of available-for-sale instruments as detailed in note 17	**883**	-
Amount received from IBP in relation to the sale of positions from the Company to IBP	**7,209**	-
Commission paid to Evolution Securities China Limited on Corporate Finance transactions	**(95)**	(140)
Net commission to Williams de Broe Limited	**(12)**	(35)
Net commission from / (to) Darwin Strategic Limited	**13**	(118)
	7,998	(293)

The following table shows the balances owed to or by other Group undertakings at period / year end

	2012 £'000	2010 £'000
Evolution Securities US, Inc	**9**	115
Williams de Broe Limited	**482**	45
IBP	**(10)**	-
Darwin Strategic Limited	**8**	4
The Evolution Group Plc	**(311)**	(21,231)
Evolution Group Services Limited	**51**	(1,674)
WDB Capital Limited	-	6
	229	(22,735)

The balance against The Evolution Group Plc in 2010 includes the £20m loan payable to the Evolution Group Plc as detailed in note 22 This loan was paid back in full during the period

Interest is charged daily on any borrowing at base rate plus 5% For the period ended 31 March 2012 the Company paid £1,107,000 (2010 £807,000) in interest charges

In addition the Company, by virtue of it being a subsidiary of The Evolution Group Plc, transacts routinely with the Group service company, Evolution Group Services Limited ("EVGS") As a result all accounts payable, payroll, operating lease charges, depreciation and other similar operating expenses are settled by EVGS with subsequent intercompany recharging as a matter of course

Investec Plc, the Ultimate Parent Company, and its subsidiaries became related parties to the Company once the purchase of the Immediate Parent Company and its subsidiaries was finalised in December 2011

All principal trading and sales activity were sold in January 2012 from the Company to IBP at fair value as detailed in notes 18 and 21

All available for sale and equity option positions were sold at fair value to subsidiaries of the Ultimate Parent Company as detailed in note 17

The Ultimate Parent Company purchased £3 5m of the Company's deferred tax assets during the period at fair value

As at 31st March 2012, there were no commitments involving related parties

27. RELATED PARTY TRANSACTIONS (continued)

ii) Key management compensation

The compensation paid to key management is detailed below Key management are defined as the directors of the Company The aggregate emoluments of the directors of the Company computed in accordance with IAS 24 are shown below

	Period ended 31/03/2012 £'000	Year ended 31/12/2010 £'000
Salaries and short term employee benefits	**379**	597
Termination benefits	**232**	-
Share option expense	**668**	-
	1,279	597

The termination benefits consist of payment in lieu of notice, ex-gratia and accumulated holiday pay for two of the three directors who resigned from the Company during the period

The share option expense resulted from the exercise of share options upon the resignation of three directors during the period

iii) Dealings with Directors

Other than the dealings referred to above there are no other dealings the Company had with companies in which any of the key management, or persons connected to them, is a Director

iv) Fixed assets

The Company pays interest to Evolution Group Services Limited in respect of fixed assets which are used by the Company and owned by Evolution Group Services Limited The interest paid for fixed assets during period was £39,000 (2010 £41,000)

28 EMPLOYEE SHARE SCHEMES

Movements in the number of share options related to employees of the Company and their weighted average exercise prices are as follows

	2012		2010	
	Average exercise price (pence per share)	Outstanding options	Average exercise price (pence per share)	Outstanding options
At 1 January	1 08	4,236,684	1 06	5,810,877
Granted	1 00	6,430,359	1 00	2,580,719
Exercised	1 00	(5,008,911)	1 00	(2,159,244)
Forfeited	1 00	(5,658,132)	1 00	(1,995,668)
At end of period / year	-	-	1 08	4,236,684

As at 31 March 2012, there are no share options within the Company

In December 2011, all remaining share options were lapsed or exercised when The Evolution Group Plc was delisted following its takeover by Investec Plc For those share options that were converted on takeover, the Remuneration Committee of the Board applied the discretion given to it by the share scheme rules to provide employees with Evolution share awards on a pro rata basis The pro-rating was based on the period from the grant date of the original share award to the takeover date versus the total share deferral period, which was usually three years These share awards were then simultaneously converted into an equivalent value of Investec Plc shares after exercise

The weighted average market value of the shares granted during the period was £0 78 (2010 £1 21)

28 EMPLOYEE SHARE SCHEMES (continued)

The weighted average market value of the shares exercised during the period was £0 78 (2010 £1 28)

The overall weighted average life of the remaining options is nil years (2010 7 9 years)

All options had a life from grant of 10 years

Options under the share incentive schemes were valued using a Black-Scholes model adjusted for dividends according to those declared by the Parent company The Company estimated the number of options likely to vest and expensed that value over the relevant period Since the options granted were granted at an exercise price of 1 penny, they were effectively treated as share awards and hence volatility was not considered a significant influence on the valuation of awards

In the case of awards of call rights, which have an exercise price of 1 penny per ordinary share, the fair value was based on the market value at the time of grant discounted by the dividend yield over the expected life

The share options outstanding at the end of the period have a weighted average exercise price and expected remaining life as follows

	2012			2010		
Range of exercise prices (pence)	Number of share options	Weighted average exercise price	Weighted average expected remaining life	Number of share options	Weighted average exercise price	Weighted average expected remaining life
1 00	-	-	-	4,223,409	1 00	7 90
27 00	-	-	-	13,275	27 00	2 26
	-			4,236,684		

The Evolution Group Plc 2002 Executive Share Incentive Plan

The Board of the Immediate Parent Company approved this plan on 13 March 2002 and it was approved by shareholders on 10 October 2003

Eligibility
Any Director of the Company, or a Group Company, and any employee of the Company, or a Group Company, may be invited to participate in the plan

Nature of the plan
The plan provided for participants to be awarded shares in the Company at their nominal cost Subject to achievement of performance criteria, awards of shares converted into call rights over such shares The plan was operated in conjunction with an employee benefit trust

Performance criteria
From January 2006, following the review by the Remuneration Committee, it was concluded that the sole general criteria should be that of continued satisfactory employment within a Group Company

Call rights
For all awards prior to 8th July 2011 After achievement of the performance criteria and vesting of the award, a call right is granted to the individual exercisable, subject to continued satisfactory employment, within ten years of the date of the original award

For awards on or after 8th July 2011, the call right was issued upon the granting of the award
The modification of the call right issuance process did not affect the accounting for the share scheme because the scheme rules allow this

Scheme limits
The number of shares, which may be issued to satisfy awards under this plan, was limited to 10% of the issued share capital of the Company from time to time

28. EMPLOYEE SHARE SCHEMES (continued)

Options granted
At 31 March 2012, awards and call rights over nil shares (2010 4,223,409) were outstanding at an exercise price of 1 penny

The Evolution Group Plc 2001 Executive Share Option Scheme

Shareholders approved this scheme on 21 June 2001

Eligibility
Any Director who is required to devote the whole or substantially the whole of his working time to the service of the Company, or a Group company, and any employee of the Company, or a Group company, was eligible to be invited to participate in either Ordinary or Super options

Option price
The exercise price was determined by the directors but could not, unless approved by ordinary resolution of the shareholders be less than the greater of nine-tenths of the market value of the share at the date of the grant and the nominal value of a share

Performance criteria
From January 2006, following the review by the Remuneration Committee, it was concluded that the sole general criteria should be that of continued satisfactory employment within a Group company

Exercise of options
An option may not be exercised later than the tenth anniversary after the date of grant The earliest date of exercise was generally two years after the date of grant for Ordinary options and three years after the date of grant for Super options

Scheme Limits
The overall limit on the number of shares which may be issued to satisfy Ordinary options is 10% of the issued share capital and for Super options, is 5% of the issued share capital of the Parent company

Options granted
At 31 March 2012 nil Ordinary options (2010 nil) and nil Super options, with an exercise price of 27 pence (2010 13,275) were outstanding

2010 Growth Share Ownership Plan ("GSOP")

This plan was approved by shareholders of The Evolution Group Plc on 22 January 2010 at a General Meeting of the Company

The number of shares to be issued for the purpose of the GSOP was limited to 40,000 B shares in the Company The maximum number of shares that could be acquired by any participant was 4,300 B shares

Senior employees of the Company, including directors of those companies, were eligible to be invited to participate in the Plan

Nature of Plans
The plans provided for participants to invest in the future capital growth of the relevant subsidiary by purchasing B class shares ("B shares") in the relevant subsidiary These B shares entitled the participants to benefit from a proportion of any future growth in the value of the subsidiary above a threshold level and could have been converted into either cash or ordinary shares of the Parent Company

Performance criteria
Value could only be realised through the capital growth of the relevant subsidiary Additional performance conditions that must be met include measures of profit before tax, return on capital and cash compensation ratios within the relevant subsidiary

Additionally, the satisfactory employment by the individual within the Group throughout the period following grant of an award was required The earliest possible vesting date of the B shares was 25 March 2013

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 15 months ended 31 March 2012

28 EMPLOYEE SHARE SCHEMES (continued)

Awards granted
During the period, 200 of the Company's B shares were granted (2010 31,600)

Awards forfeited
If employees ceased employment with the Company before the vesting date, they were deemed to be "Bad Leavers" and thus forfeited all GSOP shares

Payments that had been made by employees for 22,354 of the 31,800 B shares issued at £40 each, totalling £894,000 were forfeited by "Bad Leavers "

Awards repaid
Where employees were considered as "Good Leavers," principally through redundancy, they were eligible for recovering the portion of their GSOP investment that had yet to lapse

Payments that had been made by employees for 9,446 of the 31,800 B shares issued at £40 each, totalling £378,000 were recovered by "Good Leavers "

29. ULTIMATE HOLDING COMPANY

The immediate Parent Company is The Evolution Group Plc, a company incorporated in Great Britain and registered in England and Wales Evolution Securities Limited statutory Financial Statements are available from The Secretary, 2 Gresham Street, London, EC2V 7QP The ultimate holding company and controlling party is Investec Plc, a company incorporated in the U K Copies of the Investec Plc statutory Financial Statements are available from the Investec website, www investec co uk