

**Company Number: 3454743**

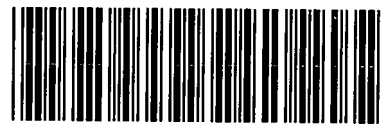
**THE LINK ASSET AND SECURITIES COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2014**

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# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Directors' Report for the year ended 31 March 2014**

Company Number: 3454743

The directors present their directors report and the audited financial statements of The Link Asset and Securities Company Limited (the 'Company') for the year ended 31 March 2014.

### **PRINCIPAL ACTIVITY**

The Company's principal activity continues to be that of arranging and executing trades in cash equities and equity derivatives between market counterparties. The Company is regulated by the Financial Conduct Authority. It is anticipated that the Company will continue its present business activities next year.

The Company is incorporated and domiciled in England and Wales. The registered office is 2 Broadgate, London, EC2M 7UR.

### **DIVIDENDS**

No dividends (2013: £3,000,000) were paid during the year.

### **DIRECTORS**

The directors of the Company, who held office during the year and up to the date of signing the financial statements were:

G Stewart	
D Casterton	(resigned 1 June 2013)
G Smith	
V Cruwys	(resigned 13 September 2013)
S Wren	(resigned 1 June 2013)
N Dargan	(appointed 1 June 2013)
J Scard-Morgan	(appointed 23 September 2013)

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Directors' Report for the year ended 31 March 2014**

Company Number: 3454743

### **POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events which require separate disclosure.

### **INDEPENDENT AUDITORS**

The Company's incumbent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed reappointed in the next financial year.

### **PROVISION OF INFORMATION TO THE AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been approved by the board of directors and signed by order of the board:



N Dargan  
Director

24 June 2014

# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Strategic Report for the year ended 31 March 2014**

The directors present their strategic report and the audited financial statements of The Link Asset and Securities Company Limited (the 'Company') for the year ended 31 March 2014.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The directors consider that the year end financial position was satisfactory and do not anticipate any changes to the principal activities.

The Company principally comprises equity derivatives. There was a general improvement in activity levels where increased market volatility created more arbitrage opportunities for banks, in particular from IDB/ADR products. Trading in single stock equity derivatives reduced due to the challenging trading conditions across the market.

The business has been restructured to better align with the customer base, deliver efficiency gains and enhance the flexibility of the cost base. The business is gradually being concentrated amongst the larger competitors.

### **RESULTS**

The results of the Company are set out in the profit and loss account on page 7.

The profit for the financial year of £1,287,000 (2013: loss of £836,000) has been transferred to reserves.

The net assets of the Company are £39,220,000 (2013: £30,433,000).

### **EXCEPTIONAL ITEMS**

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Company's results. These are shown as 'exceptional items' on the face of the profit and loss account.

No exceptional costs were incurred by the Company in the current year. As a result of the cost reduction programme announced in May 2012, the Company recognised staff termination costs of £619,000 during the prior year.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's risk profile and financial risk management policies are disclosed in note 2 to the financial statements.

# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Strategic Report for the year ended 31 March 2014**

### **KEY PERFORMANCE INDICATORS**

The directors of ICAP plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key performance indicators of ICAP plc, which includes the Company, are discussed on page 20 of the Group's annual report, which does not form part of this report.

The Company's return on assets, calculated as net profit divided by net assets is 3%.

This report has been approved by the board of directors and signed by order of the board:



N Dargan  
Director

24 June 2014

# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Independent Auditors' Report to the members of The Link Asset and Securities Company Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit/loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by The Link Asset and Securities Company Limited, comprise:

- the profit and loss account for the year ended 31 March 2014;
- the statement of total recognised gains and losses for the year ended 31 March 2014;
- the balance sheet as at 31 March 2014;
- the statement of changes in equity as at 31 March 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

# **THE LINK ASSET AND SECURITIES COMPANY LIMITED**

## **Independent Auditors' Report to the members of The Link Asset and Securities Company Limited**

- 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.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

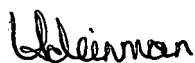
### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, 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 ISAs (UK & 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.



**Lisa Kleinman (Senior Statutory Auditors)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 June 2014**

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Profit and Loss Account for the year ended 31 March 2014

	<u>Note</u>	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
<b>Turnover</b>		24,106	23,834
Administrative expenses		(22,224)	(24,153)
Other operating expenses	8	(130)	(220)
Exceptional items	5	-	(619)
<b>Operating profit/(loss)</b>	4	<u>1,752</u>	<u>(1,158)</u>
Interest receivable and similar income	9	40	143
Interest payable and similar charges	10	(1)	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>1,791</u>	<u>(1,015)</u>
Tax on profit / (loss) on ordinary activities	11	(504)	179
<b>Profit/(loss) for the financial year</b>		<u><u>1,287</u></u>	<u><u>(836)</u></u>

The profit of the Company for the year is derived from continuing operations.

The notes on pages 11 to 25 are an integral part of these financial statements.



# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2014

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
<b>Profit/(loss) for the financial year</b>	1,287	(836)
<b>Total recognised gains and losses relating to the year</b>	<u>1,287</u>	<u>(836)</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

Balance Sheet as at 31 March 2014

Company Number: 3454743

	<u>Note</u>	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
<b>Fixed assets</b>			
Deferred tax asset	12	25	36
		<u>25</u>	<u>36</u>
<b>Current assets</b>			
Debtors	13	2,306,410	389,166
Tax receivable		-	191
Restricted funds		8,306	4,574
Cash at bank and in hand	14	20,016	18,734
		<u>2,334,732</u>	<u>412,665</u>
Creditors: amounts falling due within one year	15	(2,295,037)	(382,268)
Tax payable		(500)	-
		<u>(2,295,537)</u>	<u>(382,268)</u>
<b>Net current assets</b>		<u>39,195</u>	<u>30,397</u>
<b>Net assets</b>		<u>39,220</u>	<u>30,433</u>
<b>Capital and reserves</b>			
Called up share capital	16	7,629	129
Profit and loss account		11,891	10,604
Other reserves		19,700	19,700
<b>Total shareholders' funds</b>		<u>39,220</u>	<u>30,433</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 7 to 25 were approved by the board of directors on 24 June 2014 and were signed on its behalf by:

  
N Dargan  
Director

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Statement of Changes in Equity as at 31 March 2014

	<u>Called up</u> <u>share</u> <u>capital</u> <u>(note 16)</u> <u>£'000</u>	<u>Other</u> <u>reserves</u> <u>£'000</u>	<u>Profit</u> <u>and loss</u> <u>account</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
As at 1 April 2012	129	19,700	14,440	34,269
Loss for the year	-	-	(836)	(836)
Dividends paid in the year (note 17)	-	-	(3,000)	(3,000)
As at 31 March 2013	<u>129</u>	<u>19,700</u>	<u>10,604</u>	<u>30,433</u>
Profit for the year	-	-	1,287	1,287
Issue of ordinary shares	7,500	-	-	7,500
As at 31 March 2014	<u>7,629</u>	<u>19,700</u>	<u>11,891</u>	<u>39,220</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

### Called up share capital

The balance classified as called up share capital includes the nominal value of the proceeds on issue of the Company's called up share capital, comprising £0.01 ordinary shares.

### Other reserves

The other reserves relate to a capital contribution reserve.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 1. PRINCIPAL ACCOUNTING POLICIES

#### a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act) as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The following disclosure exemptions have been adopted:

- comparatives for tangible and intangible fixed asset reconciliations;
- cash flow statements;
- key management compensation; and
- related party transactions between wholly owned group companies.

The financial statements have been prepared on a going concern basis.

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Company's results. These are shown as 'exceptional items' on the face of the profit and loss account.

#### b) Turnover

Turnover comprises commission from the Company's agency business and brokerage from matched principal transactions.

##### Matched principal business

The Company is involved as principal in the purchase and simultaneous commitment to sell securities and other financial instruments between third parties. Turnover is generated from the difference between the purchase and sale proceeds and is recognised in full at the time of the simultaneous commitment by the counterparties to sell and purchase the financial instrument.

##### Agency business (name give-up transactions)

The Company acts in a non-advisory capacity to match buyers and sellers of financial instruments and raises invoices monthly for the service provided. The Company does not act as principal and only receives and transmits orders between counterparties. Turnover is stated net of rebates and discounts, value added tax and other sales taxes and is recognised in full on the date of the trade. Amounts receivable at the year end are reported as agency trade debtors within debtors (note 13).

#### c) Pension costs

Certain of the Company's employees participate in a Group defined contribution pension scheme operated by ICAP plc. The Company's contributions to the scheme are charged to the profit and loss account on an accruals basis.

#### d) Borrowing costs

All borrowing costs are expensed as interest payable and similar charges in the profit and loss account using the applicable effective interest rate.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### e) Tax

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current and deferred tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted by the balance sheet date.

Deferred tax is recognised using the liability method, in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the tax bases of the assets and liabilities. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the period in which a reassessment of the liability is made.

#### f) Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken directly to reserves. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

#### g) Financial assets

Financial assets are classified as "available-for-sale" or "loans and receivables" on initial recognition.

**Available-for-sale:** available-for-sale financial assets are debt and equity non-derivative financial assets and are initially recognised at fair value. Any subsequent changes in fair value are recognised directly in equity. When an investment is disposed of or is determined to be impaired, any cumulative gain or loss previously recognised in equity is transferred to the profit and loss account. For equity financial assets, where the fair value cannot be reliably measured, the assets are held at cost less any provision for impairment. These assets are generally expected to be held for the long term and are included in non-current assets. Assets such as shares or seats in exchanges, cash-related instruments, and long-term equity investments that do not qualify as associates or joint ventures are classified as available-for-sale.

**Loans and receivables:** loans and receivables are non-derivative financial instruments which have a fixed or easily determined value. They are recognised at cost, less any provisions for impairment in their value. These assets are included in debtors (note 13).

Financial assets not held at fair value are impaired where there is objective evidence that the value may be impaired. The amount of the impairment is calculated as the difference between carrying value and the present value of any expected future cash flows, with any impairment being recognised in the profit and loss account. Subsequent recovery of amounts previously impaired are credited to the profit and loss account.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### h) Matched principal business

The Company is involved as principal in the purchase and simultaneous commitment to sell securities and other financial instruments between third parties. Such trades are complete only when both sides of the transaction are settled and therefore the Company is exposed to risk in the event that one side of the transaction remains unsettled. Substantially all the transactions settle within a short period of time on a delivery versus payment basis and, as such, the settlement risk is considered to be low. All amounts due to and payable by counterparties in respect of matched principal business are shown gross as matched principal trade debtors and matched principal trade creditors except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

#### i) Debtors

Debtors are recognised at cost less provision for impairment.

#### j) Intercompany netting

All UK Group companies are party to a netting agreement and balances have been netted within, and between, debtors and creditors.

#### k) Debt provisioning

Provisions are made for specific debts when it is considered that the creditworthiness of the debtor has deteriorated such that the recovery of all or part of a debt is in serious doubt.

A provision is made in respect of potential losses which are judged to be present in debtor balances at the balance sheet date, but which will not be identified as such until some time in the future. The level of provision is based upon the previous experience of such losses in the Company and is reviewed on a periodic basis. The appropriateness of the provision is periodically assessed against any actual losses that have arisen. All provisions are recorded within administrative expenses in the profit and loss account.

#### l) Cash at bank and in hand

Cash at bank and in hand comprise cash on hand, overdrafts and demand deposits and other short-term highly liquid investments which are subject to insignificant risk of change in value and are readily convertible into a known amount of cash with less than three months maturity.

#### m) Client money

The Company holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority. Since the Company is not beneficially entitled to these amounts, they are excluded from the balance sheet along with the corresponding liabilities to clients.

#### n) Share capital

Ordinary shares are classified as equity. Dividends are recognised as deductions from the profit and loss account in the period in which they are declared.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 2. FINANCIAL RISK MANAGEMENT

#### *Financial risk factors*

The Company's activities expose it to a variety of financial risks, including liquidity, interest rate, currency and credit risk. The overall financial risk management framework, strategy and policies of the Company are determined by the board of its ultimate parent company, ICAP plc. It does this through the Group Risk and Capital Committee, and also by regional and market risk committees. The Company does not manage its own financial risk framework.

#### *Financial assets and liabilities*

The Company's financial assets are classified as loans and receivables. None of the Company's financial liabilities are held for trading.

The financial assets can be reconciled as follows:

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
<b>Financial assets</b>		
Cash at bank and in hand	28,322	23,308
Debtors	2,306,410	389,166
<i>Less</i>		
Prepayments	(33)	(62)
	<u>2,334,699</u>	<u>412,412</u>

#### *Market risk*

##### Foreign exchange risk

The Company is exposed to both transactional and translational fluctuations in the value of financial instruments due to exchange rate movements.

Transactional exposure arises from administrative and other expenses and remittance of funds in currencies other than the Company's functional currency (sterling), principally United States dollars and euros. Whilst it is the Group policy to hedge such foreign exchange movements using derivative financial instruments at a Group level, the Company remains exposed to these risks.

Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into sterling. The Group hedges up to 100% of its translational exposure at a Group level, but the Company is exposed to the impact of exchange rate movements.

It is estimated that a 10 cent increase in the exchange rates of the United States dollar and the euro would have an unfavourable impact of £43,000 and a favourable impact of £9,000 (2013: £203,000 favourable impact of euro) respectively on the Company's profit and loss account and reserves.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 March 2014:

	<u>USD</u> £'000	<u>EUR</u> £'000	<u>Other</u> £'000	<u>GBP</u> £'000	<u>Total</u> £'000
<b>Assets</b>					
Cash at bank and in hand	655	106	-	27,561	28,322
Debtors less prepayments	90,473	1,026,852	951,289	237,763	2,306,377
	<u>91,128</u>	<u>1,026,958</u>	<u>951,289</u>	<u>265,324</u>	<u>2,334,699</u>
<b>Liabilities</b>					
Creditors	(90,407)	(1,026,840)	(948,671)	(229,119)	(2,295,037)
	<u>(90,407)</u>	<u>(1,026,840)</u>	<u>(948,671)</u>	<u>(229,119)</u>	<u>(2,295,037)</u>
<b>Net assets</b>	<u>721</u>	<u>118</u>	<u>2,618</u>	<u>36,205</u>	<u>39,662</u>

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 March 2013:

	<u>USD</u> £'000	<u>EUR</u> £'000	<u>Other</u> £'000	<u>GBP</u> £'000	<u>Total</u> £'000
<b>Assets</b>					
Cash at bank and in hand	11	453	-	22,844	23,308
Debtors less prepayments	72	269,298	105,705	8,102	383,177
Other financial assets	-	-	-	5,927	5,927
	<u>83</u>	<u>269,751</u>	<u>105,705</u>	<u>36,873</u>	<u>412,412</u>
<b>Liabilities</b>					
Creditors	-	(267,058)	(105,542)	(9,668)	(382,268)
	<u>-</u>	<u>(267,058)</u>	<u>(105,542)</u>	<u>(9,668)</u>	<u>(382,268)</u>
<b>Net assets</b>	<u>83</u>	<u>2,693</u>	<u>163</u>	<u>27,205</u>	<u>30,144</u>



# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate risk

The Company's interest rate risk arises from cash at bank and in hand where changes in market rates can have an adverse impact on cash flows and income streams. Interest rate risk is monitored at a Group level by the Group Risk and Capital Committee. In terms of cash and other interest bearing investments, the Company must comply with the Group Investment Policy. Limits are in place to restrict the amount that can be invested at one institution and all investments must be credit rated AA or above and be for less than 18 months, unless approved by the Group Risk and Capital Committee.

As at 31 March 2014 there were no instruments with a contracted maturity or re-pricing date in excess of 18 months.

The Company estimates that an increase of 1% in interest rates would have an impact of £293,000 (2013: £215,000) on the Company's profit and loss account and reserves.

The Company's interest rate profile as at 31 March 2014 was as follows:

	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	<u>Total</u> £'000
<b>Assets</b>				
Cash at bank and in hand	-	11,340	16,982	28,322
Debtors less prepayments	2,306,377	-	-	2,306,377
	<u>2,306,377</u>	<u>11,340</u>	<u>16,982</u>	<u>2,334,699</u>
<b>Liabilities</b>				
Creditors	(2,295,037)	-	-	(2,295,037)
	<u>(2,295,037)</u>	<u>-</u>	<u>-</u>	<u>(2,295,037)</u>

The Company's interest rate profile as at 31 March 2013 was as follows:

	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	<u>Total</u> £'000
<b>Assets</b>				
Cash at bank and in hand	-	16,501	6,807	23,308
Debtors less prepayments	389,104	-	-	389,104
	<u>389,104</u>	<u>16,501</u>	<u>6,807</u>	<u>412,412</u>
<b>Liabilities</b>				
Creditors	(382,268)	-	-	(382,268)
	<u>(382,268)</u>	<u>-</u>	<u>-</u>	<u>(382,268)</u>

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below shows the effective interest rate for each relevant category of financial asset and liability.

	Year ended 31/03/2014		Year ended 31/03/2013	
	<u>Fixed</u>	<u>Variable</u>	<u>Fixed</u>	<u>Variable</u>
	%	%	%	%
Cash at bank and in hand	0.53	-	0.75	-

#### Price risk

The Company is exposed to price risk when one or both counterparties in a matched principal or stock lending transaction fail to fulfill their obligations, through trade mismatches or other errors. Risk is restricted to short term price movements in the underlying stock held.

Unmatched transactions are identified and monitored on a daily basis. The Group has policies and procedures in place to reduce the likelihood of such situations but should they arise, the policy is to close out positions immediately or, with Senior Management approval, to carry them with an appropriate hedge in place.

The Company expects that movement in the price of assets and liabilities in matched principal transactions will not have a material effect on the profit and loss account of the Company.

#### *Credit risk*

Credit risk arises from the potential that a counterparty is unable or unlikely to perform on an obligation resulting in a loss for the Company. The Company's exposure to credit risk is limited since it acts as an intermediary whereby business is transacted on an agency basis. All counterparties are subject to regular review and assessment by regional credit officers and credit limits are set and approved by the appropriate credit committee as overseen by the Group Risk and Capital Committee. Limits are set based on Group parameters determining the maximum loss any one company (within the Group) can suffer as a result of counterparty default. Typically the Company's counterparties are highly credit rated large financial institutions.

The Company has no significant concentrations of credit risk and the maximum exposure is limited to debtors, other than matched principal trade debtors (note 13). In a matched principal transaction there is a simultaneous commitment by the counterparties to sell and purchase a financial instrument and so credit exposure is limited to the net of matched principal trade debtors and creditors.

#### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the Company can meet all present and future financial obligations as they fall due and comply with regulatory requirements. The Group Risk and Capital Committee monitors free cash resources ensuring that all companies within the Group maintain sufficient resources to finance their operations and that all investments comply with the Group Investment Policy. This dictates borrowing and investing limits based on an institution's credit rating and the nature of financial instruments that can be held.

The Company's exposure to liquidity risk is not significant.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following tables show the maturity of the Company's liabilities as at 31 March 2014 and 2013:

	On demand	Less than 3 months	3 months to 1 year	More than 1 year	Total
<b>31 March 2014</b>	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
Creditors	-	(2,292,346)	(2,691)	-	(2,295,037)
	<u>-</u>	<u>(2,292,346)</u>	<u>(2,691)</u>	<u>-</u>	<u>(2,295,037)</u>

	On demand	Less than 3 months	3 months to 1 year	More than 1 year	Total
<b>31 March 2013</b>	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
Creditors	(29)	(378,494)	(3,745)	-	(382,268)
	<u>(29)</u>	<u>(378,494)</u>	<u>(3,745)</u>	<u>-</u>	<u>(382,268)</u>

#### *Fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial instruments are determined as per the Company's accounting policies.

As at 31 March 2014 there are no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (2013: none).

#### *Capital management*

The Company is regulated on a stand-alone basis by the Financial Conduct Authority under the EU Capital Requirements Directive and is subject to an investment firm consolidation waiver. Capital is managed on a Group basis, please refer to ICAP plc financial statements for further disclosure. Copies of the consolidated financial statements of ICAP plc can be obtained from the Company Secretary, ICAP plc, 2 Broadgate, London, EC2M 7UR.

### 3. KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities.

As at 31 March 2014 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements. None of these items give rise to a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 4. OPERATING PROFIT / (LOSS)

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
Operating profit / (loss) is stated after charging:		
Wages & salaries and social security costs (note 6)	14,763	15,750
Other staff costs	92	142
Staff costs	<u>14,855</u>	<u>15,892</u>
Services provided by the company's auditor:		
- Fees payable for the audit	34	39

The remainder of the administrative expenses primarily relate to intercompany recharges in relation to a service agreement.

The Company's administrative expenses includes auditors' remuneration in respect of statutory audit in the UK of £ 34,000 (2013: £ 39,000) and costs paid in relation to a Save-As-You-Earn (SAYE) share option scheme of £ 23,000 (2013: £ 34,000) for options over ordinary shares in ICAP plc, the Company's ultimate parent company.

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of its parent, ICAP plc, include these fees on a consolidated basis.

### 5. EXCEPTIONAL ITEMS

No exceptional costs were incurred by the Company in the current year. As a result of the cost reduction programme announced in May 2012, the Company recognised staff termination costs of £619,000 during the prior year.

### 6. SALARY AND PAYROLL COSTS

Staff costs borne by the Company and included within the management recharge comprise:

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
Employee costs:		
Wages and salaries	13,079	13,989
Social security costs	1,677	1,758
Other pension costs	7	3
	<u>14,763</u>	<u>15,750</u>

The monthly average number of persons employed by the Company during the year was 42 (2013: 47).

All staff costs were borne by a fellow subsidiary company of ICAP plc and were charged to the Company by way of Group management charges.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 7. DIRECTORS' REMUNERATION

Remuneration payable to the directors in respect of their services to the Company was as follows:

	<u>Year ended</u> <u>31/03/2014</u>		<u>Year ended</u> <u>31/03/2013</u>	
	Total £'000	Highest paid director £'000	Total £'000	Highest paid director £'000
Aggregate emoluments	1,028	893	1,298	1,065
Contributions to defined contribution pension schemes	4	-	1	-
	<u>1,032</u>	<u>893</u>	<u>1,299</u>	<u>1,065</u>

As at 31 March 2014, retirement benefits are accruing to 1 director (2013: no directors) under defined contribution schemes sponsored by ICAP plc.

### 8. OTHER OPERATING EXPENSES

This represents exchange differences arising on transactions in foreign currencies during the year and on the translation at the balance sheet date of assets and liabilities denominated in foreign currencies.

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
Bank deposits	40	127
Other interest receivable	-	16
	<u>40</u>	<u>143</u>

### 10. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
Bank loans and overdrafts	1	-
	<u>1</u>	<u>-</u>

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 11. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>Year ended</u> <u>31/03/2014</u> £'000	<u>Year ended</u> <u>31/03/2013</u> £'000
a) Analysis of charge/ (credit) for the year		
Current tax:		
UK Corporation tax	500	(191)
Adjustments in respect of prior years	(7)	3
	<u>493</u>	<u>(188)</u>
Deferred tax:		
Deferred tax (note 12) - current year	10	7
Adjustments in respect of prior years (note 12)	1	2
	<u>11</u>	<u>9</u>
	<u>504</u>	<u>(179)</u>
b) Factors affecting the tax charge/ (credit) for the year		
Profit/(loss) on ordinary activities before tax	<u>1,791</u>	<u>(1,015)</u>
Profit/ (loss) before tax multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	412	(244)
Effects of:		
Expenses not deductible for tax purposes	94	60
Adjustments in respect of prior years – current tax	(7)	3
Adjustments in respect of prior years – deferred tax	1	2
Impact of change in rate for deferred tax	4	-
	<u>92</u>	<u>65</u>
Tax charge/ (credit) for the year	<u>504</u>	<u>(179)</u>
Effective tax rate	28%	-

Legislation to reduce the main rate of Corporation Tax from 23% to 21% from 1 April 2014 was included in the Finance Act 2013. Further reductions to the main rate have been enacted reducing it to 20% by 1 April 2015. As these latter changes have been substantially enacted at the balance sheet date they are therefore included in the tax charge. Deferred tax will unwind at a rate of 21% in the period to 31 March 2015 but this is not expected to have a material impact on the deferred tax balances.

Under Capital Requirements Regulation (Regulation 575/2013) and the Capital Requirements Directive (2013/36/EU) (together "CRD IV"), no additional disclosures are made as the required information is already disclosed within these financial statements.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 12. DEFERRED TAX ASSET

The deferred tax asset was as follows:

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
Capital allowances	25	36
	<u>25</u>	<u>36</u>
	<u>2014</u> £'000	<u>2013</u> £'000
At beginning of the year	36	45
Transferred to the profit and loss account (note 11)	(11)	(9)
As at 31 March	<u>25</u>	<u>36</u>

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 13. DEBTORS

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
<b>Current</b>		
Matched principal trade debtors	2,292,367	378,442
Agency trade debtors	5,347	4,732
Provision for impairment	(3)	(2)
<b>Net trade debtors</b>	<u>2,297,711</u>	<u>383,172</u>
Amounts owed by Group companies	8,664	5,927
Prepayments and accrued income	33	62
Other tax and social security	2	5
	<u>2,306,410</u>	<u>389,166</u>

Matched principal transactions are those where the Company acts as principal in the simultaneous commitment to sell securities between third parties. Such trades have no contractual settlement date and are complete only when both sides of the transaction are settled. Substantially all matched principal debtors settle within a short period of time, usually within three days of trade date.

The majority of net trade debtors which are neither impaired nor past their normal settlement dates are held with high quality credit institutions.

As at 31 March the following trade debtors were past their normal settlement date, but had not been impaired:

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
Less than 30 days	2,250	3,201
Over 30 days, but less than 90 days	2,297	810
Over 90 days, but less than 180 days	254	632
Over 180 days	543	-
	<u>5,344</u>	<u>4,643</u>



# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 14. CASH AT BANK AND IN HAND

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
Cash at bank and in hand	241	861
Short-term bank deposits	19,775	17,873
	<u>20,016</u>	<u>18,734</u>
Restricted funds	8,306	4,574
	<u>28,322</u>	<u>23,308</u>

The effective interest rates are disclosed in note 2.

The short-term bank deposits have a maturity of less than 30 days.

Restricted funds are comprised of cash held with clearing houses, or a financial institution providing the Company with access to a clearing house, and funds set aside for regulatory purposes, but excluding client money. The funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash.

### 15. CREDITORS

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
<b>Amounts falling due within one year</b>		
Matched principal trade creditors	2,292,346	378,440
Amounts owed to Group companies	-	29
Other creditors	-	54
Accruals	2,691	3,745
	<u>2,295,037</u>	<u>382,268</u>

### 16. CALLED UP SHARE CAPITAL

	<u>As at</u> <u>31/03/2014</u> £'000	<u>As at</u> <u>31/03/2013</u> £'000
<b>Allotted and fully paid:</b>		
762,919,372 Ordinary share(s) of £0.01 each (2013: 12,919,372)	7,629	129
	<u>7,629</u>	<u>129</u>

On 12 July 2013 the Company issued 750,000,000 ordinary £0.01 shares at par to its immediate parent.

# THE LINK ASSET AND SECURITIES COMPANY LIMITED

## Notes to the financial statements for the year ended 31 March 2014

### 17. DIVIDENDS

	<u>Year ended</u> <u>31/03/2014</u>	<u>Year ended</u> <u>31/03/2013</u>
	£'000	£'000
Dividend paid of nil p per share (2013: 2322.09 p per share)	-	3,000
	<u>-</u>	<u>3,000</u>

### 18. GUARANTEES AND CONTINGENT LIABILITIES

On 7 June 2007, the Company granted a fixed and floating charge in favour of the Bank of New York over all the Company's assets under their control in respect of a Securities Clearing Agreement.

### 19. ULTIMATE PARENT COMPANY

#### Parent company

The Company's immediate parent is ICAP Holdings (UK) Limited, which does not prepare consolidated financial statements.

The Company's ultimate parent is ICAP plc, which is incorporated in England and Wales, and heads the largest group of companies of which the Company is a member. ICAP plc prepares consolidated financial statements in accordance with IFRS and copies may be obtained from the Company Secretary, ICAP plc, 2 Broadgate, London, EC2M 7UR.