R P Martin Holdings Limited
Annual Report & Accounts 2013

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Reg No. 06453866

Contents

R P Martin is a wholesale money-broker providing access for its blue chip customer base to the international currency and capital markets.

Highlights of the year

- >> Maintained market share in core IDB business
- >> Continuing challenging market conditions
- >> Continuing uncertainty over the regulatory landscape
- >> Continued growth in non-banking client base
- >> Growing co-operation and co-ordination of overseas businesses
- >> New Group wide integrated operational management structure
- >> Cost savings delivered with the closure and reorganisation of loss making areas
- >> Investment in systems and processes to meet the changing regulatory environment

The oldest existing money-broker in the world, R P Martin operates in the inter-dealer broking market in over-the-counter ("OTC") products.

Who we are and what we do

R P Martin is a wholesale money-broker providing access for its blue chip customer base to the international currency and capital markets. It acts as an intermediary in over the counter ("OTC") markets. OTC refers to a market in which equity and money market instrument transactions are conducted through a telephone and computer network rather than on the floor of an exchange.

R P Martin brings together buyers and sellers of bonds, currency and financial derivatives, transacting business on behalf of market participants. R P Martin does not take principal positions and its revenue is primarily commission based. While the majority of R P Martin's customers are banks and other financial institutions, the Group also provides broking services to local government, other public bodies and corporates.
R P Martin provides a confidential service where its customers discuss sensitive information relating to particular products, trade sizes and trading limits openly with R P Martin brokers.

R P Martin's subsidiaries include Martin Brokers (UK) Limited and MBG Europe Limited (formerly Trio Equity Derivatives Limited) of the UK, which are regulated by the Financial Conduct Authority.

Split of activities:

>> **Forward foreign exchange:** varying maturities of trades in all leading currencies versus other major and minor currencies and emerging markets currencies.
>> **Money markets:** fixed and floating rate products, both cash and derivatives of varying maturities in Sterling and other major currencies.
>> **Other activities:** includes the R P Martin overseas businesses, its equity derivatives broking activity and a number of other activities, including fixed income.

Statement of underlying EBITDA

Profit and loss account

	Reference	2013 £000s	Unaudited 2012 £000s
Operating (loss)/profit before interest (see page 13)		**(7,211)**	**183**
Goodwill amortisation and writedowns (see note 3)		3,566	2,261
Depreciation (see note 11)		513	735
EBITDA	1	**(3,132)**	**3,179**
Exceptional costs:			
Reorganisation costs		1,617	830
Legal fees relating to exceptional costs		4	55
Exceptional VAT income		-	(43)
Market investigation costs		2,882	1,172
Dutch crisis tax		392	233
Board restructure		2,561	-
Other costs outside the normal course of business:			
Aborted acquisition costs		-	29
Annual costs of contract extensions	2	1,460	1,589
Redundancy costs		-	180
Losses relating to closed businesses	3	1,008	829
Adjusted EBITDA		**6,792**	**8,053**

Reference:

1. Earnings before interest tax, depreciation and amortisation
2. Contract extensions agreed in the period September - December 2010
3. This relates to the losses incurred in 2013 on businesses committed to be closed in the year

Strong in particular niches in the forward foreign exchange, capital and equity markets, R P Martin competes successfully with the major international broking organisations.

Strategic report

This year's annual report highlights the performance of the Group, the strategic issues facing the Group and the actions taken to mitigate the impact of market and regulatory conditions in 2013.

Results
Turnover was £57.6m (2012: £67.6m) and gross profit £56.6m (2012: £66.7m).

The reduction in revenue was in part offset by group-wide restructuring activities. This resulted in an operating profit before goodwill amortization and exceptional items costs decreased to £3.8m (2012: £4.7m). Underlying profitability of the business as measured by the adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) amounted to £6.8m (2012: £8.1m); please see the table on page 7 for details.

Operating loss after goodwill amortisation and exceptional costs was £7.2m (2012: profit £0.2m). Exceptional costs which were primarily of a non-recurring nature amounted to £7.5m (2012: £2.2m). They were largely one-off costs, details of which are provided in note 3 on page 21.

Net interest payable was £1.4m (2012: £4.8m). The reduction was due to changes to the deep discount bond as described within note 16. Loss before tax was £8.6m (2012: loss £4.6m). Loss after tax was £10.7m (2012: loss £5.5m).

Cash inflow from operating activities was £0.9m (2012: £4.3m). Net debt increased by £2.2 to £37.2m (2012: increased by £6.2m to £35m).

The directors do not recommend a dividend in respect of the year ended 30 September 2013 (2012: £nil).

Business overview
The Group has experienced significant change this year, and management has sought to mitigate the decline in revenue, through a comprehensive restructuring of the Group. Key events impacting the Group were:

>> In May 2013, the Board instigated a change in the Group management team. Further to this change, the incoming management team led a comprehensive group-wide restructure.

>> Regulatory uncertainty and economic conditions have adversely affected the markets in which the Group operates. The effect of this was to depress market volumes.

>> The market share in the Company's core IDB market has increased, reflecting the robustness of the relationships with market participants.

>> The market investigations (Yen-LIBOR) that Martin Brokers (UK) Ltd was subject to were concluded in May 2014. These investigations required a significant amount of management attention and incurred material legal costs.

Trading
The key features of the year were:

>> maintaining market share of forward foreign exchange activity;
>> compression in commission rates in forward foreign exchange;
>> continuing growth and expansion in our fixed income offering;
>> challenging market conditions in our money markets businesses;
>> greater development and growth of our non-banking customer base;
>> further cost savings delivered following the closure of loss making areas and the reorganisation of money markets areas; and
>> additional investment in staff, systems and processes to meet the changing regulatory environment.

In the year the company both extended the maturity of the deep discount bond payable to its institutional shareholder Gresham Private Equity and agreed more favourable interest terms; see note 16 on page 27. In April 2014 Gresham sold its investment to Stephen Welch, the Group CEO and Chairman.

"As a result of our restructuring and investment the Group is well placed to meet the challenges it faces and to continue to exploit commercial opportunities as they arise."

Board and governance

During 2013 the Board was restructured with the previous executive board members and the Chairman resigning. The board now comprises three executives including the Chairman. The Group is looking to expand this to include appropriate non-executive directors. Corporate governance measures appropriate to a private company are enforced. We operate an audit as well as a remuneration committee and have established a risk/regulatory committee.

Key performance indicators

The Group considers the key performance indicators to be:

>> **Revenue**
Reduced due to market conditions from £67.6m in 2012 to £57.6m; a drop of 14.8%. This reflects effects of commission compression as well as market volume reducing. Our core IDB market share was maintained and our overall performance in unprecedented poor market conditions compared favourably to other market participants.

>> **Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (adjusted EBITDA)**
As a measure of underlying cash generation, EBITDA reduced from £8.1m in 2012 to £6.8m in 2013.

>> **Revenue per staff number**
This indicator measures the average per capita revenue and provides a measure of the Group' s utilization of a key resource and its principal cost. For 2012 the ratio was £0.22m whilst for 2013 the ratio was £0.21m. This indicates that despite the fall in revenue the Group has reacted promptly to contain its costs.

Employees and customers

We would like to thank our employees and customers for their continuing support especially in such difficult times. The continuing success of our business is built on the relationship between our staff, management and customers.

Strategy, outlook and challenges

Our strategy for the development of the company comprises a number of key elements which include:

>> strengthening our market position in existing product areas through staff retention, training and selective recruitment;
>> leveraging business opportunities from our growing non-banking client base;
>> meeting the challenges of an evolving regulatory environment through further investment in infrastructure and training; and
>> managing costs to maintain profitability in challenging market conditions.

The outlook for the markets that the Group operates in poses significant challenges to the business as the markets continue to react to the ever evolving regulatory environment. The other major challenge to the Group is to engage with its stakeholders and backers whilst it rebuilds its financial position despite the market conditions whilst maintaining its control infrastructure.

After a difficult year we believe that, as a result of the actions taken in 2013, the Group is well placed to meet the challenges it faces and to exploit commercial opportunities as they arise.

Stephen Welch
Chairman

30th July 2014.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2013.

Principal activities
R P Martin Holdings Limited, Company number 06453866 is a holding Company. The principal activity of the Group is money-broking.

Business review
The directors consider both the level of business during the year and the year end financial position to be disappointing despite market conditions. Refer to the strategic statement and strategic review for further information and including key performance indicators. The results of the year are dealt with in the consolidated profit and loss account on page 13 and the retained loss of £10.7m (2012: loss £5.5m) is transferred to reserves. Retained result for the Company for the year to 30 September 2013 was a loss of £0.7m (2012: profit £nil). The Group settles its creditors within normal payment terms.

Principal risks and uncertainties
The board has taken overall responsibility for the Group's approach to assessing risk and recognises that creating value is the reward for taking and accepting risk. Executive management implements the board's policies on risk and control.

The Group's financial assets and liabilities mainly comprise trade and other receivables, cash at bank, trade and other payables, bank loans and a subordinated loan from its private equity shareholder.

The Group's current principal risk is to maintain its relationship with its major liquidity providers which provide the majority of its core capital. Management devote a lot of resource to ensuring that this capital is available to the Group as required. A more detail explanation is provided with note 1 on page 18.

The other main operational risks are:

Credit risk: Management has a credit risk policy in place and the Group's exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over an agreed amount. The Group does not require collateral in respect of financial assets. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, principally trade and other receivables.

Liquidity risk: The Group manages its liquidity on a central basis to the extent that it can. Its ability to do so is restricted by the need to comply with the requirements of the local regulators within the jurisdictions that the Group operates from. The liquidity risk is that the Group's individual operations suffer from a liquidity deficit due to local conditions and the inability of the Group to transfer liquidity freely within it. The Group works hard to mitigate this risk through the use of regular liquidity forecasts in the form of weekly reports specific to liquidity constrained divisions as well as forecasting surplus liquidity pools elsewhere within the Group.

Economic and market risk: The economic environment impacts the performance of the Group's businesses in terms of both turnover and costs. Through the development of products and services, the Group works to ensure that value is delivered to its customers. The Group works hard to mitigate the impact of competition and external cost pressures on its customers' and the Group's overall profitability, through the management of its operating platform and infrastructure.

Regulatory risk: The Group operates in highly regulated global markets. This means that it has to comply with multiple different regimes. The effect of failing to comply can have a dramatic effect on the Group. The Group therefore has a strategy of ensuring compliance through:
- >> Ensuring adequate compliance resources exist whether through internal staff or using external experts
- >> Strengthening the control environment through additional measures such as internal audit and additional systems
- >> Regular and appropriate training for its staff to ensure high levels of compliance knowledge
- >> Active and open engagement with its regulators

International operations: The Group operates in a number of international markets. Our strategy is to expand our international operations and we continually review all relevant local business requirements to ensure appropriate policies and controls are implemented.

Further information on the Group's risk management framework can be found within the Group's Pillar 3 disclosures found on the website; www.martin-brokers.com

Proposed dividend
During the year, the Company did not pay an interim dividend (2012: £nil). The directors do not recommend the payment of a final dividend (2012: £nil).

Directors

The directors who held office during the year and since the year end were as follows:

David Caplin	(resigned 28 June 2013)
Alan Farnan	(resigned 3 July 2013)
Jeremy Kraft	(resigned 26 March 2013)
Gregory O'Higgins	(resigned 25 July 2013)
David Callear	(resigned 31 October 2012)
Ken Lawrence	(resigned 07 February 2014)
Stephen Welch	(appointed 1 November 2012)
Simon Hemley	(appointed 28 November 2012) (resigned 13 March 2014)
Dean Barry	(appointed 31 August 2013)
Eamonn Bradley	(appointed 26 March 2013)
Stephen Jack	(appointed 8 October 2013) (resigned 12 March 2014)

Directors shareholdings

On the 29th April 2014 Stephen Welch acquired 93.4% of the voting rights of the Company.

Political and charitable contributions

The Group made no political contributions (2012 £nil). Donations to UK charities during the period amounted to £4,924 (2012: £9,250).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006 the auditors will be deemed to have been reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board

Eamonn Bradley, Director

Cannon Bridge, 25 Dowgate Hill, London EC4R 2BB

30th July 2014

Statement of directors' responsibilities

in respect of the directors' report and the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

>> select suitable accounting policies and then apply them consistently;

>> make judgments and accounting estimates that are reasonable and prudent;

>> state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

>> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent 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 have general responsibility for such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of R P Martin Holdings Limited

We have audited the financial statements of R P Martin Holdings Limited for the year ended 30 September 2013 set out on pages 13 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- >> give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2013 and of the Group's loss for the year then ended;
- >> have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- >> have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and parent Company's ability to continue as a going concern. The reliance on continued support from the Group's bank, and the ability of the Directors to manage the Group's operating costs relative to market conditions, together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the **Companies Act 2006**
In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- >> adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- >> the parent Company financial statements are not in agreement with the accounting records and returns; or
- >> certain disclosures of directors' remuneration specified by law are not made; or
- >> we have not received all the information and explanations we require for our audit.

Matthew Davies
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

30th July 2014

Consolidated profit and loss account

for the year ended 30 September 2013

		30 Sept 2013			30 Sept 2012		
	Note	Continuing £000's	Discontinued £000's	Total £000's	Continuing £000's	Discontinued £000's	Total £000's
Turnover	2	56,206	1,369	57,575	65,888	1,699	67,587
Cost of sales		(878)	(60)	(938)	(766)	(81)	(847)
Gross profit		55,328	1,309	56,637	65,122	1,618	66,740
Administrative costs		(57,131)	(3,151)	(60,282)	(61,687)	(2,609)	(64,296)
of which exceptional costs	*3b*	*(6,622)*	*(834)*	*(7,456)*	*(2,223)*	*(24)*	*(2,247)*
Operating (loss)/profit before amortisation of goodwill		(1,803)	(1,842)	(3,645)	3,435	(991)	2,444
Goodwill amortisation & write downs	10	(3,566)	-	(3,566)	(1,831)	-	(1,831)
Goodwill write off		-	-	-	(430)	-	(430)
Operating (loss)/profit before interest		(5,369)	(1,842)	(7,211)	1,174	(991)	183
Interest receivable and similar income	6			132			214
Interest payable and similar charges	7			(1,505)			(5,038)
Loss on ordinary activities before tax				(8,584)			(4,641)
Tax on loss on ordinary activities	8			(2,146)			(906)
Retained loss for the financial year				(10,730)			(5,547)
Minority share of retained subsidiary results	25			-			-
Retained loss for the financial year attributable to shareholders				(10,730)			(5,547)

There is no difference between the results disclosed above and their historic cost equivalents.

Consolidated balance sheet

at 30 September 2013

	Note	2013 £000s	2012 £000s
Fixed assets			
Intangible assets	10	21,356	24,487
Tangible assets	11	1,005	886
Investment in associate	13	-	-
		22,361	25,373
Current assets			
Debtors	14	8,108	11,273
Cash at bank and in hand		9,176	12,926
		17,284	24,199
Creditors: amounts falling due within one year	15	(14,901)	(13,129)
Net current assets		2,383	11,070
Total assets less current liabilities		24,744	36,443
Creditors: amounts falling due after more than one year	16	42,741	45,278
Provisions for liabilities and charges	17	3,386	2,080
Equity minority interests	25	2	2
		46,129	47,360
Capital and reserves			
Called up share capital	18	3,447	3,492
Share premium	19	82	82
Capital redemption reserve	19	48	3
Other reserves	19	(7,918)	(7,918)
Profit and loss account	19	(17,044)	(6,576)
Shareholders' deficit		(21,385)	(10,917)
		24,744	36,443

These financial statements were approved by the board of directors on 30th July 2014 and were signed on its behalf by:

Eamonn Bradley
Director

The notes on pages 18 to 35 form part of these accounts.

Company balance sheet

at 30 September 2013

	Note	2013 £000s	2012 £000s
Fixed assets			
Investment	12	-	9,071
		-	9,071
Current assets			
Debtors	14	4,583	4,873
Cash at bank and in hand	-	-	19
		4,583	4,892
Creditors: amounts falling due within one year	15	(5,770)	(5,265)
Net current liabilities		(1,187)	(373)
Provisions for liabilities and charges	17	(207)	-
Net (liabilities) / assets		(1,394)	8,698
Capital and reserves			
Called up share capital	18	3,447	3,492
Share premium	19	82	82
Capital redemption reserve	19	48	3
Profit and loss account	19	(4,971)	5,121
Shareholders' (deficit) / funds		(1,394)	8,698

These financial statements were approved by the board of directors on 30th July 2014 and were signed on its behalf by:

Eamonn Bradley
Director

Consolidated cash flow statement

for the year ended 30 September 2013

	Note	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Cash flow statement			
Cash flow from operating activities	22	899	4,288
Returns on investments and servicing of finance	23	(790)	(1,184)
Taxation		(1,676)	(2,243)
Capital expenditure and financial investment	23	(622)	(358)
Cash (outflow) / inflow before management of liquid resources and financing		(2,189)	503
Financing	23	(1,923)	(1,663)
Decrease in cash in the year	24	(4,112)	(1,160)
Reconciliation of net cash flow to movement in net debt	24		
Decrease in cash in the year		(4,112)	(1,160)
Decrease in debt financing		1,877	1,625
Change in net debt resulting from cash flow		(2,235)	465
Interest and redemption premium accrued but not paid		(306)	(6,153)
Finance leases		-	40
Translation differences		362	(577)
Movement in net debt in the year		(2,179)	(6,225)
Net debt at the start of the year		(35,000)	(28,775)
Net debt at the end of the year	24	(37,179)	(35,000)

The notes on pages 18 to 35 form part of these accounts.

Consolidated statement of total recognised gains and losses
for the year ended 30 September 2013

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Loss for the financial year	(10,730)	(5,547)
Foreign exchange translation differences on foreign currency investment in subsidiaries	450	(689)
Actuarial gain/(loss) recognised in the pension scheme (note 21)	180	(624)
Total recognised losses relating to the financial year	(10,100)	(6,860)

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2013

	Group Year ended 30 Sep 2013 £000s	Group Year ended 30 Sep 2012 £000s	Company Year ended 30 Sep 2013 £000s	Company Year ended 30 Sep 2012 £000s
Loss for the financial year	(10,730)	(5,547)	(9,724)	(30)
Other recognized gains/(losses) relating to the year	630	(1,313)	-	-
	(10,100)	(6,860)	(9,724)	(30)
Opening shareholders' (deficit)/funds	(10,917)	(4,057)	8,698	8,728
Shares purchased	(368)	-	(368)	-
Closing shareholders' (deficit)/funds	(21,385)	(10,917)	(1,394)	8,698

The notes on pages 18 to 35 form part of these accounts.

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern
The financial statements for R P Martin Holdings Limited have been prepared on the going concern basis, notwithstanding net current liabilities of £1,187,000 (2012: £373,000) and net liabilities of £1,394,000 (2012: net assets £8,698,000) in the Company balance sheet, as well as net liabilities in the consolidated balance sheet of £21,385,000 (2012: £10,917,000). The Group's material liabilities are bank borrowings of £18.5m (see notes 16 and 17) and a deep discount bond, presently held by Stephen Welch, of £30.2m (see note 28). The Directors have obtained reassurances from the Group's principal creditors and liquidity providers that they continue to support the Group and have no plans to withdraw their facilities (see note 16). The Group's liabilities have accumulated as a result of weaker than expected trading performance, reorganisation expenses, and costs incurred in defending and settling various LIBOR related investigations (see below).

The Group is involved in a market wide investigation into the setting of LIBOR and other interest rates, as well as being subject to uncertainties around the effect of future regulations in the market that the Group operates in. During December 2013 the Group settled with the European Commission for £0.2m. During May 2014 the Group settled with the FCA and CFTC for a total of £1.4m payable over 3 years. The Group also continues to respond to requests from various other regulators for documents and communications related to the process and procedures for setting LIBOR and other interest rates, together with related trading information. The Group is also named as a defendant, along with other banks and brokers, in a related US class action claim, which is at an early stage of the procedure. The Group believes that it is not practicable to determine the final outcome of this litigation or to provide an estimate of any potential financial impact on the Group.

As set out in note 16, in March 2014 the Group's bank agreed to defer principal repayments on the term loan together with formally suspending the covenant requirements on a temporary basis, following weak trading performance arising from adverse market conditions as well as to facilitate the payment of agreed exceptional costs. Similarly, the holders of the deep discount bond, formerly Gresham LLP and presently Mr S Welch, agreed to waiving all interest rights from November 2012 onwards and to extend the maturity of the bond as required by the business (see notes 16 and 27).

The Directors have been effective in managing the company's cost base relative to trading conditions and will continue to consider options including operational restructuring, refinancing and disposal of all or part of the business.

The Group manages its working capital requirements though a combination of cash reserves and facilities provided by the Lloyds Banking Group, that are due to mature in September 2016. The Directors have prepared forecasts including cash flow forecasts for the period to 30 September 2015. These forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. Stress testing on key assumptions has also been conducted, which shows that management actions will be required to manage costs and cashflows in the event that trading conditions further deteriorate. The Directors are confident that, based on their forecasts and their ability to manage costs, the Group's liquidity as well as its facility is adequate in all but the most unlikely circumstances with continuing bank support.

The Group relies on its banking facilities as part of its core capital to continue trading. The Group is discussing with its bankers amending some of the Group's banking facility's principal terms. Based on the assurances obtained above the Directors are not aware of any action by the bank to withdraw the facilities and they expect these to continue to be available for the period under review. The Directors acknowledge however that there is no certainty of this, nor of the Directors successfully managing costs to a sufficient extent in the event of materially adverse market conditions, without the continuing support of the Group's bank. In considering the risks described above, the Directors have concluded that a going concern basis is appropriate whilst acknowledging that these material uncertainties may cast significant doubt on the Group and the parent Company's ability to continue as a going concern. As discussed in auditing standards, the Group and the parent Company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business, but the financial statements do not include any adjustments that would result from these uncertainties crystallising.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The Group's business activities are set out in the strategic report on pages 8 and 9. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described within the financial statements.

An associate is an undertaking in which the Group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

The share for share exchange and the capital distribution have been accounted for using the merger method of accounting.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover principally comprises revenue earned from arranging business on a name passing basis and revenue earned from facilitating anonymous trading on a matched principal basis.

Arranging business

This is where the Group matches buyers and sellers of financial instruments. Once a transaction has been agreed with both parties the counterparty names are disclosed and the Group has no further involvement in the transaction. This turnover is recognised at the time the terms of the transaction are agreed. Settlement of the transaction is made between each client and any related brokerage commission is invoiced to each client at the end of the month.

Matched principal business

This is where the Group facilitates anonymous trading in cash products where the Group or, in most cases a clearer acting on the Group's behalf, take part in a matched transaction as principal. This turnover is recognised at the time the terms of the transaction are agreed. Settlement of the transaction is made between each client with the brokerage fee being incorporated in the all-in price passed to the client.

Cost of sales

Cost of sales represents payments made to third parties in relation to the outsourcing of broking services as well as settlement and clearing costs incurred by the Group in relation to its matched principal business.

Pension schemes

The Group operates a number of pension schemes covering the majority of the Group's employees. Contributions to defined contribution schemes are charged to the profit and loss account so as to represent the amount of the contributions payable to the scheme in respect of the accounting period. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The Group also operates a defined benefit scheme providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual installments over its estimated useful life, generally 20 years.

Goodwill is denominated in the currency of the subsidiary acquired.

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Investments

In the Company's financial statements investments in subsidiary undertakings, associates and joint ventures are stated at cost.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives, as follows:

Leasehold and improvements	- life of lease
Fixtures, fittings and equipment	- between three and five years

Foreign currencies

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves net of exchange differences arising on related foreign currency borrowings.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed, by the balance sheet date, except as otherwise required by FRS19.

1. Accounting policies *continued*

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are included in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Cash
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Interest-bearing borrowings
Immediately after issue debt is stated at cost. The interest calculated on the debt is charged at a constant rate on the carrying amount over the relevant period.

2. Segmental analysis

By region	Year ended 30 Sep 2013 Origin £000s	Destination £000s	Year ended 30 Sep 2012 Origin £000s	Destination £000s
Turnover				
United Kingdom	38,681	29,136	45,828	33,827
Europe	14,725	19,666	20,728	28,426
North America	-	3,630	235	3,617
Rest of world	4,169	5,143	796	1,717
Total	57,575	57,575	67,587	67,587

By business stream	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Turnover		
Forward foreign exchange	23,504	27,935
Money markets	12,463	14,219
Other activities	21,608	25,433
Total	57,575	67,587
Loss on ordinary activities before tax		
United Kingdom	(8,628)	(1,347)
Europe	474	2,762
North America	(13)	(397)
Rest of world	1,013	(590)
	(7,154)	428
Interest on borrowings	(1,430)	(5,069)
Total	(8,584)	(4,641)
Net (liability)		
United Kingdom	10,248	22,479
Europe	14,218	15,346
North America	(1,735)	(1,727)
Rest of world	959	97
	23,690	36,195
Borrowings net of finance costs (note 16)	(45,075)	(47,112)
Total	(21,385)	(10,917)

3. Loss on ordinary activities before taxation

a. Loss on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Fees payable to the Company's auditor for the audit of the Company's financial statements pursuant to legislation	5	5
Fees payable to the Company's auditors and its associates for other services:		
- the audit of the Company's subsidiaries, pursuant to legislation	132	111
- other services pursuant to such legislation	6	4
- other services relating to corporation tax	60	59
- other services relating to indirect tax	4	68
- other services	-	4
Fees payable to unassociated auditors in respect of overseas subsidiaries' regulatory requirement	10	21
Depreciation and other amounts written off tangible fixed assets (note 11):		
- owned	473	707
- leased	40	28
Amortisation of goodwill (note 10):		
- annual charge	1,816	1,831
- impairment of goodwill	1,750	430
Operating lease rentals:		
- premises	2,184	2,187
- fixtures and fittings	39	31

b. Exceptional costs/(credits):

	30 Sept 2013			30 Sept 2012		
	Continuing £000's	Discontinued £000's	Total £000's	Continuing £000's	Discontinued £000's	Total £000's
Reorganisation costs	783	834	1,617	806	24	830
Legal fees	4	-	4	55	-	55
VAT recoveries	-	-	-	(43)	-	(43)
Market investigation costs	2,882	-	2,882	1,172	-	1,172
Exceptional overseas payroll tax	392	-	392	233	-	233
Board restructure	2,561	-	2,561	-	-	-
Total	6,622	834	7,456	2,223	24	2,247

4. Remuneration of directors

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Directors' emoluments	2,008	1,724
Company contributions to money purchase pension schemes	80	78
Compensation for loss of office	1,404	-
	3,492	1,802

The emoluments of the highest-paid director were £482,937 (2012: £642,841) and company pension contributions of £50,000 (2012: 50,000) were made to a money purchase scheme on his behalf.

During the year, fees of £71,296 (2012: £71,296) were paid to Gresham LLP for the services of Ken Lawrence.

4. Remuneration of directors *continued*

	Number of directors 2013	Number of directors 2012
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	4

In 2011 Mr A Farnan received from the Group £400,000 in the form of a loan of which £203,000 was outstanding at the end of the year. *The loan incurs interest at 4%. The loan is being paid off as part of his severance package.*

5. Staff numbers and costs

The average number of persons (including directors) employed by the Group during the year, analysed by category, was as follows:

	Number of employees 2013	Number of employees 2012
Directors	5	5
Brokers	227	251
Administrative	44	46
	276	302

The aggregate payroll costs of these persons were as follows:

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Wages and salaries	32,745	38,821
Social security costs	4,054	4,688
Other pension costs	1,278	1,308
	38,077	44,817

6. Interest receivable and similar income

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Interest receivable	132	214
	132	214

7. Interest payable and similar charges

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
On bank loans and overdrafts	842	1,323
On all other loans	663	3,714
Leases and hire purchase contracts	-	1
	1,505	5,038

8. Tax

a. Analysis of charge in year:

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
UK corporation tax		
Current tax on income for the period	(95)	201
Adjustment in respect of prior periods	(160)	169
Total UK corporation tax	(255)	370
UK deferred tax		
Origination and reversal	-	(480)
Adjustment in respect of prior periods	2,261	(200)
Total UK deferred tax	2,261	(680)
Overseas tax charge for the year		
Current tax on income for the year	140	1,213
Deferred tax	-	3
Total overseas tax charge	140	1,216
Total tax charge for the year	2,146	906

b. Factors affecting the tax charge for the year:

The tax assessed for the year is higher (2012: higher) than that resulting from applying the average standard rate of corporation tax in the UK of 23.5% (2012: 25%).

The differences are explained below:

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Loss on ordinary activities before taxation	(8,584)	(4,641)
Tax credit at 23.5% (2012: 25%) thereon	(2,017)	(1,160)
Profit of overseas subsidiaries not charged for tax	(515)	(777)
Non-deductible expenses	618	969
Goodwill amortisation	838	624
Movement in short-term timing differences	4	358
Capital allowances in excess of depreciation	51	14
Tax rate change	12	173
Adjustment in respect of prior years	(170)	169
UK Tax losses carried forward	924	-
Overseas current tax charge	140	1,213
Total current tax	(115)	1,583

c. Factors affecting future tax charges:

The Chancellor announced the reduction in the main rate of corporation tax to 21% with effect from 1 April 2014 and a further reduction to 20% with effect from 1 April 2015. This will reduce the Company's future current tax charge accordingly and further reduce the unrecognised deferred tax asset in note 9.

9. Deferred tax

	Year ended 30 Sep 2013 £000s	Year ended 30 Sep 2012 £000s
Accelerated capital allowances	185	(14)
Adjustment relating to prior years	-	(200)
Other timing differences	2,077	(466)
Debit/(credit) to the profit and loss account in the period	2,262	(680)
Other movements - overseas deferred tax	-	3
Foreign exchange on above	-	(1)
Total movement on deferred tax	2,262	(678)

The deferred tax credit relates to the origination and reversal of timing differences.

The amount provided for deferred taxation at 20% (2012: 23%) is set out below:

	2013 £000s Recognised	2013 £000s Unrecognised	2012 £000s Recognised	2012 £000s Unrecognised
Accelerated capital allowances	-	106	185	-
Other timing differences	-	2,249	2,077	-
Unrelieved capital losses	-	734	-	998
Unrelieved trading losses	-	657	-	-
At 30 September (note 14)	-	3,746	2,262	998

In accordance with FRS 19 and after reviewing the UK sub-group performance the directors do not consider the deferred tax assets to be recoverable within the foreseeable future. Therefore the deferred assets brought forward have been written off.

10. Intangible fixed assets

Group	Goodwill £000s
Cost	
At 1 October 2012	35,583
Foreign exchange	557
30 September 2013	36,140
Amortisation	
At 1 October 2012	11,096
Charged in period	1,816
Write down of goodwill	1,750
Foreign exchange	122
30 September 2013	14,784
Net book value	
At 30 September 2013	21,356
At 30 September 2012	24,487

The directors review the goodwill valuations of the Group's subsidiaries and as a result decided to reduce the UK component of goodwill by £1,750,000.

11. Tangible fixed assets

Group	Assets Under Construction software £000's	Short leasehold land and buildings £000s	Fixtures, fittings and equipment £000s	Total £000s
Cost or valuation				
At 1 October 2012	-	845	8,634	9,479
Additions	189	8	435	632
Disposals	-	-	(978)	(978)
Foreign exchange	-	-	99	99
At 30 September 2013	189	853	8,190	9,232
Depreciation				
At 1 October 2012	-	659	7,934	8,593
Charge	-	51	462	513
Disposals	-	-	(967)	(967)
Foreign exchange	-	-	88	88
At 30 September 2013	-	710	7,517	8,227
NBV at 30 September 2013	**189**	**143**	**673**	**1,005**
NBV at 30 September 2012	-	186	700	886

Included in the total net book value ("NBV") of fixtures, fittings and equipment is £nil in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £40,664 (2012: £27,500).

12. Fixed asset investment

Company	2013 £000s
Cost of shares in subsidiary:	
At 1 October 2012	9,071
Write down of investment	(9,071)
At 30 September 2013	-

This refers to the purchase of the entire share capital of RPM Group Limited by way of a share for share exchange.

During the year the Directors reviewed the Company's investment in its subsidiary and as a result decided to provide for a reduction in it's value to nil.

The principal trading subsidiaries are included in the consolidated results and are set out below. The interests of the Group are held in ordinary shares, unless otherwise stated.

	Shareholding	Nature of business	Issued share capital	Regulated	Country of incorporation and operation
R P Martin Group Limited	100%	Investment holding company	£1	No	England & Wales
Martin Brokers Group Limited	100%	Service company	£3,500,000	No	England & Wales
Martin Brokers (UK)Limited	100%	Money-broking	£3,500,000	Yes	England & Wales
Trio Holdings Limited	100%	Investment holding company	£4,174,000	No	England & Wales
MBG Europe Ltd (formerly Trio Equity Derivatives Ltd)	100%	Money-broking	£875,000	Yes	England & Wales
R P Martin Stockholm AB	100%	Money-broking	SEK 1,500,000	Yes	Sweden
Wallich & Matthes BV	100%	Money-broking	€37,917	Yes	The Netherlands
Wallich & Matthes Dubai Limited	100%	Money-broking	$900,000	Yes	UAE

13. Investment in associate

The Group owns a 40% share of Norman Martin Brokers PVT Ltd, a company incorporated in India whose principal activity was money broking. Norman Martin Brokers PVT Ltd ceased trading in December 2010 and as a result the Group wrote down its investment to zero in the year to 30 September 2011.

There were no transactions with Normans Martin Brokers PVT Ltd during the year.

14. Debtors

	Group 2013 £000s	Group 2012 £000s	Company 2013 £000s	Company 2012 £000s
Trade debtors	5,243	6,172	-	-
Amounts owed by group undertakings	-	-	4,583	4,873
Prepayments and accrued income	1,457	1,821	-	-
Tax recoverable	1,064	57	-	-
Deferred tax assets (note 9)	-	2,262	-	-
Other debtors	344	961	-	-
	8,108	11,273	4,583	4,873

Included in deferred tax assets is an amount of £nil (2012: £1,631,000) recoverable after more than one year.

15. Creditors: amounts falling due within one year

	Group 2013 £000s	Group 2012 £000s	Company 2013 £000s	Company 2012 £000s
Bank loans and overdrafts	3,187	1,939	-	-
Amounts owed to group companies	-	-	5,224	5,224
Trade creditors	578	355	-	-
Taxation and social security	2,376	2,835	-	-
Other creditors	1,068	761	75	-
Accruals and deferred income	7,692	6,477	471	41
Corporation tax	-	762	-	-
	14,901	13,129	5,770	5,265

Included in bank loans and overdrafts are loans amounting to £2,625,000 less unamortised debt finance costs of £186,000.

16. Creditors: amounts falling due after more than one year

	Group 2013 £000s	Group 2012 £000s	Company 2013 £000s	Company 2012 £000s
Bank loans and overdrafts	12,404	15,363	-	-
Deep discount bond	30,232	29,810	-	-
Other creditors	105	105	-	-
	42,741	45,278	-	-

Bank loans and overdrafts are made up of loans amounting to £12,750,000 less unamortised debt finance costs of £346,000.

Analysis of debt:	Group 2013 £000s	Group 2012 £000s	Company 2013 £000s	Company 2012 £000s
Falling due				
- within one year	2,439	1,939	-	-
- within one and two years	3,064	2,439	-	-
- within two and five years	39,572	42,734	-	-
	45,075	47,112	-	-

Borrowings:

The maturity profile of borrowings is as follows:

	Bank loan £000s	Deep discount bond £000s	Total £000s	Less amortisation of debt finance costs £000s	Total borrowings £000s
- within one year	2,625	-	2,625	(186)	2,439
- within one and two years	3,250	-	3,250	(186)	3,064
- within two and five years	9,500	30,232	39,732	(160)	39,572
Total borrowings at 30 September 2013	15,375	30,232	45,607	(532)	45,075

All of the Group's borrowings are secured against the net assets of the company and its UK subsidiary undertakings, with the exception of bank accounts maintained for regulatory purposes.

The bank loan outstanding at the year end was at 4.25% above LIBOR. The company also has a rolling credit facility of £3.0m. This facility was utilised during the year.

On 30 June 2011 the bank exercised its warrants resulting in share capital increasing by £83,000 and as a result holds 2% of the company's share capital.

In March 2014 the bank agreed to defer principal repayments on the term loan together with suspending the covenant requirements on a temporary basis.

The deep discount bond was payable to a shareholder of the company, Barrington House Nominees Ltd, as nominee for the Gresham III Fund, on which interest is payable at 13% (10% of which is payable annually and 3% of which is rolled up into the capital balance) and is due in 2014. On 28 November 2012 the company agreed with the bond holder to extend the term to 2017, to take a 2.5 year interest holiday starting from 1 October 2012 and to reduce the interest payable for the remaining term to 10%. A further agreement on 13 September 2013 vary the terms as follows:

>> The accrued interest was capped at £10.2m for the duration of the bond and Gresham agreed to waive all interest rights from November 2012 onwards.

>> Gresham agreed to extend the maturity of the bond as required by the business.

The deep discount bond has a redemption premium of £4.5m. The company is amortising the cost of this premium over the period of the loan on a straight-line basis, assuming redemption in 2017, and the charge for the year is reported in interest payable and amounts to £284,000.

Stephen Welch acquired the share holdings and deep discount bond of Barrington House Nominees on the 29th April 2014 via a wholly owned company SNS Portfolio Limited. On acquisition of this investment Stephen Welch confirmed to the Board that the conditions of the bond as modified by Gresham remained in place.

16. Creditors: amounts falling due after more than one year *continued*

During the year, the Group amortised £282,180 (2012: £417,280) of debt finance costs through the profit and loss account. In addition in June 2011 £415,578 of debt finance costs relating to the previous loan facilities were written off in the prior year results as they were repaid early.

17. Provisions for liabilities and charges

Group	Pension 2013 £000s	Reorganisation 2013 £000s	Property 2013 £000s	Other 2013 £000s	Total 2013 £000s	Pension 2012 £000s	Reorganisation 2012 £000s	Property 2012 £000s	Other 2012 £000s	Total 2012 £000s
At 1 October	566	326	282	906	2,080	29	361	404	250	1,044
Amounts provided	-	33	-	2,466	2,499	558	334	-	656	1,548
Utilisation	-	(348)	-	(412)	(760)	-	(361)	-	-	(361)
Released during year	(191)	-	(282)	-	(473)	-	-	(122)	-	(122)
FX	28	12	-	-	40	(21)	(8)	-	-	(29)
At 30 September	403	23	-	2,960	3,386	566	326	282	906	2,080

Company	Other 2013 £000s	Total 2013 £000s	Other 2012 £000s	Total 2012 £000s
At 1 October	-	-	-	-
Amounts provided	207	207	-	-
Utilisation	-	-	-	-
At 30 September	207	207	-	-

Pension provision

Provision has been made for the Group's defined benefit pension scheme liability - see note 21.

Reorganisation provision

Provision has been made for the costs associated with the Group's reorganisation activities during the year. The provision amount at the end of the year relates to committed redundancy and associated closure costs.

Property provision

Provision had been made for the anticipated costs of dilapidations on vacating the premises at Cannon Bridge, 25 Dowgate Hill, London, EC4R 2BB. In determining the provision, these costs have been discounted using the weighted average cost of the Group's borrowings. During the year the Group negotiated and agreed with the landlord to replace the existing lease with a new lease extending the term, reducing the rent and removing the requirement to return the property to category A standard. The directors decided therefore that the dilapidation provision was no longer required. In May 2014 the documentation was finalized and signed. It came into effect from 29th September 2013.

Other provision

Provision was made for legal expenses and fines in relation to a market wide investigation. The Group continues to receive requests from various regulators investigating the setting of LIBOR and other interest rates. The authorities are seeking documents and communications related to the process and procedures for setting LIBOR and other interest rates, together with related trading information. In addition to co-operating with the investigations as described above, the Group is also keeping relevant regulators informed. As at December 2013 the Group received a fine of £206,000 from the European Commission. During May 2014 the Group received a fine from the CFTC and FCA of £1,400,000 payable over three years. The directors believe that the vast majority of the work relating to this investigation is now complete.

The Group has been named as a defendant in a class action in relation to LIBOR along with other parties including major international banks and brokers. It is too early to assess the likely costs of this and the Directors are reviewing a number of options therefore no amounts are provided for this.

18. Called up share capital

	Nominal value 2013 £000s	Nominal value 2012 £000s
Allotted, called up and fully paid		
59,650,000 (2012: 59,650,000) A ordinary shares of £0.0268 each	1,599	1,599
2,846,584 (2012: 2,846,584) A1 ordinary shares of £0.0001 each	-	-
38,122,500 (2012: 38,122,500) B ordinary shares of £0.0268 each	1,022	1,022
30,093,682 (2012: 31,725,500) C ordinary shares of £0.0268 each	807	850
9,722,850 (2012: 10,371,100) D ordinary shares of £0.002 each	19	21
	3,447	3,492

Class A and A1 shareholders have priority distribution rights over class B and C shareholders. Class A, A1, and B shareholders have voting rights; class C and D shareholders have no voting rights. Class B and C shareholders have priority distribution rights over class D shareholders.

During the year the following shares were purchased by the Company and placed into treasury:

>> 33,800,000 B ordinary shares for a cost of £338,000
>> 840,909 C ordinary shares at a cost of £8,500
>> 1,296,500 D ordinary shares at a cost of £2,593

19. Share capital and reserves

Group	Share capital £000s	Share premium £000s	Capital redemption £000s	Merger £000s	P&L £000s
At 1 October 2012	3,492	82	3	(7,918)	(6,576)
Loss for the financial year	-	-	-	-	(10,100)
Share movements: owned shares purchased	(45)	-	45	-	(19)
Share movements treasury shares purchased	-	-	-	-	(349)
At 30 September 2013	3,447	82	48	(7,918)	(17,044)

Company	Share capital £000s	Share premium £000s	Capital redemption £000s	P&L £000s
At 1 October 2012	3,492	82	3	5,121
Loss for the financial year	-	-	-	(9,724)
Share movements: owned shares purchased	(45)	-	45	(19)
Share movements treasury shares purchased	-	-	-	(349)
At 30 September 2013	3,447	82	48	(4,971)

20. Commitments

a. Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group 2013 £000s	Group 2012 £000s	Company 2013 £000s	Company 2012 £000s
Contracted	15	154	-	-
Authorised	102	-	-	-

b. Annual commitments under non-cancellable operating leases are as follows:
The company had no annual commitments under non-cancellable operating leases.

Group	2013 Land and buildings £000s	2013 Other £000s	2012 Land and buildings £000s	2012 Other £000s
Operating leases which expire:				
- within one year	56	15	30	7
- within one and five years	1,705	212	2,001	108
- over five years	-	-	-	-
	1,761	227	2,031	115

c. Other commitments:
Total guarantees to third parties are £124,000 (2012: £118,000).

21. Pension schemes

Defined contribution pension schemes
The Group operates several defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £1,061,000 (2012: £1,266,000).

Contributions amounting to £186,000 (2012: £159,000) were payable to the schemes and are included in creditors.

Defined benefit pension schemes
The Group operates several defined benefit schemes through one of its subsidiaries. These schemes are closed to new employees and the members of the scheme are no longer accruing benefits.

	Group 2013 £000s	Group 2012 £000s
Fair value of plan assets	1,916	1,477
Present value of funded defined benefit obligations	(2,319)	(2,043)
Net liability (note 17)	(403)	(566)

21. Pension schemes *continued*

Movements in present value of defined benefit obligation

	Group 2013 £000s	Group 2012 £000s
At 1 October	2,043	1,323
Current service cost	82	42
Interest cost	74	61
Actuarial loss	20	744
Exchange adjustments	100	(127)
At 30 September	2,319	2,043

Movements in fair value of plan assets

	Group 2013 £000s	Group 2012 £000s
At 1 October	1,477	1,294
Expected return on plan assets	37	45
Actuarial gain	200	120
Contributions by employer	130	125
Exchange adjustments	72	(107)
At 30 September	1,916	1,477

Expense recognised in the profit and loss account

	Group 2013 £000s	Group 2012 £000s
Current service cost	82	42
Interest on defined benefit pension plan obligation	74	61
Expected return on defined benefit pension plan assets	(37)	(45)
Total	119	58

The expense is recognised in the following line items in the profit and loss account:

	Group 2013 £000s	Group 2012 £000s
Administrative expenses	82	42
Other interest receivable and similar income	37	45
Interest payable and similar charges	74	61

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is a gain of £180,000 (2012: loss of £624,000).

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17 are a loss of £594,000 (2012: loss of £774,000). Company £nil (2012: £nil).

21. Pension schemes *continued*

The fair value of the plan assets and the return on those assets were as follows:

	Group 2013 £000s	Group 2012 £000s
Government debt	1,916	1,477
Actual return on plan assets	220	147

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	Group 2013 %	Group 2012 %
Discount rate	3.6	3.4
Expected rate of return on plan assets	3.6	3.4
Inflation assumptions	2.0	2.0
Future pension increases	2.0	2.0

In valuing the liabilities of the pension fund at 30 September 2013, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2013 would have increased by £67,936 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a further number of years as follows:

Current pensioner aged 65:21.7 (2012: 21.6) years (male), 23.4 (2012: 23.3) years (female).
Future retiree upon reaching 65: 23.4 (2012: 23.4) years (male), 24.4 (2012: 24.4) years (female).

History of plans
The history of the plans for the current and prior periods is as follows:

	Group 2013 £000s	Group 2012 £000s
Fair value of scheme assets	1,916	1,477
Present value of scheme liabilities	(2,319)	(2,043)
Deficit	(403)	(566)

Experience adjustments

	2013 £000s	%	2012 £000s	%
Experience adjustments on scheme liabilities (as a percentage of scheme liabilities)	115	(4.96)	14	(1.14)
Experience adjustments on scheme assets (as a percentage of scheme assets)	183	9.51	102	8.23

The Group expects to contribute approximately £113,000 (2012: £99,000) to its defined benefit plans in the next financial year.

22. Reconciliation of operating profit to operating cash flow

	Year to 30 Sep 2013 £000s	Year to 30 Sep 2012 £000s
Operating profit (page 13)	(7,211)	183
Less associate results	-	-
Depreciation and amortisation	4,079	2,988
Decrease in debtors	1,943	991
Increase/(decrease) in creditors	2,268	979
Exchange rate movements and other movements	(180)	(853)
Net cash inflow from operating activities	899	4,288

23. Analysis of cash flow

	2013 £000s	2012 £000s
Returns on investment and servicing of finance		
Interest received	132	214
Interest paid	(922)	(1,397)
Interest element of finance lease rental payments	-	(1)
	(790)	(1,184)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(622)	(358)
Financing		
Purchase of ordinary share capital	(46)	-
Debt due within one year:		
Increase in short-term borrowings	1,248	500
Debt due after more than one year:		
Decrease in secured loan repayable after more than one year after financing costs	(3,125)	(2,125)
Capital element of finance lease rental payments	-	(38)
	(1,923)	(1,663)

24. Analysis of net debt

	At beginning of year £000s	Cash flow £000s	Non-cash items £000s	Exchange £000s	At end of year £000s
Cash at bank and in hand	12,926	(4,112)	-	362	9,176
Overdraft	-	(748)	-	-	(748)
	12,926	(4,860)	-	362	8,428
Debt due within one year	(2,125)	-	(500)	-	(2,625)
Debt due after one year	(45,801)	2,625	194	-	(42,982)
Finance leases	-	-	-	-	-
Total net debt	(35,000)	(2,235)	(306)	362	(37,179)

25. Equity minority interests

Group	2013 £000s	2012 £000s
At 1 October and 30 September	2	2

26. Related party disclosures

Group
During the period to 30 September 2005, R P Martin Group Limited, a subsidiary undertaking, issued a deep discount bond to Barrington House Nominees Ltd, nominee for the Gresham III Fund, which is a collection of limited partnerships managed by Gresham LLP. £30,450,000 (2012: £29,926,000) of deep discount bond and rolled up interest was owed to Barrington House Nominees Ltd at 30 September 2013 (see note 16).

During the year, the Company paid Gresham LLP £nil (2012: £nil) for interest on the deep discount bond and £71,296 (2012: £71,296) for the services of Ken Lawrence, a non-executive director of the Company. Interest of £nil (2012: £ nil) was owed to Gresham LLP at 30 September 2013 as a result of the agreement executed on 28 November 2012 and amended on the 13 September 2013.

Company
During the year the Company received no dividends from its subsidiary, RPM Group Limited (2012: £nil). The Company also had some of its expenses paid for by Martin Brokers Group Limited, the Group service Company.

As at 30 September 2013 the company had the following balances outstanding with other Group companies:

		2013 £000s	2012 £000s
RPM Group Limited	- debtor	4,583	4,873
Martin Brokers Group Limited	- creditor	5,224	5,224

27. Post balance sheet events

The Group of which the company was a member was affected by a number of events after the year end date as follows:

LIBOR Investigation
>> In December 2013, as part of the LIBOR investigation the Group was fined €247,500 by the European Commission.
>> In May 2014 the Group entered a global agreement with the CFTC and the FCA which resulted in fines totalling £1.4m payable in quarterly instalments over three years.
These amounts have been provided for within note 17.

Ownership of the Group
In April 2014 Gresham entered into an agreement by which the Chairman, Stephen Welch, acquired the entire share capital held by Barrington House Nominees Limited via a company, SNS Investments Limited, fully owned as well as controlled by Mr Stephen Welch, being some 59.65m "A" shares. As part of this agreement the deep discount bond was also transferred to that company along with any security agreement attaching to that bond.

Cannon Bridge House
Prior to the year end an agreement was reached with the landlord to surrender the existing lease held by Trio Holdings Limited and replace it with one held by RP Martin Holdings Limited. The new lease has these terms:
>> Expiry date 18 years with a break clause at 13 years.
>> 2 year rent free period.
>> Initial rent £925,335 per year.
>> The lease came into effect on 29th September 2013.

Bank term loan

In March 2014 the bank has agreed to modify the term loan conditions as follows:

>> To defer the March 2014 and June 2014 term principal repayments.

>> To defer the March 2014 and June 2014 covenant calculations.

28. Ultimate holding company

As at 30 September 2013 93% of the voting rights of the Company were held by Barrington House Nominees Ltd on behalf of investors in the Gresham III Fund. The Gresham III Fund is managed by Gresham LLP.

Stephen Welch acquired the share holdings of Barrington House Nominees on the 29th April 2014 via a wholly owned Company, SNS Portfolio Limited.