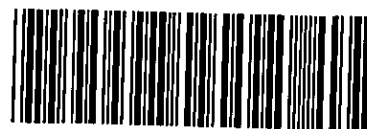


**COMPANY REGISTRATION NUMBER: 2011009**

**IPGL LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

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**OFFICERS AND PROFESSIONAL ADVISERS**

<b>DIRECTORS</b>	M A Spencer - Chairman D Kelly - Chief Executive D M Gelber J Courtenay-Stamp M Wreford
<b>SECRETARY</b>	B R Ally
<b>REGISTERED OFFICE</b>	Park House 16 Finsbury Circus London EC2M 7EB
<b>BANKERS</b>	Barclays Bank Plc 1 Churchill Place London E14 5HP  Royal Bank of Scotland Plc 280 Bishopsgate London EC2M 4RD  HSBC Plc 8 Canada Square London E14 5HQ  Lloyds TSB Plc 25 Gresham Street London EC2V 7HN
<b>AUDITORS</b>	Nexia Smith & Williamson LLP Portwall Place Portwall Lane Bristol BS1 6NA
<b>SOLICITORS</b>	Macfarlanes 10 Norwich Street London EC4A 1BD

**REPORT OF THE DIRECTORS**

The Directors submit their report and financial statements for the year ended 31 March 2008.

**PRINCIPAL ACTIVITY**

The principal activity of the Company itself is that of the holding company of a trading Group, and that of its subsidiary and associated undertakings is primarily broking of international capital market instruments and the provision and trading of other financial based services including the making of investments in ventures to enhance overall trading profitability.

**REVIEW OF BUSINESS**

The global financial crisis brought mixed fortunes to the Group this year. While some Group companies performed exceptionally well particularly where market volatility is a factor, others were adversely affected by debtor and market counterparty defaults.

We are pleased to report that the largest associate of the group, ICAP Plc, enjoyed another very successful year and made further significant progress towards its strategic goal to be the leading global intermediary in the wholesale OTC markets by a clear margin. In the year to 31 March 2008 ICAP outperformed the FTSE100 by 17%. The business remains highly cash generative and this year free cash flow grew to £231.7 million, an increase of £41.6 million over 2007.

On 5 February 2008 the City Index Group acquired 100% of Sunblock Holdings LLC and its principal trading subsidiary, FX Solutions Holdings LLC, for net consideration (including acquisition costs) of £73.3 million, through a share for share exchange. This acquisition provides the City Index Group with the opportunity to enhance its foreign exchange product offerings utilising FX Solutions expertise and technology in the foreign exchange markets. As at the date of this report, the transaction has been significantly value enhancing for the IPGL group and is, we believe, an important strategic step forward for City Index.

However, much more disappointingly, parts of the City Index Group have significantly underperformed having suffered material credit losses of £53.4 million during the year (these are discussed in note 6). During the latter part of the year, and afterwards, we moved to strengthen City Index's balance sheet, revised credit policies and proactively started to address the weaknesses within the management team that had become apparent. While it will take time to implement the necessary changes, we believe that the situation has been stabilised and we have full confidence in the new management team of City Index which include a new CEO, COO, CFO and CTO who started over the past 18 months.

Performance of the group's other major trading companies, DDCAP limited, Exotix Holdings Limited and Origin Asset Management LLP, all met or exceeded our expectations this year and we are optimistic that these businesses will continue to prosper in the current environment. As shown in the consolidated profit and loss account, the Group's turnover has increased to £104.5 million, (2007: £60.7 million). This increase has mainly been due to the inclusion of a full year's results in respect of IFX Group Plc an acquisition made in the year to 31 March 2007 by the subsidiary, the City Index Group. The Group consolidated loss before tax for the year of £3.6 million (2007: a profit of £55.3 million) whilst disappointing is largely a direct result of the City Index Group losses. The retained loss for the year after tax and minority interests is £22.6 million (2007: a profit of £34.8 million). The size of the tax charge is primarily as a result of the Group's share of ICAP Plc's corporation tax charge. Despite the retained loss for the year, the P&L reserve increased over the period by £27.7m. This movement is principally due the unrealised gain on the partial disposal of City Index (see note 25).

The Company injected approximately £30.3 million into City Index Group during the year to 31 March 2008 and £40.0 million post the year end. These capital injections have led to increased levels of gearing within the Group both pre and post year end. At the 31 March 2008 the IPGL bank facilities secured on the group's assets were £207m (excluding the net £3m liability owed by the EBT and guaranteed by IPGL). In October 2008, these facilities were consolidated into a single facility with HSBC bank plc, maturing in 2011 with the covenants & repayment schedule changed materially to IPGL's favour. At as the date of this report, we are operating well within the loan's covenants and the total amount due to HSBC has been reduced below £200m by utilising the Group's operating cashflow and the proceeds of asset disposals. During the same period, total Group borrowings have been reduced from £352m to under £250m. The directors are committed to further reducing the Group's gearing levels during 2009.

**REPORT OF THE DIRECTORS (Continued)**

The broad financial services market environment and dislocation amongst competitors are generating significant opportunities for our group companies to take market share and also hire exceptionally talented new staff. The directors are committed to working with our subsidiaries and associates to take advantage of this exceptional period to strengthen the group and accelerate our organic growth over the next 12 to 18 months.

**KEY PERFORMANCE INDICATORS ("KPIs")**

The KPIs that the Directors use to monitor and manage the Group, such as Turnover and Consolidated profit before tax are disclosed in the review of the business above and in these financial statements. In the opinion of the Directors the year's results and direct comparison with the year ended 31 March 2007 have been so significantly influenced by key items that the results of a KPI analysis become distorted and of questionable value. Consequently the Directors have decided not to provide a formal KPI analysis over and above that information already contained within the Directors Report and the notes to the accounts since it provides little analytical information that is of useful meaning or value to shareholders.

**POST BALANCE SHEET EVENTS**

At the 31 March 2008 the IPGL bank facilities secured on the group's assets were £207m (excluding the net £3m liability owed by the EBT and guaranteed by IPGL). In October 2008, these facilities were consolidated into a single facility with HSBC bank plc, maturing in 2011 with the covenants & repayment schedule changed materially to IPGL's favour. At as the date of this report, we are operating well within the loan's covenants and the total amount due to HSBC has been reduced below £200m by utilising the group's operating cashflow and the proceeds of asset disposals. During the same period, total Group borrowings have been reduced from £352m to under £250m. The directors are committed to further reducing the group's gearing levels during 2009.

Further details of post balance sheet events are set out in note 2 to the financial statements.

**DIVIDENDS**

The Directors do not recommend the payment of a dividend (2007: £nil).

**DONATIONS**

During the year the Company made political donations of £773,765 (2007: £1,196,370). This includes £688,765 donated to the Conservative Party of which the Company considers £536,746 to have been direct political donations, £112,774 indirect political donations and £39,245 to have been for other political purposes.

Charitable donations of £355,363 (2007: £154,625) were also made during the year.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group is exposed to financial risk through its financial assets and liabilities, including credit risk, liquidity risk, interest rate risk and currency risk from its foreign currency balances. The Group attempts to mitigate its risk by the use of limits and controls and hedging where appropriate. As a result of the significant credit losses within the City Index Group the Group has strengthened and enhanced its policies particularly in the light of the ongoing global financial crisis. The Group's liquidity risk lies primarily with the City Index Group which is currently renegotiating its lending facilities. Further details on the Group's exposure to currency and other risks is given in Note 34.

**DIRECTORS**

The Directors who served the Company during the year were:

M A Spencer  
D Kelly  
D M Gelber  
J Courtenay-Stamp  
M Wreford  
T A Binks (resigned 22 January 2009)

**REPORT OF THE DIRECTORS (Continued)**

**EMPLOYEES**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

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

**AUDITORS**

On 18 February 2008, Smith & Williamson Solomon Hare Audit LLP changed its name to Nexia Smith & Williamson Audit (Bristol) LLP, which is trading as Nexia Smith & Williamson LLP.

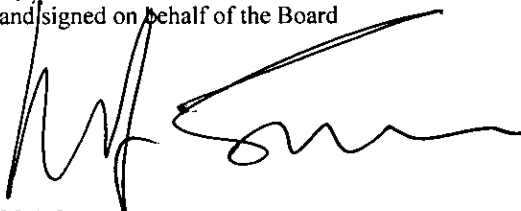
A resolution to reappoint Nexia Smith & Williamson LLP as auditors will be proposed at the forthcoming Annual General Meeting.

**STATEMENT OF DISCLOSURE TO AUDITORS**

In so far as each of the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have each taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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



**M A Spencer**  
Chairman

Park House  
16 Finsbury Circus  
London  
EC2M 7EB

Date: 13 APRIL 2009

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IPGL LIMITED

We have audited Group and parent company financial statements for the year ended 31 March 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

### Basis of audit opinion

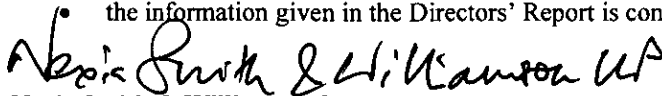
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent Company's affairs as at 31 March 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

  
Nexia Smith & Williamson LLP  
Chartered Accountants  
Registered Auditors

Bristol

Date:

13 April 2009



**IPGL LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £'000	2008 £'000	2007 £'000
<b>Turnover</b>				
Continuing		97,795		59,079
Acquisitions		5,366		-
Discontinued		1,365		1,604
	3		104,526	60,683
Operating expenses - normal		(112,994)		(61,762)
Operating expenses - exceptional	6	(39,355)		-
Total operating expenses			(152,329)	(61,762)
Losses on assets held at fair value through profit or loss	18		(10,705)	(7,763)
<b>Operating loss for the year</b>	5			
Continuing operations		(61,465)		(8,708)
Acquisitions		3,201		-
Discontinued		(244)		(134)
			(58,508)	(8,842)
Exceptional costs of reorganisation	6		-	(6,136)
Provision against loss on disposal of subsidiary companies			(1,128)	-
Share of operating profit in associates	14		55,090	42,705
Profit on dilution of interest in associates and subsidiaries			5,722	28,471
<b>Profit on ordinary activities before interest</b>			1,176	56,198
Interest receivable and similar income	7		17,689	15,194
Interest payable and similar charges	8		(22,458)	(16,051)
<b>(Loss)/profit on ordinary activities before taxation</b>			(3,593)	55,341
Tax on (loss)/profit on ordinary activities	9		(24,625)	(21,040)
<b>(Loss)/profit on ordinary activities after taxation</b>			(28,218)	34,301
Minority interests – equity			5,649	538
<b>(Loss)/profit for the financial year</b>			(22,569)	34,839

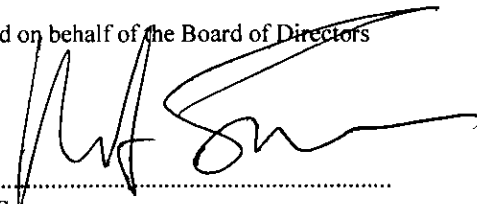
The notes on pages 12 to 50 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008**

	Notes	2008 £'000	2007 £'000
<b>Fixed Assets</b>			
Intangible assets	11	128,040	68,062
Tangible assets	12	20,092	13,499
Investments in associates	14	170,516	158,146
Investments held at fair value through profit or loss	18	-	40,719
		<u>190,608</u>	<u>212,364</u>
<b>Current Assets</b>			
Stock	16	36,835	21,142
Debtors	17	245,691	291,324
Investments available-for-sale	18	632	138
Investments held at fair value through profit or loss	18	84,235	74,043
Cash at bank and in hand	15	149,118	115,250
		<u>516,511</u>	<u>501,897</u>
<b>Creditors – Amounts falling due within one year</b>	19	<u>(472,438)</u>	<u>(449,863)</u>
<b>Net Current Assets</b>		<u>44,073</u>	<u>52,034</u>
<b>Total Assets less Current Liabilities</b>		<u>362,721</u>	<u>332,460</u>
<b>Creditors – Amounts falling due after one year</b>	20	(100,394)	(90,200)
<b>Provisions for Liabilities</b>	21	(2,600)	(2,862)
<b>Net Assets</b>		<u>259,727</u>	<u>239,398</u>
<b>Capital and Reserves</b>			
Called up share capital	22	557	557
Capital redemption reserve	25	182	182
Revaluation reserve	25	(5)	-
Profit and loss account	25	292,091	264,399
Own shares	28	(51,426)	(46,142)
<b>Shareholders' Funds</b>		<u>241,399</u>	<u>218,996</u>
Minority interests	25	18,328	20,402
		<u>259,727</u>	<u>239,398</u>

The financial statements were approved by the Board of Directors on 13 APRIL 2009.

Signed on behalf of the Board of Directors

  
M A Spencer  
Chairman

  
D Kelly  
Chief Executive

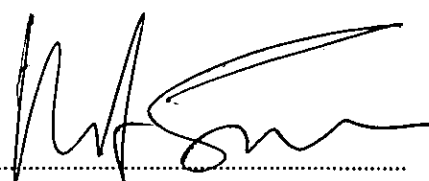
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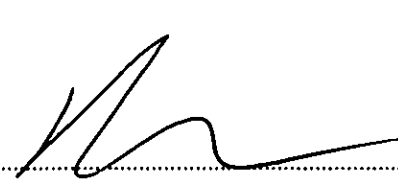
**IPGL LIMITED****COMPANY BALANCE SHEET AS AT 31 MARCH 2008**

		2008	2007
	Notes	£'000	£'000
<b>Fixed Assets</b>			
Tangible assets	12	3,251	3,342
Investments in subsidiaries	13	110,463	94,149
		113,714	97,491
<b>Current Assets</b>			
Debtors	17	70,857	61,398
Investments held at fair value through profit or loss	18	48,162	57,239
Cash at bank and in hand	15	5,870	4,221
		124,889	122,858
<b>Creditors – Amounts falling due within one year</b>	19	(169,744)	(137,076)
<b>Net Current Liabilities</b>		(44,855)	(14,218)
<b>Net Assets</b>		68,859	83,273
<b>Capital and Reserves</b>			
Called up share capital	22	557	557
Capital redemption reserve	25	182	182
Profit and loss account	25	119,546	128,676
Own shares	28	(51,426)	(46,142)
<b>Shareholders' Funds</b>	25	68,859	83,273

The financial statements were approved by the Board of Directors on... 13 APRIL 2009...

Signed on behalf of the Board of Directors

  
 M A Spencer  
 Chairman

  
 D Kelly  
 Chief Executive

The notes on pages 12 to 50 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £'000	2007 £'000
<b>Net cash outflow from operating activities</b>	23	(49,115)	(44,691)
<b>Dividends received from associated undertakings</b>		17,216	13,653
<b>Returns on investments and servicing of finance</b>			
Interest received		17,689	14,773
Interest paid		(19,817)	(15,623)
Dividends received		2,083	421
Dividends paid to minority interests		(2,996)	(1,143)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(3,041)	(1,572)
<b>Taxation</b>		(4,426)	1,595
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(9,473)	(5,664)
Payments to acquire fixed asset investments		-	(2,886)
Purchase of investment in associates		(4,691)	(3,000)
<b>Net cash outflow from capital expenditure and financial investment</b>		(14,164)	(11,550)
<b>Acquisitions and disposals</b>			
Acquisition of subsidiaries		(3,326)	(73,727)
Cash acquired		13,295	123,079
<b>Net cash inflow from acquisitions and disposals</b>		9,969	49,352
<b>Net cash (outflow)/inflow before liquid resources and financing</b>		(43,561)	6,787
<b>Management of liquid resources</b>			
Receipt from sale of short term investments		23,774	12,510
Purchase of short term investments		(11,424)	(20,510)
<b>Net cash inflow/(outflow) from management of liquid resources</b>		12,350	(8,000)
<b>Financing</b>			
New bank loans		117,000	115,593
Repayment of bank loans		(39,522)	(12,100)
Repurchase of own shares		(5,284)	(7,838)
<b>Net cash inflow from financing</b>		72,194	95,655
<b>Increase in cash</b>	24	40,983	94,442

The notes on pages 12 to 50 form part of these financial statements.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Retained (loss)/profit for the financial year	(22,569)	34,839
Adjustments to reserves		
- Unrealised gain on partial disposal of subsidiary	57,349	-
- Exchange adjustments on net investments in overseas undertakings	(186)	(10,877)
- Movement on fair value of available for sale investments	(5)	-
- Share of other reserve movements of associates	(7,471)	(1,109)
Total recognised gains and losses for the year	<u>27,118</u>	<u>22,853</u>

**RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Retained (loss)/profit for the financial year	(22,569)	34,839
Other recognised gains and losses	49,687	(11,986)
Share based payments	569	705
Net investment in own shares	<u>(5,284)</u>	<u>(7,838)</u>
Net increase in shareholders funds	22,403	15,720
Opening shareholders' funds	<u>218,996</u>	<u>203,276</u>
Closing shareholders' funds	<u>241,399</u>	<u>218,996</u>

The notes on pages 12 to 50 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies which the Directors have adopted are set out below.

**a) Accounting convention**

The Group financial statements are prepared under the historical cost convention, except as described below, and in accordance with applicable United Kingdom Accounting Standards.

**b) Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all subsidiaries for the financial year ended 31 March 2008 and also include the financial statements of the Intercapital Private Group Limited Employee Benefit Trust.

The results of subsidiaries acquired are consolidated for the periods from the date on which control passes. Acquisitions are accounted for under the acquisition method. Purchased goodwill arising on acquisitions is capitalised and amortised over its expected useful economic life and is subject to review for impairment in value.

Control comprises the power to govern the financial and operating policies of the investee, so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. Where ownership of voting rights are less than 50%, other control factors are considered, such as board representation and voting rights of individual board members.

Associated undertakings, including those that are themselves a Group, have been consolidated using the equity method of accounting.

**c) Going concern**

The Group's business activities, together with the key factors likely to affect its future development, profitability, cash flows, liquidity position, borrowing facilities and financial position are outlined within the Directors' Report. The Directors' Report, together with the additional information contained in Note 34 to the financial statements, includes the Group's objectives, policies and processes for managing its capital and risk exposure.

The Directors have concluded that the Group has sufficient funds available to meet its current operational requirements, and its future operations and strategies. This conclusion has been arrived at after considering current profitability, current economic conditions, agreed Group facility arrangements (as detailed in Note 2), negotiations with certain of the Group's banks to renew one of the City Index Group loans.

Therefore, after making due enquiries, the Directors believe they have a reasonable basis to conclude that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES (continued)**

**d) Reclassifications of comparatives**

Certain comparative information presented in the consolidated annual financial statements for the year ended 31 March 2007 has been reclassified in order to achieve comparability with the presentation used in the consolidated annual financial statements for the year ended 31 March 2008. As a result, investment classifications have been adjusted on the consolidated and Company balance sheets and the related notes to the financial statements. There have been no changes to the reported equity or results for the previous year.

**e) Turnover**

Income is recognised when it is probable that economic benefits associated with the transaction will accrue to the Group and can be reliably measured. Significant income, analysed in note 3, is recognised on the following basis:

**Financial trading and spread-betting**

Financial trading and spread-betting revenue comprises: gains and losses on the operation of the spread trading markets and trading in financial markets; net fee and commission income and related interest income.

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

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

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

**Advisory services to the betting industry**

Goods and services are sold to the racing and betting industry. These services are provided on a time and material basis or as a fixed price contract usually on an annual basis. Revenue from time and material contracts is recognised monthly as labour hours are delivered and direct expenses are incurred. Revenue from fixed price contracts is recognised in the period the services are provided using a straight line basis over the term of the contract.

**Fund management**

Fund management services are provided to institutional investors. Revenue for fund management is recognised as the services are provided.

**Yacht chartering**

Revenue from yacht chartering represents the amounts earned from the use of the Group's yacht and related services such as officer and crew time. Revenue from yacht chartering is recognised during the charter period in which the yacht and related services are utilised by the customer.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES (continued)**

**e) Turnover (continued)**

**Sale and rental of Fine Art**

Revenue from the sale of fine art is recognised upon the completion of the auction or private sale agreements. Revenue from the rental of fine art is recognised during the rental period in which the art is held by the customer. Revenue is shown net of value added tax, returns, rebates and discounts.

**f) Foreign exchange**

The Group and Company financial statements are presented in sterling (thousands) which is the Group's presentational currency. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Income earned or expenses incurred in foreign currencies are translated at the rates ruling at the time of the transaction. Profits and losses on translation are taken to the profit and loss account.

On consolidation, the results of overseas entities are translated into the presentational currency of the Group at the average exchange rates for the period where these approximate to the rate at the date of transaction. Assets and liabilities of overseas businesses are translated into the presentational currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are recognised within equity.

**g) Retirement benefits**

The Group operates externally funded defined contribution pension schemes. Contributions are charged to the profit and loss account on an accruals basis in the period to which they relate.

**h) Interest receivable and finance costs**

Interest receivable and finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**i) Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as being recoverable. Deferred tax assets and liabilities are not discounted.

**j) Goodwill**

Goodwill arising on the acquisition of subsidiaries is treated in accordance with FRS 10 "Goodwill and Intangible Assets" and capitalised. Capitalised goodwill is amortised over the shorter of its useful economic life or ten years. Amounts previously written off to reserves will be charged to the profit and loss account in the event of the disposal of the entities to which they relate.

In accordance with FRS 10, negative goodwill arising on acquisitions is capitalised and recognised on the face of the balance sheet. Negative goodwill is credited to the profit and loss account over the period in which the related non-monetary assets are depreciated or sold.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (continued)

j) **Goodwill (continued)**

Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition or in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

k) **Fixed assets and depreciation**

Fixed assets are shown at historical cost, net of depreciation, less provision for any impairment. Depreciation is provided on a straight line basis, at the following annual rates, in order to write off each asset over its estimated useful life:

Computer costs	–	33% on cost
Website & software development costs	–	33% on cost
Motor vehicles	–	between 20% and 33% on cost
Office furniture and equipment	–	between 20% and 50% on cost
Plant & Machinery	–	between 5 - 20 years on cost
Short leasehold improvements	–	Period to first lease break point

l) **Research and development expenditure**

Expenditure on research and development is charged to the profit and loss account in the year that it is incurred, except in the case of the development of major new products which are capitalised providing they meet the following criteria:

- a. There is a clearly defined project
- b. The expenditure is separately identifiable
- c. The outcome of the projects has been assessed to be reasonably certain as regards viability and technical feasibility; and
- d. Future recoverability of the development expenditure can reasonably be regarded as assured.

Once sales of the products have commenced such capitalised expenditure will be amortised over a period in line with the expected future sales of the product, but not exceeding five years.

m) **Website & software development costs**

Website & software development costs are capitalised only to the extent they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until further updates to the website, the development costs are charged to the profit and loss account as incurred.

n) **Patent and trademarks**

The cost of patents and trademarks which have been purchased separately from any business are capitalised at cost. These costs are amortised over the period covered by the legal rights, not exceeding 20 years.

The carrying value of intangible fixed assets is reviewed for impairment at the end of the first full financial year following their acquisition and during the period, if events or changes in circumstances indicate the carrying value may not be recoverable.

o) **Employee share ownership trust**

Investments in own shares held in connection with the Group's employee share schemes are deducted from the shareholders' funds in accordance with UITF 38 "Employee Share Ownership Trusts", until such time as they vest unconditionally to the participating employees.

The Company balances also include the assets and liabilities of the employee share ownership trust in accordance with accounting guidelines.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES (Continued)**

**p) Stock**

Stock is valued at the lower of cost and net realisable value.

**q) Cash**

Cash consists of cash in hand and deposits repayable on demand.

Where the Group holds money on behalf of clients in segregated bank accounts in accordance with the client monies rules of the Financial Services Authority and other regulatory bodies, such money and the corresponding liabilities to clients are not shown on the face of the balance sheet, as the Group is not beneficially entitled to them. The amounts held on behalf of clients in such accounts at the balance sheet date are stated in Note 15. Client monies held in non-segregated bank accounts are shown on the balance sheet and disclosed as cash or debtors, depending on their nature, with a corresponding creditor.

**r) Liquid resources**

The Group considers cash on short term deposits and other short term investments to be liquid resources.

**s) Dividends**

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

**t) Offsetting and netting**

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

**u) Share-based payment**

The Group has applied the provisions of FRS 20 "Share-based Payments" where applicable. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2006. Group companies issue equity settled share-based payments to certain employees of subsidiaries. Equity settled share-based payments are measured at fair value (excluding the effect of any non-market based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity settled share-based payments is expensed on a straight line basis over the vesting period, based on these companies' estimate of shares that will eventually vest and adjusted for the effect of any non-market based vesting conditions. Fair value is measured by use of the Black-Scholes pricing model. Cancellations of share options are accounted for as an acceleration of vesting and the charge for services over the remainder of the vesting period is recognised immediately.

**v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

**w) Leases**

Amounts payable under operating leases are charged to the profit and loss account as they are incurred over the lease term.

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the lease and hire purchase contracts is charged to the profit and loss account using the actuarial method.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES (Continued)**

**x) Adoption of FRS 29 'Financial instruments: Disclosures'**

FRS 29 "Financial instruments: Disclosures" has been adopted from 1 April 2007. This has introduced new quantitative and qualitative disclosures relating to financial instruments and it does not have any impact on the classification or valuation of financial instruments.

**Financial instruments**

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities within the scope of FRS 26 "Financial Instruments: Recognition and Measurement" are classified by the Group into one of the following categories, as appropriate:

- 1) Financial assets and financial liabilities at fair value through profit or loss
- 2) Loans and receivables
- 3) Available for sale financial assets
- 4) Financial liabilities at amortised cost

Investments are initially recorded at fair value (net of attributable costs) and classified as either at fair value through profit or loss, or available for sale.

Investments, as with other financial assets, are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

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

Investments are classified as held at fair value through profit or loss if they have been acquired principally for the purpose of selling in the short-term or if they have been designated so by management.

The financial assets and liabilities at fair value through profit or loss are stated at fair value with any resulting gains or losses recognised in the consolidated profit and loss account in the period in which they arise.

Financial assets and liabilities comprising open spread bets, contracts for difference and options are classified as derivative financial instruments and are classified as held for trading if they are:

- acquired or incurred for the purpose of selling or repurchasing in the near term; or
- a part of an identified portfolio of financial instruments that the Group manages together and has a pattern of recent actual short-term profit-taking; or
- a derivative that is not designated and effective as a hedging instrument.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**1. ACCOUNTING POLICIES (Continued)**

**x) Adoption of FRS 29 'Financial instruments: Disclosures' (continued)**

**Designated by the Group on initial recognition**

Financial assets or liabilities may also be designated on initial recognition at fair value through profit or loss, provided the Group can satisfy the demanding criteria set out in FRS 26.

Listed investments are initially recognised on purchase at trade date and measured at fair value. Subsequent to initial recognition, all listed investments are measured at fair value.

Unlisted investments are valued by the Directors at fair value. Where fair value cannot be reliably measured, they are measured at cost less impairment. When a valuation is undertaken, consideration is given to the most recent information available, including the latest trading figures and management's view of prospects and the price of any transaction in the security.

Trade debtors and creditors represent amounts receivable from and payable to brokers and dealers representing cash in margin accounts with brokers and dealers, and payments receivable and payable on unsettled securities transactions on behalf of clients. Trade debtors and creditors are measured at initial recognition at fair value, and are subsequently measured at fair value.

The Group regularly reviews its trade debtors to assess impairment and uses estimates based on historical loss experience for similar assets with similar credit risk characteristics. The Group uses its judgement to estimate the amount of any impairment loss in cases where a counterparty is in financial difficulties and there is limited available historical data relating to similar borrowers.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables are initially measured at fair value, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest rate method to amortise the amount at inception to the redemption value over the life of the loan or receivable. Interest is calculated using the effective interest rate method and recognised in the consolidated profit and loss account.

Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in income when the debtors are derecognised or impaired, as well as through the amortisation process.

**Financial assets available-for-sale**

All other investments are classified as available-for-sale. They are recorded initially at fair value and are subsequently measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the period.

**Financial liabilities at amortised cost**

Bank and other loans payable are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. At subsequent reporting dates bank and other loans payable are held at amortised cost using the effective interest rate method, with changes in value recognised through the consolidated profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****1. ACCOUNTING POLICIES (Continued)****x) Adoption of FRS 29 'Financial instruments: Disclosures' (continued)****Fair value of financial assets and liabilities**

The estimated fair value of financial assets and liabilities is made in accordance with the requirements of FRS 26. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation.

The fair value of assets or liabilities that are actively traded in organised financial markets is determined by reference to quoted market bid or ask prices, respectively, at the close of business on the balance sheet date. For assets where there is no active market, fair value is determined using valuation techniques, including valuation pricing models. These models consider time value and volatility factors underlying financial instruments as well as other relevant economic factors. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks and counterparty credit risk. The Group's management believes that these valuation adjustments are necessary and appropriate to state fairly the values of financial instruments carried at fair value on the consolidated balance sheet.

**y) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of the contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements:

- Allowance for impairment of trade debtors
- Deferred taxes
- Intangible assets
- Share-based payments
- Valuation of unlisted investments

Key sources of estimation uncertainty:

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

**2. POST BALANCE SHEET EVENTS**

The following are significant events noted since the balance sheet date which are considered, in accordance with FRS 21 "Events after the balance sheet date", to be non-adjusting events in relation to the year end financial statements.

**Financing**

As at 31 March 2008, bank loans and overdrafts included within Creditors due within one year and after more than one year were £251.8 million and £99.5 million respectively. In October 2008, the company consolidated the group's main facilities into a facility with HSBC Bank plc to simplify its financing arrangements and reduce gearing levels. This facility is due to mature in 2011 and a charge is held over all the assets of the Group.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****2. POST BALANCE SHEET EVENTS (Continued)**

In addition after the year end, the City Index Group repaid a substantial element of its facilities. The remaining City Index facilities that were not repaid are in the process of being renegotiated with its lending banks. Although the current economic conditions do create uncertainty over whether the outstanding City Index Group facilities will be renewed, the Directors' are not aware of any matters to suggest that renewal will not be forthcoming in the near future on acceptable terms.

**Investments**

As at 31 March 2008, investments valued at fair value through profit and loss totalled £84.2 million.

On 18 February 2009 the Group disposed of its 12% stake in Numis Corporation Plc for consideration of £15.7 million. At the year end it was held at a fair value of £24.0 million. The fair value of other investments disposed of after the year end was £13.2 million as at 31 March 2008.

For the remaining investments held at 28 February 2009 the current market value has been estimated by directors to be £36.1 million, representing a fall in market value since the year end of £10.9 million. This reflects the extraordinary changes in market conditions since the balance sheet date.

**Other**

In July 2008, the City Index Group incurred a further credit loss on a client exposure amounting to £12 million which was incurred in the normal course of business, of which to date £4 million has since been recovered by the Group. The Directors of the City Index Group currently anticipate further recoveries on this account but at this stage the quantum remains uncertain.

**3. TURNOVER**

An analysis of the Group's turnover (all from external sources) has been provided below:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Financial trading and spread-betting	99,611	58,089
Advisory services to the betting industry	644	1,162
Fund management	3,275	714
Yacht chartering	358	647
Sale and rental of Fine Art	536	-
Other	102	71
	<b>104,526</b>	<b>60,683</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****4. DIRECTORS AND EMPLOYEES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Directors:		
Aggregate emoluments	2,753	636
Company pension contributions	48	18
	<u>2,801</u>	<u>654</u>
Highest paid Director:		
Aggregate emoluments	1,309	175
Pension contributions	-	9
	<u>1,309</u>	<u>184</u>

Three Directors have benefits accruing under defined contribution pension schemes (2007: three).

<b>Employees</b>	<b>Number of Employees</b>	
	<b>2008</b>	<b>2007</b>
The average number of persons employed by the Group (including Directors) was:		
Management, operations and administration	<u>450</u>	<u>337</u>

<b>Staff Costs</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	25,477	20,366
Social security costs	2,362	1,613
Pension costs	683	247
Other costs	-	6
Share based payments (note 30)	569	705
	<u>29,091</u>	<u>22,937</u>

The total pension cost for the Group was £683,000 (2007: £247,000). There were no outstanding contributions.

A subsidiary company within the City Index Group, IFX Group Limited, also made contributions to a defined benefit scheme which is closed to all new members. There are no members remaining as employees of the Group. There are eight deferred pensioners, yet to reach pensionable age, with seventeen present pensioners. Consequently the scheme has been valued at the estimated cost of releasing the Group from all of its obligations going forward and a corresponding provision made of £1.2 million (2007: £1.1 million). The Directors believe, having sought external professional advice, that the past and ongoing expenditure for retirement benefits under the defined benefit scheme is not significant to the Group. Therefore disclosures required by FRS 17 have not been provided. In January 2009 the Group, in conjunction with the Trustees of the IFX Group Staff Retirement Scheme, commenced the process of transferring the scheme to a third party provider. It is currently anticipated that this will be completed shortly and that the provision made will be adequate to meet all the Group obligations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

## 5. OPERATING LOSS

	2008 £'000	2007 £'000
<b>Operating expenses are split between:</b>		
Continuing operations	148,555	60,024
Operations acquired during the year	2,165	-
<b>Continuing operations</b>	<b>150,720</b>	<b>60,024</b>
<b>Discontinued operations</b>	<b>1,609</b>	<b>1,738</b>
	<b>152,329</b>	<b>61,762</b>
<b>Operating (loss) is stated after charging/(crediting):</b>		
Amortisation - positive goodwill	8,934	5,643
- negative goodwill	-	(454)
- other intangibles	22	303
- on goodwill in associates	2,986	1,276
Depreciation	4,283	3,592
Auditors' remuneration:		
Audit fees - parent company auditors – Company and consolidated financial statements	150	50
- parent company auditors – subsidiaries and associates	30	30
- other auditors	680	599
Other services - parent company auditors	-	-
- other auditors: corporate finance	650	440
- other auditors: taxation	279	20
- other auditors: other services	51	257
Employee share based payments	569	705
Impairment of trade debtors (non-exceptional)	14,020	872
Operating leases – plant and machinery	185	-
Operating leases – other (including land & buildings)	4,833	876
Development costs impaired	-	627



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**6. EXCEPTIONAL ITEMS**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Operating exceptional costs:		
Impairment of debtors (exceptional)	39,355	-
Non-operating exceptional costs	-	6,136

The non-operating exceptional costs in 2007 of £6.1 million relate to the reorganising, restructuring and integrating costs of the IFX Group.

During the year a Group subsidiary, City Index Limited, incurred significant credit losses in respect of two counterparties which, in the opinion of the Directors, were exceptional by their nature and size:

a) In December 2007, a Spanish regulated brokerage firm to which City Index Limited provided white-label services failed to its obligations and its positions were closed accordingly. The net loss to the City Index Group, net of post year end recoveries which are treated as adjusting post balance sheet events under UK GAAP, was £29.1 million (€37.5 million). At 30 January 2009 the City Index Group has £6.2 million (€7.0 million) promissory notes receivable under the terms of settlement agreement which have not been recognised as an asset in the Financial Statements.

b) On 17 August 2007, Sentinel Management Group Inc. ("Sentinel"), a United States of America regulated cash management firm, with whom a subsidiary company, IFX Markets Inc. ("IFXMI"), had placed funds, filed for Chapter 11 Bankruptcy Protection. City Index Holdings Limited and the Company injected additional monies, so that at all times all customer funds were matched by available bank deposits. The City Index Group incurred a net loss of £7.2 million (US\$14.3 million) on the Sentinel deposit and a further provision of £3.2 million (US\$6.0 million) has been made in the profit and loss of the Company in relation to the Sentinel debt, resulting in a Group loss of £10.4 million.

In addition to the above, during the year ended 31 March 2008, the City Index Group incurred other significant credit losses on five clients amounting to £12.7 million (out of the £14.0 million disclosed in note 5). This amount has been included within the total of operating expenses – normal, in the consolidated profit and loss account. The total impairment loss for the trade debtors class of assets is £53,375,000 (2007: £872,000).

The effect of these exceptional items on minority interests has been to recognise a reduction in the amounts due to minority shareholders of £9.1 million.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	13,245	9,339
Other interest	1,108	5,434
Dividends from investments	3,336	421
	<u>17,689</u>	<u>15,194</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	19,747	13,252
Foreign exchange	34	359
Other interest	36	2,012
Share of associates' net interest payable	2,641	428
	<u>22,458</u>	<u>16,051</u>

**9. TAX ON (LOSS)/ PROFIT ON ORDINARY ACTIVITIES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
UK taxation is based on (loss)/profit for the year at a rate equivalent to 30% (2007: 30%):		
UK corporation tax on taxable profit for the year	1,766	1,790
Adjustment in respect of prior year	(770)	334
Share of associates' tax	22,573	17,760
Foreign tax charge on taxable profit for the year	1,056	1,156
Tax on (loss)/profit on ordinary activities	<u>24,625</u>	<u>21,040</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The standard rate charge exceeds the actual charge for the reasons set out in the following reconciliation.

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit on ordinary activities before tax	(3,593)	55,341
Tax on (loss)/profit on ordinary activities at standard rate (30%)	(1,078)	16,602
Factors affecting tax charge for the period:		
Non deductible expenses and other timing differences	5,989	8,571
Non taxable income	(721)	(2,836)
Profit on dilution of interest in associates	(1,716)	(8,541)
Provisions against investments (fair value and other)	11,574	(1,319)
Adjustment in respect of associates	6,010	4,948
Adjustment for amortisation of goodwill	3,576	2,450
Overseas tax rate differences	496	295
Depreciation for period in excess of capital allowances	1,265	534
Total actual amount of current tax	<u>25,395</u>	<u>20,704</u>
Adjustment in respect of prior years	(770)	336
	<u>24,625</u>	<u>21,040</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

## 9. TAX ON (LOSS)/ PROFIT ON ORDINARY ACTIVITIES (Continued)

Deferred tax assets not recognised of £11.8 million (2007: £1.7 million) arising from timing differences relating to capital allowances, losses and other timing differences will only be recovered if there is sufficient future taxable net income.

## 10. PROFIT ATTRIBUTABLE TO PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's retained loss for the financial year amounted to £9,130,000 (2007: profit of £15,708,000).

## 11. INTANGIBLE ASSETS

	Development Costs £'000	Concessions, patents, licences, trademarks & similar rights £'000	Positive Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 April 2007	269	178	78,993	79,440
Acquired with subsidiary undertakings	-	197	-	197
Arising in the year (note 32)	-	-	74,254	74,254
Disposals	-	-	(2,032)	(2,032)
Transferred to associates	(269)	(72)	(6,371)	(6,712)
At 31 March 2008	-	303	144,844	145,147
<b>Amortisation</b>				
At 1 April 2007	202	14	11,162	11,378
Charge for the year	-	22	8,934	8,956
Impairment	-	-	357	357
Disposals	-	-	(1,449)	(1,449)
Transferred to associates	(202)	(14)	(1,919)	(2,135)
At 31 March 2008	-	22	17,085	17,107
<b>Net book value at 31 March 2008</b>	-	281	127,759	128,040
<b>Net book value at 31 March 2007</b>	67	164	67,831	68,062

The impairment in the value of goodwill of £357,000 follows an impairment review conducted under FRS11 into City Index Advisory Limited with reference to the realisable value and the disposal of the subsidiary after the year end.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**12. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Computer Costs</b>	<b>Website &amp; Software Development</b>	<b>Plant &amp; Machinery</b>	<b>Motor Vehicles</b>	<b>Short leasehold improvements &amp; Office Furniture</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
At 1 April 2007	8,451	4,580	7,828	165	4,737	25,761
Foreign exchange adjustment	8	1	507	1	161	678
Acquired with subsidiary undertakings	524	505	-	-	718	1,747
Additions	2,778	4,289	-	167	2,239	9,473
Disposals	(3,855)	(679)	(864)	(63)	(25)	(5,486)
Transferred to associates	-	-	(1,742)	-	(100)	(1,842)
At 31 March 2008	7,906	8,696	5,729	270	7,730	30,331
<b>Depreciation</b>						
At 1 April 2007	5,800	2,005	1,779	57	2,621	12,262
Foreign exchange adjustment	8	-	95	1	35	139
Charge for the year	1,262	1,557	267	63	1,134	4,283
Disposals	(3,706)	(626)	(852)	(27)	(19)	(5,230)
Transferred to associates	-	-	(1,167)	-	(48)	(1,215)
At 31 March 2008	3,364	2,936	122	94	3,723	10,239
<b>Net book value</b>						
<b>At 31 March 2008</b>	4,542	5,760	5,607	176	4,007	20,092
<b>At 31 March 2007</b>	2,651	2,575	6,049	108	2,116	13,499

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

12. TANGIBLE FIXED ASSETS (Continued)

COMPANY	Plant and Machinery £'000	Motor Vehicles £'000	Office Furniture & Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2007	3,220	158	118	3,496
Additions	-	167	2	169
Disposals	-	(64)	-	(64)
At 31 March 2008	3,220	261	120	3,601
<b>Depreciation</b>				
At 1 April 2007	14	53	87	154
Charge for the year	161	61	1	223
On disposal	-	(27)	-	(27)
At 31 March 2008	175	87	88	350
<b>Net book value</b>				
At 31 March 2008	3,045	174	32	3,251
At 31 March 2007	3,206	105	31	3,342

13. FIXED ASSET INVESTMENTS

COMPANY	Shares in associates £'000	Shares in subsidiaries £'000	Total £'000
<b>Cost</b>			
At 1 April 2007	226	94,848	95,074
Additions	-	16,314	16,314
At 31 March 2008	226	111,162	111,388
<b>Provisions</b>			
At 1 April 2007 and 31 March 2008	-	925	925
<b>Carrying value at 31 March 2008</b>	226	110,237	110,463
<b>Carrying value at 31 March 2007</b>	226	93,923	94,149

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****13. FIXED ASSET INVESTMENTS (Continued)****SUBSIDIARY UNDERTAKINGS**

The names of the principal subsidiaries of the Company, together with interests in equity shares are given below. The country of operation is the same as the country of incorporation (with the exception of Finsbury Sailing LLP which operates from Jersey). Indirect holdings are marked with an asterisk.

<b>Company and Country of Operation</b>	<b>Activity</b>	<b>Holding</b>
<b>England and Wales</b>		
Intercapital Brokerage Services Limited	Holding company	100%
Weekend City Press Review Limited	Publishers	61.0%
City Index Group Limited*	Financial trading & spread betting group	70.1%
IPGL Fund Services Limited*	Holding company	100%
Origin Asset Management LLP*	Fund Management	52.5%
Finsbury Sailing LLP	Yacht Chartering	97.9%
Finsbury Fine Art LLP	Fine Art trading	33.3%
DD Cap Limited	Islamic and Middle Eastern wholesale market intermediary	50.0%
IPGL Insurance Services Limited	Holding company	100%
IFX Group Limited*	Holding Company	70.1%
IFX Markets Limited*	Financial trading & spread betting	70.1%
<b>Hong Kong</b>		
Intercapital Group (Hong Kong) Limited	Investment company	100%
<b>Netherlands</b>		
INCAP Netherlands (Holdings) BV	Holding company	100%
Blue Square BV	Holding company	100%
INCAP Gaming BV*	Holding company	100%
INCAP Finance BV*	Holding company	100%
Allerton Investments BV*	Holding company	100%
<b>USA</b>		
Intercapital USA Inc	Investment company	100%
FX Solutions Holdings LLC*	Holding company	70.1%
IFX Markets Inc*	Financial trading and spreadbetting	70.1%

Where shareholdings in subsidiaries are less than 50%, the Company may exercise control over the undertaking, through consideration of the other factors outlined in the accounting policies note. In relation to Finsbury Fine Art LLP control is considered to be exercised as a further 33.3% share is held by M A Spencer, Chairman of the Group.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**14. INVESTMENTS IN ASSOCIATES**

	<b>Goodwill</b>	<b>Share of Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2007	2,320	155,826	158,146
Additions: goodwill	4,630	-	4,630
share of net assets acquired	-	61	61
Reclassification to associate following deemed loss of controlling interest: goodwill	2,935	-	2,935
share of net assets	-	7,200	7,200
Share of operating profit – continuing	-	55,827	55,827
Share of operating loss – acquisitions	-	(737)	(737)
Share of net interest	-	(2,641)	(2,641)
Share of corporation tax	-	(22,573)	(22,573)
Dividends received by Group	-	(17,216)	(17,216)
Profit on dilution of Group interest	-	20	20
Share of exchange adjustments	-	403	403
Share of other reserve movements	-	(7,471)	(7,471)
Goodwill amortisation	(2,986)	-	(2,986)
Goodwill impairment	(5,082)	-	(5,082)
At 31 March 2008	<u>1,817</u>	<u>168,699</u>	<u>170,516</u>

The impairment in the value of goodwill of £5,082,000 follows an impairment review conducted under FRS11 into the realisable value of three associated companies in which a current period operating loss had been recognised. The review resulted in the goodwill being provided for in full.

**Associated Undertakings**

<b>Name of Undertaking</b>	<b>Ordinary Shareholding</b>	<b>Country of Incorporation</b>	<b>Nature of Business</b>
ICAP plc	20.14%	England and Wales	Money, derivative & securities broker
Sheffield Haworth Limited	23.78%	England and Wales	Executive Selection
The Money Gaming Corporation Limited	33.33%	England and Wales	Online gaming
RI3K Limited	22.1%	England and Wales	Trading service for the insurance industry
Exotix Holdings Limited	43.23%	England and Wales	Financial trading
Turftrax plc	36.57%	England and Wales	Provision of data and Services to the racing, betting and media industries

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****14. INVESTMENTS IN ASSOCIATES (continued)**

The principal associate included in the Group financial statements is ICAP plc. The Group's share of the assets, liabilities, profit and loss of ICAP plc, derived from the published accounts, is as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Share of turnover	262,667	223,030
Share of profit on ordinary activities before tax	55,397	43,102
Share of taxation	(21,929)	(17,761)
Share of profit on ordinary activities after tax	33,468	25,341
Share of fixed assets	210,371	172,731
Share of current assets	7,739,037	16,964,156
Share of liabilities due within one year	(7,757,342)	(16,914,038)
Share of liabilities due after more than one year	<u>(24,245)</u>	<u>(62,839)</u>

The market value of the Group's investment in ICAP plc at 31 March 2008 was £744 million (2007: £694 million). Based on the closing share price on 7 April 2009, the market value of this year end investment would be £412 million.

**15. CASH AT BANK**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in bank and in hand	114,339	115,250	5,870	4,221
Bank deposits	1,023	-	-	-
Monies held on behalf of non-segregated clients	33,756	-	-	-
	<u>149,118</u>	<u>115,250</u>	<u>5,870</u>	<u>4,221</u>

Where the Group holds money on behalf of clients in segregated bank accounts in accordance with the client monies rules of the Financial Services Authority and other regulatory bodies, such money and the corresponding liabilities to clients are not shown on the face of the balance sheet, as the Group is not beneficially entitled to them. The amounts held on behalf of clients in such accounts at the balance sheet date are £192.4 million (2007: £238.7 million).

The directors consider that the carrying amount of these assets approximates to their fair value.

**16. STOCK**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Fine art	<u>36,835</u>	<u>21,142</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****17. DEBTORS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	214,183	263,346	-	-
Loans to Group undertakings	-	-	30,239	23,145
Subordinated loans to Group undertakings	-	-	27,523	16,972
Other debtors	18,018	15,888	11,237	11,666
Corporation tax	6,685	6,617	1,746	6,940
Prepayments and accrued income	6,805	5,473	112	2,675
	<u>245,691</u>	<u>291,324</u>	<u>70,857</u>	<u>61,398</u>

Trade debtors represent amounts receivable from brokers and dealers representing cash in margin accounts and payments receivable and payable on unsettled securities transactions on behalf of clients. Further disclosures in relation to trade debtors have been given in note 34.

Included within other debtors is £10.6 million (2007: £10.2 million) in relation to the beneficiaries of the Employee Benefit Trust. The following Directors had loans from the Intercapital Private Group Limited Employee Benefit Trust at 31 March 2008:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
M A Spencer	8,066	7,567
D Kelly	2,263	2,122

Interest is charged at a market rate on all loans and the maximum amounts outstanding for the year are consistent with the balances at the year end.

Based on prior experience and an assessment of the current economic environment, the Directors do not consider that any further impairment provision is required (see note 6) against the above assets and consider that the carrying amount of the Company's debtors approximates their fair value.

The Company subordinated loan balance consists of:

£2.0 million (2007: £2.0 million) due from City Index Limited, repayable by 18 December 2010, with interest at LIBOR+ 1.1% per annum.

£6.0 million (2007: £6.0 million) due from City Index Limited, repayable by 17 December 2010, with interest at LIBOR+ 1.1% per annum.

£17.0 million (2007: £9.0 million) due from City Index Holdings Limited, with no fixed repayment date. Repayment is subject to approval by the Company's lending banks under the terms of the loan facilities provided to both the Company and Group. Interest is payable at LIBOR + 2% per annum.

£2.5 million (2007: £nil) due from IFX Markets Inc, repaid on 24 August 2008, with interest at LIBOR+1.5%.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**18. CURRENT ASSET INVESTMENTS**

<b>GROUP</b>	<b>Held at fair value through profit or loss £'000</b>	<b>Available -for-sale £'000</b>
<b>Fair value</b>		
At 1 April 2007	74,043	138
Reclassified from fixed to current	40,719	-
Additions	10,925	499
Disposals	(23,774)	-
Transfer to associates	(6,973)	-
Fair value movements	(10,705)	(5)
At 31 March 2008	<u>84,235</u>	<u>632</u>

**COMPANY – INVESTMENTS HELD AT FAIR VALUE THROUGH THE PROFIT AND LOSS**

<b>Fair value</b>	<b>£'000</b>
At 1 April 2007	57,239
Additions	10,925
Disposals	(6,899)
Fair value movements	(13,103)
At 31 March 2008	<u>48,162</u>

Listed investments included above for the Group are valued at £54.5million (2007: £33 million) and originally cost £66.6 million (2007: £22 million). For the Company, they are valued at £26.7 million (2007: £33 million) and originally cost £29.2 million (2007: £22 million). Further disclosures in relation to investments have been given in note 34.

**19. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008 £'000</b>	<b>2007 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Bank loans and overdraft	251,777	172,368	123,000	96,000
Trade creditors	180,589	250,782	524	543
Amounts owed to Group undertakings	-	-	40,705	40,026
Corporation tax	2,143	7,782	-	-
Other tax and social security	1,545	468	944	34
Other creditors	18,014	797	3,732	-
Accruals and deferred income	18,370	17,666	839	473
	<u>472,438</u>	<u>449,863</u>	<u>169,744</u>	<u>137,076</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****19. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)****Facilities and terms****Group and Company facilities**

At the year end, the Company (excluding the Employee Benefit Trust) has one year rolling facilities with Barclays Bank, KBC Financial Products, and KBC Investments Limited. At the year end the level of drawn-upon facilities totals £117.0m and is secured on shares held by group companies. These loans carry a weighted average interest rate of LIBOR + 1.15%. These loans have been refinanced after the year end with facilities with Barclays Bank and HSBC Bank plc. See note 2 for additional information.

The Company entered into a one year rolling facility agreement with Barclays Bank plc for £90.0 million on 6 September 2007. This loan carries an interest rate of 1 month LIBOR plus 1%. Incap Finance BV has pledged 45.0 million shares in ICAP plc to Barclays Bank plc as security for a £90.0 million revolving credit facility between the Company and Barclays Bank plc.

The Company entered into a one year rolling facility agreement with KBC Financial Products UK and KBC Investments Limited for £30.0 million on 25 January 2008. At the balance sheet date, the Company has drawn down £27.0 million. This loan carries an interest rate of LIBOR plus 1.5% and is secured against a basket of investments, the most individually significant of which are:

9,295,705 ICAP shares, pledged by Incap Finance BV  
9,275,965 Numis shares

The Employment Benefit Trust has in place a one year rolling facility loan agreement with Barclays Bank plc for £6 million. This loan carries an interest rate of margin (1.1%) plus cost of sterling deposit plus mandatory cost percentage. A guarantee has been given by the Company in favour of the bank in the sum of £3.0 million.

At the year end, a Group subsidiary, Incap Finance BV, has a facility with HSBC bank plc, with an outstanding balance of £90.0 million. This loan carries an interest rate of 3 months LIBOR plus 1.15% and has a maturity date of 15 February 2010. This borrowing is realised through a structured share transaction and as part of this 45.0 million shares of ICAP plc have been pledged to HSBC bank plc. This loan was also refinanced after the year end on HSBC Bank plc. See note 2 for additional information.

The total market value of quoted assets pledged as collateral for the above loans, as at 31 March 2008 was £594.3 million.

**City Index facilities**

The City Index Group had three facilities in place at the year end:

1. A term loan of £33.8 million (2007: £45.0 million) repayable by quarterly instalments by 31 December 2011, secured by a fixed and floating charge over the assets of the City Index Group. The loan carries an interest rate of LIBOR + 1.25% to 2.00%. On 23 December 2008 City Index repaid an additional £1.5 million over and above the terms and conditions of the Facility Loan Agreement. During the year, the City Index Group incurred significant credit losses (as referred to in note 6), the effect of which was that certain key bank covenants were breached and this loan became repayable on demand. Negotiations with the lenders on the facility are ongoing.

2. A revolving loan facility with a maximum drawdown amount of £99.0 million (2007: £54.0 million), secured by a fixed and floating charge, over the assets of the City Index Group. The loan carries an interest rate of LIBOR + 0.9%. On 22 October 2008 the facility was repaid in full and the drawdown facility terminated by the City Index Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

19. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

3. A term loan of £12.6 million (US\$25.0 million) (2007: Nil) repayable by 1 April 2011, secured by a fixed and floating charge over the assets of the FX Solutions Group. The loan carries an interest rate ranging up to LIBOR + 3.5% and is repayable over equal quarterly payments up to 1 April 2011.

**Other**

Trade creditors represent amounts payable to brokers and dealers representing payable amounts on unsettled securities transactions on behalf of clients. The directors consider that the carrying amount of trade and other creditors approximates to their fair value. Further disclosures in relation to trade creditors have been given in note 34.

The Group's bankers hold a charge over £3 million (2007: £3 million) of certificates of deposit in respect of borrowing facilities provided to the InterCapital Private Group Limited Employee Benefit Trust.

The Company's bank loans and overdraft are secured with a debenture of fixed and floating charge over all trade and assets of the Company as well as a charge over the shares held in ICAP plc by INCAP Finance BV, a subsidiary of the Company.

The Company has signed a letter of guarantee amounting to £46.0 million (2007: £54.0 million) to City Index Holdings Limited.

20. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP	
	2008	2007
	£'000	£'000
Bank loans	99,586	90,000
Other creditors	808	200
	<u>100,394</u>	<u>90,200</u>

Security given in relation to the bank loans is discussed in note 19 above. The directors consider that the carrying amount of creditors due after more than one year approximates to their fair value as they attract interest at a variable rate.

21. PROVISIONS FOR LIABILITIES

	GROUP			
	Onerous lease	Pension	Total	Total
	2008	2008	2008	2007
	£'000	£'000	£'000	£'000
At 1 April 2007	1,722	1,140	2,862	-
Released to the profit and loss account	(530)	-	(530)	-
Charges to the profit and loss account	208	60	268	2,862
At 31 March 2008	<u>1,400</u>	<u>1,200</u>	<u>2,600</u>	<u>2,862</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**21. PROVISIONS FOR LIABILITIES (Continued)**

The onerous lease provision relates to office space leased by City Index Limited, which is currently vacant as a result of the integration of the operations in London of City Index Limited and IFX Markets Limited.

The pension provision is discussed in note 4.

**22. CALLED UP SHARE CAPITAL**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
556,813 (2007: 556,813) ordinary shares of £1 each	557	557

At the year end, M A Spencer held 15,000 share options. These options were exercisable from 30 September 2000 at a price of £45.98.

The share options detailed in note 30 relate to a subsidiary undertaking.

**23. NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Operating loss	(58,508)	(8,842)
Depreciation	4,283	3,592
Amortisation	11,942	9,741
Share based payments adjustment	569	705
Exceptional reorganisation	-	(6,136)
Exceptional impairment of debtors	39,415	-
Impairment of fixed assets	-	691
Write off of intangibles	5,439	627
Decrease/(increase) in debtors	30,766	(109,960)
(Decrease)/ increase in creditors	(77,776)	68,445
Increase in stock	(15,693)	(5,593)
(Decrease)/ increase in provision	(262)	2,862
Net loss/(profit) on revaluation of investments	10,710	(823)
Net cash outflow from operating activities	(49,115)	(44,691)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £'000	2007 £'000
Increase in cash for the year	40,983	94,442
Cash flow from liquid resources	(12,355)	8,000
Cash flow from issue of new debt	(77,478)	(103,489)
Change in net debt arising from cashflows	(48,850)	(1,047)
Reclassification of fixed asset investments as liquid resources	40,719	-
Current asset investments acquired with subsidiaries	-	6,973
Bank loans acquired with subsidiaries	(12,793)	-
Current asset investments transferred to stock	-	(15,549)
Net profit on liquid resources	(10,705)	3,996
Reclassification of subsidiaries cash and investments to share of associates	(12,816)	-
	(44,445)	(5,627)
Net debt at 1 April	(72,933)	(67,306)
Net debt at 31 March	(117,378)	(72,933)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2007 £'000	Cash flows £'000	Acquired £'000	Reclassified to associate £'000	Reclassified as liquid resources £000	Other £'000	At 31 March 2008 £'000
Cash at bank	115,250	39,711	-	(5,843)	-	-	149,118
Bank overdrafts	(1,272)	1,272	-	-	-	-	-
	113,978	40,983	-	(5,843)	-	-	149,118
Current asset investments	74,181	(12,355)	-	(6,973)	40,719	(10,705)	84,867
Bank loans due < 1 year	(171,092)	(77,590)	(3,095)	-	-	-	(251,777)
Bank loans due > 1 year	(90,000)	112	(9,698)	-	-	-	(99,586)
Total	(72,933)	(48,850)	(12,793)	(12,816)	40,719	(10,705)	(117,378)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

25. RECONCILIATION OF MOVEMENTS ON SHARE CAPITAL, RESERVES AND MINORITY INTERESTS FOR THE YEAR ENDED 31 MARCH 2008

	Minority Interest	Own Shares	Share Capital	Capital Redemption Reserve	Revaluation Reserve	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>GROUP</b>							
As at 1 April 2007	20,402	(46,142)	557	182	-	264,399	239,398
Own shares purchased	-	(5,284)	-	-	-	-	(5,284)
Retained profit for the year	-	-	-	-	-	(22,569)	(22,569)
Acquired in the year	16,027	-	-	-	-	-	16,027
Dividends paid to minority interests	(2,996)	-	-	-	-	-	(2,996)
Minority share of profit in the year	(8,174)	-	-	-	-	-	(8,174)
Other movements	350	-	-	-	-	-	350
Reclassified as associate	(7,281)	-	-	-	-	-	(7,281)
Share based payments	-	-	-	-	-	569	569
Unrealised gain on partial disposal	-	-	-	-	-	57,349	57,349
Share of associates' exchange adjustments	-	-	-	-	-	403	403
Share of associates' other reserve movements	-	-	-	-	-	(7,471)	(7,471)
Exchange adjustments on net investments in overseas subsidiaries	-	-	-	-	-	(589)	(589)
Movement on fair value on available for sale financial assets	-	-	-	-	(5)	-	(5)
Balance at 31 March 2008	<u>18,328</u>	<u>(51,426)</u>	<u>557</u>	<u>182</u>	<u>(5)</u>	<u>292,091</u>	<u>259,727</u>
<b>COMPANY</b>							
Balance at 1 April 2007	-	(46,142)	557	182	-	128,676	83,273
Retained loss for the year	-	-	-	-	-	(9,130)	(9,130)
Own shares purchased	-	(5,284)	-	-	-	-	(5,284)
Balance at 31 March 2008	<u>-</u>	<u>(51,426)</u>	<u>557</u>	<u>182</u>	<u>-</u>	<u>119,546</u>	<u>68,859</u>

At the year end, cumulative goodwill of £444,530 (2007: £444,530) had been written off against reserves.

The revaluation reserve represents the unrealised movement in the value of available-for-sale investments.

Included within the profit and loss account at the year end were net exchange losses on net investments in overseas undertakings of £11.1 million (2007: £10.9 million).

During the year the Directors re-evaluated the holding in Exotix Holdings Limited as an associate and the minority interest was therefore reclassified to show the Group's share of assets.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****26. FINANCIAL COMMITMENTS**

At 31 March 2008 the Group had annual commitments under non-cancellable operating leases as set out below.

**GROUP**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Leasehold property held under operating lease:		
Expiring within one year	1,376	-
Expiring within 2 - 5 years	2,780	1,348
Expiring over 5 years	486	-
Total	<u>4,642</u>	<u>1,348</u>

**GROUP**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Other commitments under operating lease:		
Expiring within one year	107	-
Expiring within 2 - 5 years	14	-
Total	<u>121</u>	<u>-</u>

**27. CAPITAL AND OTHER COMMITMENTS**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Contracts for future capital expenditure not provided in the financial statements	<u>1,429</u>	<u>2,728</u>

On 1 July 2008 a commitment was entered into by Allerton Investments BV of providing up to £0.98 million of future funding through its subsidiary IPGL Insurance Services Limited, to its associated undertaking RI3K Limited, if required, over the next 9 months.

**Capital expenditure**

The City Index Group is currently in the process of an upgrade of its information technology infrastructure to meet increased growth and expected demand in the coming years. The cost of this upgrade is currently not expected to exceed £2.1 million.

In July 2008 the City Index Group commenced the project to fit out the new London office. Capital expenditure on this project is not expected to exceed £5 million. The City Index Group commenced moving into the new offices in February 2009 and has no other material committed expenditure as of 31 March 2008 (2007: £nil).



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****28. EMPLOYEE BENEFIT TRUST**

As referred to in note 1b, the financial statements of the Intercapital Private Group Limited Employee Benefit Trust have been incorporated in the consolidated financial statements in accordance with UITF 38 – Accounting for ESOP Trusts. This has been done because, although the Trust is controlled by independent trustees and its assets are held separately from those of the Group, the Directors have taken the view that there is sufficient basis to require the adoption of UITF 38. Contributions to the Trust are determined by the board from time to time. The contributions made in respect of the current year were £nil (2007: £nil).

At 31 March 2008 the net assets of the Trust amounted to £17.2 million (2007: £17.0 million). These assets include 199,784 (2007: 191,784) ordinary shares in the Company carried at cost. Other assets were primarily debtors from employees in connection with the purchase of shares in the Company and its liabilities related to bank borrowings. The Trust bears its own administration and financing costs.

During the year, 8,000 Company ordinary shares were repurchased by the EBT for £5.28 million excluding costs.

**29. RELATED PARTIES**

During the year, the Company incurred fees of £151,883 (2007: £172,792) with Macfarlanes, a partnership in which J Courtenay-Stamp is a partner.

As at the year end, D Kelly and M A Spencer owed the Intercapital Private Group Limited Employee Benefit Trust £2,263,371 and £8,066,132 respectively (2007: £2,121,900 and £7,561,693). Interest is charged at 1% above base rate on these balances which are repayable on demand.

At the balance sheet date, the Company had a inter-company debtor balance of £11,526,000 (2007: £nil), other debtors of £nil (2007: £8,295,000) and subordinated loans due from Group companies of £27,523,000 (2007: £16,972,000) in the City Index Group. Trade creditors due to the City Index Group stood at £nil (2007: £566,000) and other creditors were £2,678,000 (2007: £nil) at the year end.

The interest income earned from the City Index Group for the year to 31 March 2008 and 2007 was £1,666,000 (2007: £1,624,000). Net trading expenses of £10,126,000 (2007: £13,563,000), net fee and commission expenses of £353,000 (2007: £154,000) and net finance costs of £914,000 (2007: £1,857,000) were payable to the City Index Group.

Expense recharges between related parties are made on an arm's length basis. Outstanding balances with entities are unsecured and interest free and placed on inter-company accounts with no specified credit period and are repayable on demand.

**30. SHARE BASED PAYMENTS**

City Index Holdings Limited had share option schemes for certain executives and employees and adopted FRS 20 Share-based payments during the previous year.

During the year, as part of the FX Solutions LLC acquisition (see Directors' Report), all options were cancelled. The amounts cancelled during the year ended 31 March 2008 resulted in the recognition of a charge of £569,000 (2007: £705,000) in the consolidated profit and loss relating to equity-settled share-based payment transactions.

Further FRS 20 disclosures are presented in the financial statements of City Index Holdings Limited, available from the Registrar of Companies at Companies House.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**31. CONTINGENT LIABILITIES**

The Group is a defendant to several litigation claims, some of which are for material amounts. The Group's management believe that claims outstanding as at 31 March 2008 and 31 March 2007 are either without merit and can be successfully defended or will not have a material adverse effect on the Group's financial condition, results of operations or liquidity. On the facts known to the Directors at the present time and supported by legal advice received, the Directors believe that these disputes and associated costs have been adequately accrued for at the balance sheet date.

The Company is currently in discussion with HM Revenue & Customs in relation to the tax base cost of shares in Icap Plc ( previously Garban Intercapital Plc) that were transferred at market value to a fellow subsidiary, Incap Netherlands Holdings BV, on 29 May 2001. The base cost of the shares was established in a prior restructuring that occurred in September 1998. The Company has obtained, after the year end, a further independent formal tax valuation of the shares in question, which supports the base cost value used in the submitted tax computations.

The treatment adopted by the Company in its submitted tax computation and accounts is fully consistent with the advice provided by its various advisors in relation to the transaction and this position has recently been confirmed to be in order by leading Tax Counsel. In view of this no provision has been established in relation to this matter in these accounts.

**32. ACQUISITIONS**

On 5 February 2008, a subsidiary company, City Index Group Limited ("CIGL") acquired 100% of the issued capital of Sunblock Holdings LLC ("Sunblock") and its principal trading subsidiary, FX Solutions Holdings LLC. The enlarged CIGL is owned 70.1% by the Company, 25.0% by the former owners of Sunblock and 4.9% by other shareholders.

Consideration for the Company's 70.1% share in the combined business amounted to £70.0 million and was made by a deemed disposal of 25.7% of CIGL. The unrealised gain on disposal of the 25.7% share was £54.7 million and has been recognised in the Consolidated Statement of Total Recognised Gains and Losses. Transaction costs for the acquisition amounted to £3.3 million. The consideration was calculated using a fair value exercise undertaken by the Directors. The Group has consolidated the results of CIGL using the acquisition method of accounting resulting in goodwill on consolidation of £74.3 million being recognised.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**32. ACQUISITIONS (Continued)**

	Sunblock/FX Solutions LLP £'000
<b>Fixed Assets</b>	
Tangible	1,664
Intangible	197
<b>Current Assets</b>	
Debtors (including prepayments)	19,644
Cash at bank and in hand	13,295
Total assets	34,800
Creditors - Amounts falling due within one year	(25,861)
Creditors - Amounts falling due after more than one year	(10,266)
Net liabilities at book and provisional fair value of net assets acquired	<u>(1,327)</u>
<b>Consideration</b>	
Share consideration	70,000
Acquisition costs	<u>3,326</u>
Net acquisition consideration	<u>73,326</u>
Net liabilities at book and provisional fair value of net assets acquired	1,327
Less: Minority Interest in Sunblock / FX Solutions LLP	<u>(399)</u>
<b>Positive goodwill arising</b>	<u>74,254</u>

FX Solutions made a profit after taxation of £15.5 million (US\$31.1 million) in the year ended 31 December 2007 (2006: £8.7 million, US\$16.0 million). FX Solutions made a profit after taxation of £1.3 million (US\$2.5 million) in the period from 1 January 2008 to 5 February 2008.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

**32. ACQUISITIONS (Continued)**

The following table sets out the summarised profit and loss account of the acquisitions from the date of acquisition to the balance sheet date:

	£'000
Net income	5,366
Administrative expenses	(2,280 )
Operating profit and profit before taxation	3,086
Tax charge on loss on ordinary activities	(736 )
Profit on ordinary activities after taxation	2,350

The material effects of the acquisitions on the consolidated cash flow statement were to recognise cash inflow from operating activities of £7.4 million and a net cash inflow from acquisitions and disposals of £10.0 million.

**Disposals**

On 1 April 2008 the Group divested a wholly owned subsidiary, City Index Advisory Limited to its management for £400,000 as it was not deemed to be a core activity. A provision of £652,000 at the year end was made in respect of this disposal.

On 21 January 2009 the Group completed the divestment of its 51% owned subsidiary, Axia FX Limited, to its management as it was not deemed to be a core activity. The Group had been in negotiations on this transaction since March 2008. A provision of £200,000 against the value of the investment together with a further £276,000 provision for further liabilities were made at the balance sheet date in respect of the disposal of this investment.

**33. CONTROL**

The ultimate controlling party is M A Spencer by virtue of his shareholding, and of those closely related to him, in the Company.

**34. FINANCIAL INSTRUMENTS**

Financial Reporting Standard 29 "Financial instruments: disclosures" requires disclosure of information on the significance of financial instruments for an entity's financial position and performance, information about exposure to risks arising from financial instruments and the Group's objectives, policies and processes for managing capital.

The Group's financial instruments comprise listed equity securities, cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

**Classification**

The Group's financial instruments have been classified as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

34. FINANCIAL INSTRUMENTS (Continued)

	Group As at 31 March 2008				
	Financial assets and liabilities at fair value through profit or loss	Available-for- sale	Loans and receivables- amortised cost	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
Investments available-for-sale	-	632	-	-	632
Investments at fair value through profit or loss	84,235	-	-	-	84,235
Trade debtors	214,183	-	-	-	214,183
Other debtors	-	-	18,018	-	18,018
Cash at bank and in hand	-	-	149,118	-	149,118
<b>Total financial assets</b>	<b>298,418</b>	<b>632</b>	<b>167,136</b>	<b>-</b>	<b>466,186</b>
<b>Financial Liabilities</b>					
Trade creditors	180,589	-	-	-	180,589
Other creditors	-	-	-	18,822	18,822
Loans payable	-	-	-	351,363	351,363
<b>Total financial liabilities</b>	<b>180,589</b>	<b>-</b>	<b>-</b>	<b>370,185</b>	<b>550,774</b>
<b>Group As at 31 March 2007</b>					
<b>Financial Assets</b>					
Investments available-for-sale	-	138	-	-	138
Investments at fair value through profit or loss	114,762	-	-	-	114,762
Trade debtors	263,346	-	-	-	263,346
Other debtors	-	-	15,888	-	15,888
Cash at bank and in hand	-	-	115,250	-	115,250
<b>Total financial assets</b>	<b>378,108</b>	<b>138</b>	<b>131,138</b>	<b>-</b>	<b>509,384</b>
<b>Financial Liabilities</b>					
Trade creditors	250,782	-	-	-	250,782
Other creditors	-	-	-	997	997
Loans payable	-	-	-	262,368	262,368
<b>Total financial liabilities</b>	<b>250,782</b>	<b>-</b>	<b>-</b>	<b>263,365</b>	<b>514,147</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

34. FINANCIAL INSTRUMENTS (Continued)

**Financial risk management**

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and market risk (equity price risk, interest rate risk and currency rate risk). The responsibility of monitoring financial risk management is attributable to the individual Group companies, but overseen by the Group's board of directors.

The main risks associated with the Group's financial assets and liabilities and key components of the risk management policies are summarised as follows:

**Credit risk**

The Group's principal financial assets exposed to credit risk are cash, trade and other debtors.

The credit risk on cash is limited as the counterparties are all internationally recognised banks and financial institutions.

The Group's main credit risk is attributable to its trade and other debtors. The amounts shown in the balance sheet arising from trading in equities mainly relate to the City Index Group.

A client credit exposure exists where a client's net contractual payable to the Group is greater than the margin or other collateral received by the Group ("margin deficiency") net of any credit provisions made against the margin deficiency. A counterparty exposure exists where the Group's net contractual debtor is greater than the margin or other collateral deposited by the Group with the counterparty ("excess margin"). The Group's credit risk is geographically diversified, with the majority of clients and counterparties operating in OECD countries. Clients do not normally have external credit ratings, however market counterparties generally have published credit ratings. In addition to the regular credit review of counterparties and country limits, other measures are undertaken to mitigate credit risk including holding margin or other collateral against client positions. A minority of clients are permitted to deal within specific credit terms.

The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, as well as determining the account limits which are allocated to a client. The Group also has potential credit risk arising from its exposure to market counterparties with which it hedges and with banks. The Group sets limits for its maximum acceptable exposure to each market counterparty and bank to which it has credit exposure. These limits are approved by the Risk and Credit Committee and are reviewed every six months.

During the current year the Group incurred some significant credit losses. As a consequence of these losses the Group strengthened and enhanced the policies, particularly in light of current global market conditions.

At the balance sheet date the Group had the following maximum exposure to credit risk being the trade debtors balance net of provision per note 17:

	Group For the year ended 31 March	
	2008	2007
Trade debtors	£'000	£'000
Brokers and dealers	179,225	196,387
Clients	32,365	64,668
Other	2,593	2,291
	<u>214,183</u>	<u>263,346</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

34. FINANCIAL INSTRUMENTS (Continued)

The movement on credit provisions during the year were as follows:	Group For the year ended 31 March	
	2008 £'000	2007 £'000
Charges to profit and loss account during year	53,375	872
Opening credit provisions	872	-
Charges against underlying asset during the year	(7,077)	-
Closing credit provisions	47,170	872

**Liquidity risk**

Ultimate responsibility for liquidity management rests with the board of directors. The Group manages liquidity risk by maintaining adequate cash reserves, bank facilities, borrowing facilities and by maintaining a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions.

The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. In the event of a significant movement in markets, the Group could have a short-term funding requirement to meet its payment obligations to counterparties. Any failure by the Group to meet its payment obligations could result in market counterparties closing the Group's hedge positions, which would have materially adverse consequences for the Group's business. The level of liquidity required is influenced by the level of client activity and volatility in the markets.

The contractual undiscounted maturities of the Group's assets and liabilities at the balance sheet date are as follows:

	Group As at 31 March 2008				Total £'000
	On demand £'000	Due within 3 months £'000	Due between 4 and 12 months £'000	Due between 1 and 5 years £'000	
<b>Financial Assets</b>					
Investments available-for-sale	-	632	-	-	632
Investments at fair value through profit or loss	-	84,235	-	-	84,235
Trade debtors	214,183	-	-	-	214,183
Other debtors	18,018	-	-	-	18,018
Cash at bank and in bank	149,118	-	-	-	149,118
<b>Total financial assets</b>	<b>381,319</b>	<b>84,867</b>	<b>-</b>	<b>-</b>	<b>466,186</b>
<b>Financial Liabilities</b>					
Trade creditors	180,589	-	-	-	180,589
Other creditors	-	18,014	-	808	18,822
Loan payable	248,750	3,027	-	99,586	351,363
<b>Total financial liabilities</b>	<b>429,339</b>	<b>21,041</b>	<b>-</b>	<b>100,394</b>	<b>550,774</b>
<b>Net position</b>	<b>(48,020)</b>	<b>63,826</b>	<b>-</b>	<b>(100,394)</b>	<b>(84,588)</b>

Over the last year the Group's funding requirement has increased primarily due to increased client trading, both through white label partnership and the Group's own client acquisition, which require an increasing level of funds to be placed with hedging counterparties to the client activity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

## 34. FINANCIAL INSTRUMENTS (Continued)

## Liquidity risk (Continued)

	Group As at 31 March 2007				
	On demand	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
Investments available-for-sale	-	138	-	-	138
Investments at fair value through profit or loss	-	114,762	-	-	114,762
Trade debtors	263,346	-	-	-	263,346
Other debtors	-	15,888	-	-	15,888
Cash at bank and in bank	115,250	-	-	-	115,250
<b>Total financial assets</b>	<b>378,596</b>	<b>130,788</b>	<b>-</b>	<b>-</b>	<b>509,384</b>
<b>Liabilities</b>					
Trade creditors	250,782	-	-	-	250,782
Other creditors	-	797	-	200	997
Loan payable	30,000	2,250	140,118	90,000	262,368
<b>Total financial liabilities</b>	<b>280,782</b>	<b>3,047</b>	<b>140,118</b>	<b>90,200</b>	<b>514,147</b>
<b>Net position</b>	<b>97,814</b>	<b>127,741</b>	<b>(140,118)</b>	<b>(90,200)</b>	<b>(4,763)</b>

At the year end the Group had the following current funding position compared to prior years:

The significant credit losses incurred by the City Index Group during the last quarter of the financial year resulted in a reduction in liquidity in comparison to prior years. Since 31 March 2008 the City Index Group has taken several key steps to improve liquidity and at 13 February 2009 this stood at £23.3 million.

In general, the Group in its United Kingdom business has historically segregated into separate bank accounts the majority of client's funds received by it, even when those funds are provided to support a client's open positions. Consequently the Group's United Kingdom business borrowed funds from its lending banks to finance the hedging margin in respect of trades placed with hedging counterparties. This results in a substantial leverage burden on the business (which is particularly relevant during the current credit cycle) and moreover the Group incurs substantial interest expense. On 21 October 2008 the City Index Group reduced leverage by revising its business terms and conditions such that when clients have open positions and have deposited funds to meet their obligations to hold such positions, those funds are not utilised by the United Kingdom business to meet its margin requirement to its hedging counterparties. Any excess client monies deposited by such clients above the margin requirement to support their open positions remains segregated. The funds placed with hedging counterparties also remain segregated. This has enabled the Group to reduce its funding lines from £104.0 million to a level of £15.0 million (provided by third parties and the Company) by November 2008. The Directors believe this will be adequate to retain flexibility in the management of its cash flow.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****34. FINANCIAL INSTRUMENTS (Continued)****Market risk**

Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices. The main associated risks for the Group are equity price risk, interest rate risk and currency rate risk.

**Equity price risk**

The Group is exposed to equity price risk because of investments held by the Group and classified as held at fair value through profit or loss. To manage the price risk arising from these investments the Group diversifies its portfolio in accordance with limits set by the board of directors.

The Group's investment portfolio includes equity instruments and other indices that are publically traded. A 10% increase in the FTSE-all-share index (the "Index") at the reporting date would have increased profit after tax by £5.4 million (2007: an increase of £6.6 million); an equal change in the opposite direction would have decreased profit after tax by £5.4 million (2007: a decrease of £6.6 million). The analysis is performed on the same basis for 2007.

The Group had 12.6 million listed CFD positions open at the year end (2007: 13.9 million). A 10% increase in the Index at the reporting date would have increased profit after tax by £3.0 million (2007: £9.6 million); an equal change in the opposite direction would have decreased profit after tax by £3.0 million (2007: £9.6 million). The Directors manage this risk by having direct control over the positions opened and closed and by assessing the Group's risk exposure at periodic intervals.

Daily and intra-day margin calls are made on clients to reflect market movements affecting client positions. The Group's clients sign a terms of business agreement, in which, under certain circumstances, the Group unilaterally reserves the right to close out client positions. Exposures management is dependent on the liquidity of the relevant markets and hedging policy. These policies include limits, or a methodology for setting limits, for each liquid financial market which the Group trades, or markets which the Directors consider to be correlated. The limits determine the maximum net exposure arising from client activity and associated hedging.

The estimated fair value of financial assets and liabilities is made in accordance with the requirements of FRS 26. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation. The fair values of assets or liabilities are all determined by reference to quoted market bid or ask prices, respectively, at the close of business on the balance sheet date.

**Interest rate risk**

The interest bearing financial assets and liabilities of the Group comprise cash, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Exposure to interest rate fluctuations are managed through floating rate instruments which give the Group its required interest and maturity profile. Interest rate and maturity profiles are regularly monitored in the light of current performance and the economic environment. The Group is also exposed to interest rate risk in the form of financing income or expense on open positions held with clients. Financing interest rate is pegged to LIBOR and overnight deposit rates.

The Group hedges its clients' trades to the extent determined by its risk management policies by executing mirror trades with its brokers in order to mitigate interest rate risk.

As at 31 March 2008, if interest rates had increased by 20% with all other variables held constant, post-tax profit and equity would have been £1.4 million lower (2007: £2.5 million lower). Conversely, if interest rates had fallen 20% with all other variables held constant, post tax profit and equity would have been £1.4 million higher (2007: £2.5 million higher).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

## 34. FINANCIAL INSTRUMENTS (Continued)

## Interest rate risk (Continued)

A sensitivity of 20% represents a reasonable movement given the current level of volatility observed in respect of the main interest rates the Group is normally exposed to in its day-to-day operations. The calculation assumes an average Group tax rate of 30%.

For the purposes of the sensitivity analysis, loans that have been repaid in full subsequent to the balance sheet date have been excluded.

## Currency rate risk

The principal currencies in which the Group trades are sterling (GBP) and United States Dollars (US\$). This gives rise to currency risk on the translation of its net current assets (mainly net funds held on behalf of clients) together with a currency risk on the conversion of its non-sterling income into sterling. The Group economically hedges this risk to the extent required by its hedging strategy.

The currency risk of the Group's assets and liabilities at the balance sheet date are as follows:

	Group As at 31 March 2008				
	GBP£ £'000	US\$ £'000	Euro £'000	Other £'000	Total £'000
<b>Financial assets</b>					
Investments available-for-sale	632	-	-	-	632
Investments at fair value through profit or loss	79,660	4,575	-	-	84,235
Trade debtors	166,966	24,961	13,812	8,444	214,183
Other debtors	17,830	68	120	-	18,018
Cash at bank and in bank	65,213	78,233	692	4,980	149,118
<b>Total financial assets</b>	<b>330,301</b>	<b>107,837</b>	<b>14,624</b>	<b>13,424</b>	<b>466,186</b>
<b>Financial liabilities</b>					
Trade creditors	121,587	49,693	8,093	1,216	180,589
Other creditors	18,740	-	-	82	18,822
Loan payable	336,227	15,136	-	-	351,363
<b>Total financial liabilities</b>	<b>476,554</b>	<b>64,829</b>	<b>8,093</b>	<b>1,298</b>	<b>550,774</b>
<b>Net position</b>					
Total net assets/(liabilities)	(146,253)	43,008	6,531	12,126	(84,588)
If there was a 20% adverse movement in exchange rates with all other variables held constant, then there would be an:					
– (decrease)/ increase in profit/(loss)		(23,849)	(6,971)	(1,698)	(32,518)
– increase/ (decrease) in equity		(23,849)	(6,971)	(1,698)	(32,518)
If there was a 20% favourable movement in exchange rates with all other variables held constant then there would be an:					
– increase/(decrease) in profit/ (loss) after tax		23,849	6,971	1,698	32,518
– (decrease)/ increase in total equity		23,849	6,971	1,698	32,518

A sensitivity of 20% represents a reasonable movement in given the current level of volatility observed in respect of the main exchange rates the Group is normally exposed to in its day-to-day operations. The calculation assumes an average Group tax rate of 30%. The main currencies included in the other currency category are Australian Dollars and Japanese Yen.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

## 34. FINANCIAL INSTRUMENTS (Continued)

	Group As at 31 March 2007				
	GBP£	US\$	Euro	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
Investments available for sale	138	-	-	-	138
Investments at fair value through profit or loss	108,293	6,469	-	-	114,762
Trade debtor	178,721	52,413	30,326	1,886	263,346
Prepayments and other debtors	15,819	69	-	-	15,888
Cash at bank and in bank	52,538	46,913	10,530	5,269	115,250
<b>Total financial assets</b>	<b>355,509</b>	<b>105,864</b>	<b>40,856</b>	<b>7,155</b>	<b>509,384</b>
<b>Financial Liabilities</b>					
Trade creditors	147,463	76,803	25,006	1,510	250,782
Other creditors	969	-	28	-	997
Loan payable	262,368	-	-	-	262,368
<b>Total financial liabilities</b>	<b>410,800</b>	<b>76,803</b>	<b>25,034</b>	<b>1,510</b>	<b>514,147</b>
<b>Net position</b>					
<b>Total net assets/(liabilities)</b>	<b>(55,291)</b>	<b>29,061</b>	<b>15,822</b>	<b>5,645</b>	<b>(4,763)</b>
If there was 20% adverse movement in exchange rates with all other variables held constant, then there would be an:					
- increase/ (decrease) in profit/ (loss)		(4,068)	(2,215)	(790)	(7,074)
- (decrease)/ increase in equity		(4,068)	(2,215)	(790)	(7,074)
If there was 20% favourable movement in exchange rates with all other variables held constant, then there would be an:					
- increase/ (decrease) in profit/ (loss) after tax		4,068	2,215	790	7,074
- (decrease)/ increase in total equity		4,068	2,215	790	7,074

A sensitivity of 20% represents a reasonable movement in given the current level of volatility observed in respect of the main exchange rates the Group is normally exposed to in its day-to-day operations. The calculation assumes an average Group tax rate of 30%. The main currencies included in the other currency category are Australian Dollars and Japanese Yen.

**Capital risk management**

The Group manages capital to ensure that it has available resources and access to markets to ensure the continued growth of the Group and to meet its borrowing and regulatory requirements. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure that complies with loan covenants and externally imposed capital requirements. The Group manages capital through the bank loan financing as disclosed above.

**Non-financial risks**

**Operational risk:** Operational risk is the potential for financial and reputation loss arising from failures in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate act such as fraud. The Group has policies and procedures to mitigate operational risk and are working towards a more comprehensive operational risk management framework in conjunction with its trading entity Internal Audit Departments.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

**34. FINANCIAL INSTRUMENTS (Continued)**

Regulatory risk: A large proportion of the Group's activities are regulated in a number of jurisdictions and are therefore subject to various regulation and legislation relating to technology, the provision of internet services, the use of the internet and regulatory capital. This imposes extensive reporting requirements and continuing self-assessment and appraisals. The Compliance Departments of Group companies are designed to ensure that all the Group's entities meet the rules of the regulators in each of the jurisdictions in which the Group operates. The Group is required to be regulated on a consolidated basis by the United Kingdom's Financial Services Authority. The Group maintains a close working relationship with its regulators and continually seeks to improve its operating efficiencies and standards. The compliance officers are in regular contact with the Senior Executive Management. The regulatory environment is constantly evolving and imposes significant demands on the resources of the Group. The Group continues to devote considerable resources to meet the requirements, including increased training and provision of adequate capital.