

RELIGARE CAPITAL MARKETS PLC

Report and financial statements for the year ended 31 March 2011

Registered number: 02368530

RELIGARE CAPITAL MARKETS PLC

Report and financial statements for the year ended 31 March 2011

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RELIGARE CAPITAL MARKETS PLC

PARENT COMPANY

Religare Capital Markets International (UK) Limited
Incorporated and registered in the United Kingdom under company number 06503069
Private limited company

ULTIMATE PARENT COMPANY

Religare Enterprises Limited
Incorporated and registered in India under company number 55-146935
Public limited company

DIRECTORS

B. Tempest (Non-executive chairman)
M. Newson (CEO)
S. Nath
A. Saxena
M. Runacres (Non-executive)
J.W. Balani (Non-executive)

COMPANY SECRETARY

TMF Nominees Limited
400 Capability Green
Luton
LU1 3AE
United Kingdom

REGISTERED OFFICE

100 Cannon Street
London EC4N 6EU
Telephone – 020 7444 0500

REGULATORS

Financial Services Authority

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

BANKERS

Barclays Bank plc
Citi Bank
HSBC Bank plc
Lloyds TSB Bank plc

RELIGARE CAPITAL MARKETS PLC

Directors' report for the year ended 31 March 2011

The directors present their report together with the consolidated audited financial statements of Religare Capital Markets plc ("the group") and the company for the year ended 31 March 2011.

Results and dividends

Revenue for the group for the year was £17,321k (for period to 31 March 2010: £24,381k) a decrease of 29%. The loss for the year amounted to £33,196k (2010: £ 3,100K Profit).

The directors do not recommend the payment of any dividend (2010: £nil)

Principal activities

The Group continues to be engaged in the following principal areas of activity:

Investment Banking & Institutional Equities in Emerging markets

The investment banking group comprises an Institutional Equities Brokerage division and an Investment Banking Division (IBD) division. The Brokerage Division provides research and execution services focused on Emerging Markets products and companies to serve institutional clients in Europe, the US and the Asia Pacific region. The Brokerage Division generates revenue from brokerage commissions.

The Investment Banking business provides a range of advisory services to corporate and other clients assisting them with their corporate activities, exploring opportunities for raising capital, underwriting the issuance of new capital, corporate restructurings, and mergers and acquisitions including advising on cross border transactions.

UK Listings (Corporate broking)

The UK Listing business acts as Corporate Broker and Nominated Advisor (NOMAD) for some 17 midsized AIM and PLUS markets-traded companies, as well as sponsor for those companies on the official list, and advises on raising capital through new issues, secondary fund raising and private placing. RCM also advises on rights issues, open offers, mergers and acquisitions, hostile and recommended takeovers and tender offers.

Review of business

Two acquisitions were successfully executed and completed during the year. Kyte Management Ltd, trading as "Aviate Global," an agency broker with 32 staff operating in 4 locations was acquired in December 2010. The UK and US entities of Barnard Jacobs Mellet Holdings Limited were acquired in November 2010 and January 2011 respectively, bringing significant brokerage expertise in Sub-Saharan Africa into the organisation.

New offices, both organically and through acquisition, were established in Hong Kong, Singapore, New York and Melbourne.

During the year Religare Capital Markets closed down its Contracts for Differences ("CFD") business as part of a decision to focus on the global cash equities and IBD franchises.

The Qatar office, previously a branch of Religare Capital Markets was closed as part of a decision to concentrate the firm's Middle Eastern presence in Dubai.

RELIGARE CAPITAL MARKETS PLC

Religare Capital Markets sold a building in central London through its subsidiary, Tobler (UK) limited for £38 million and realised a profit on sale of £18.6 million. Religare Capital Markets has entered into a long-term lease arrangement with the new owner in order to secure the long-term housing of its entire UK staff-base.

Principal risks and uncertainties

The financial risks which the Group faces in its daily trading activities are set out in detail in note 21. In addition to these risks, the Group faces, in common with all other brokers, the possibility of a significant downturn in the markets in which it operates resulting in a reduction in revenue and profit.

The company is authorised and regulated by the Financial Services Authority.

Key Performance Indicators

The group uses performance indicators to measure operational and financial activity in the business and monthly reports are published to monitor progress. The business is in investment mode so the Key Performance Indicators below measure investment activity and resultant financial performance.

Staff Hiring – progress on completing key staff hires to contribute to business growth

Capital invested – monitor capital employed and forecast capital requirements to fund operations and provide regulatory capital

Revenue/Expenses – comparison of results versus plan and the analysis of variances

Future developments

Religare Capital Markets plc is a subsidiary of Religare Capital Markets Ltd (“RCML,”) a company incorporated in India.

Religare Capital Market’s business plan continues to comprise of the simultaneous execution of 3 core initiatives;

- Build a first class investment banking and institutional equities business globally. This is being achieved through the build-out of a top-tier research and execution function complemented by world-class investment banking and equity capital markets capabilities.
- Expand its investment banking and equities presence in other key emerging markets in a phased fashion through organic growth, acquisition or joint-venture-type arrangements.
- Continue to deploy an integrated sales model through expanding its London, New York, and Singapore distribution hubs.

RELIGARE CAPITAL MARKETS PLC

Directors

The following served as directors during the year and up to the date of signing the financial statements:

Brian Tempest (non-executive chairman)
Martin Newson
Pankaj Bhansali (resigned effective 30th Sept 2010)
Anil Saxena
Shachindra Nath
Gurpreet Dhillon (resigned effective 20th May 2011)
Jaickismin Wadhupal Balani (non-executive director)
Mark Runacres (non-executive director)

Financial instruments

Details of the Company's and Group's use of financial instruments are detailed in note 21 to the financial statements

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RELIGARE CAPITAL MARKETS PLC

Pillar 3 disclosures

Details of the group's Pillar 3 disclosures, required under chapter 11 of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investments Firms ("BIPRU") are available on the group's website, www.religarecm.com.

Regulatory capital

The immediate parent company of Religare Capital Markets plc is Religare Capital Markets International (UK) Ltd ("RCMI"), which is an unregulated UK incorporated company wholly owned by a non-EEA group structure. Following the completion of a regulatory capital review after the appointment of a new Chief Operating Officer, it was concluded on the advice of the Group's professional advisers that, under current FSA consolidated supervision requirements, RCMI should have been identified as the highest UK parent financial holding company, and the FSA's consolidated capital requirements complied with at that level. These requirements include having adequate capital to meet minimum FSA consolidated capital and exposure limit requirements. These matters were proactively raised to the FSA by Religare Capital Markets plc and its proposal for resolution was accepted by the FSA. In agreement with the FSA, the consolidated requirements are currently applied at Religare Capital Markets plc level whilst a reorganisation of RCMI is completed. The reorganisation is in the process of execution. However the directors of Religare Capital Markets plc note that, in the unlikely event that the reorganisation is not completed, an additional GBP 56million of capital resources would be required. The making available of such additional resources is within the scope of the assurances referred to under the heading "Going Concern" below.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors have produced projections of the working capital requirements of the Group for the next 12 months, which shows significant additional funds will be required over the coming period, in line with the agreed investment schedule set out in the business plan. In the light of this the Directors have received assurances from Religare Enterprise Limited, that it is their intention to continue to support the Group on an going basis. Whilst these assurances are not legally binding the Directors believe that it is the intention of Religare Enterprise Limited to provide the necessary additional funding to ensure that the Group satisfies its commitments and ensure that the Group has sufficient funds so that the Group will continue in business as a going concern.

Policy and Practice on payment of creditors

It is the company's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction and to ensure that these suppliers are made aware of the terms of the payment and to abide by the terms of payment.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed to the Board.

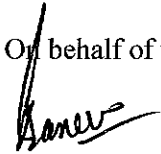
RELIGARE CAPITAL MARKETS PLC

Disclosure of information to auditors

The directors have taken all the steps that they ought to have taken as a director in order to make them aware of any relevant audit information and have established that the company auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company auditors are unaware.

On behalf of the Board



Anil Saxena

Director

27th June 2011

Registered number: 02368530

Independent auditors' report to the members of Religare Capital Markets PLC

We have audited the group and parent company financial statements (the "financial statements") of Religare Capital Markets PLC for the year ended 31 March 2011 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

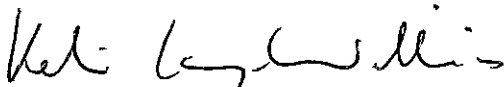
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Kelvin Laing-Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27th June 2011

- (a) The maintenance and integrity of the Religare Capital Markets PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RELIGARE CAPITAL MARKETS PLC

Group statement of comprehensive income for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Revenue			
Revenue from operations		21,625	22,832
Gain/(loss) on financial instruments held for trading		(4,304)	1,549
Total Revenue	4	<u>17,321</u>	<u>24,381</u>
Exceptional item	6	18,597	-
Other operating income		262	-
Administrative expenses		<u>(68,557)</u>	<u>(20,599)</u>
Operating profit/ (loss)	5	(32,377)	3,782
Finance costs	10	(1,106)	(891)
Finance income	10	<u>666</u>	<u>425</u>
Profit/ (loss) before taxation		(32,817)	3,316
Income tax	11	(30)	15
Loss for the year from continuing operations		<u>(32,847)</u>	<u>3,331</u>
Discontinued operations			
Profit for the year from discontinued operations	9	<u>(349)</u>	<u>(231)</u>
Profit/ (Loss) for the year		<u>(33,196)</u>	<u>3,100</u>
Other comprehensive income:			
Currency translation differences		(246)	-
Total comprehensive income		<u>(33,442)</u>	<u>3,100</u>
Attributable to:			
- Equity holders of the parent		(33,442)	3,100
- Minority interests		-	-

The accounting policies and notes on pages 17 to 52 form an integral part of these consolidated financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the company profit and loss account.

The company's loss for the financial year/period was £12,978,000 (2010: £4,263,000 profit).

Registered number: 02368530

RELIGARE CAPITAL MARKETS PLC

Group balance sheet as at 31 March 2011

		31 March 2011 £'000	31 March 2010 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	12	3,950	21,717
Intangible Assets	14	47,584	4,755
Fixed deposits held with banks		-	8,900
Total non-current assets		<u>51,534</u>	<u>35,372</u>
Current assets			
Financial instruments held for trading	16	2,049	3,633
Trade and other receivables	17	111,923	4,756
Cash and cash equivalents	26	53,477	13,461
Total current assets		<u>167,449</u>	<u>21,850</u>
Total assets		<u><u>218,983</u></u>	<u><u>57,222</u></u>
Equity attributable to owners of the parent			
Called up share capital	22	123,175	20,472
Share premium account	23	10,396	10,396
Merger reserve	23	2,226	2,226
Exchange reserve	23	(246)	-
Capital redemption reserve	23	725	725
Retained earnings/(loss)	23	(33,764)	(568)
Total shareholders' funds		<u>102,512</u>	<u>33,251</u>
Minority interest		(1)	(1)
Total Equity		<u>102,511</u>	<u>33,250</u>
Liabilities			
Non Current liabilities			
Provisions for other liabilities and charges	19	23,079	-
Borrowings	18	-	18,275
Total non-current liabilities		<u>23,079</u>	<u>18,275</u>
Current liabilities			
Trade and other payables	20	90,975	4,607
Borrowings	18	-	571
Current tax liabilities		2,418	519
Total current liabilities		<u>93,393</u>	<u>5,697</u>
Total Liabilities		<u>116,472</u>	<u>23,972</u>
Total Equity and Liabilities		<u><u>218,983</u></u>	<u><u>57,222</u></u>

The financial statements on pages 10 to 16 were approved and authorised for issue by the Board of Directors on 27th June 2011.

Signed on behalf of the Board



Anil Saxena
Director

Registered number: 02368530

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

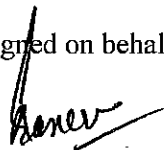
RELIGARE CAPITAL MARKETS PLC

Company balance sheet as at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,202	1,999
Fixed deposits held with banks		-	8,900
Intangibles	14	1,934	228
Investment in subsidiaries	15	87,689	11,271
Total non-current assets		91,825	22,398
Current assets			
Financial instruments held for trading	16	1,889	3,563
Trade and other receivables	17	35,070	5,165
Cash and cash equivalents		33,281	10,235
Total current assets		70,240	18,963
Total Assets		162,065	41,361
Capital and reserves			
Called up share capital	22	123,175	20,472
Share premium account	23	10,396	10,396
Merger reserve	23	2,226	2,226
Capital redemption reserve	23	725	725
Retained earnings/(loss)	23	(11,564)	1,414
Total Equity		124,958	35,233
Liabilities			
Non Current liabilities			
Provisions for other liabilities and charges	19	23,079	-
Total non-current liabilities		23,079	-
Current Liabilities			
Trade and other payables	20	12,072	5,757
Current tax liabilities		1,956	371
Total current liabilities		14,028	6,128
Total Liabilities		37,107	6,128
Total Equity and Liabilities		162,065	41,361

The financial statements on pages 10 to 16 were approved and authorised for issue by the Board of Directors on 27th June 2011.

Signed on behalf of the Board



Anil Saxena
Director

Registered number: 02368530

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

RELIGARE CAPITAL MARKETS PLC

Group statement of changes in equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Exchange Reserve £'000	Retained Earnings/ (Loss) £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 April 2009	1,947	10,396	725	2,226	-	(3,668)	11,626	373	11,999
Comprehensive Income									
Profit or loss						3,100	3,100	-	3,100
Total comprehensive income	-	-	-	-	-	3,100	3,100	-	3,100
Transactions with owners									
Proceeds from shares issue	12,000	-	-	-	-	-	12,000	-	12,000
Shares issued in exchange for equity	6,525	-	-	-	-	-	6,525	-	6,525
Acquisition of Minority interests	-	-	-	-	-	-	-	(374)	(374)
Total transactions with owners	18,525	-	-	-	-	-	18,525	(374)	18,151
Balance at 1 April 2010	20,472	10,396	725	2,226	-	(568)	33,251	(1)	33,250
Comprehensive Income									
Profit or loss	-	-	-	-	-	(33,196)	(33,196)	-	(33,196)
Other Comprehensive Income									
Foreign exchange gain/loss on consolidation	-	-	-	-	(246)	-	(246)	-	(246)
Total comprehensive income	-	-	-	-	(246)	(33,196)	(33,442)	-	(33,442)
Transactions with owners									
Proceeds from shares issue	102,703	-	-	-	-	-	102,703	-	102,703
Total transactions with owners	102,703	-	-	-	-	-	102,703	-	102,703
Balance at 31 March 2011	123,175	10,396	725	2,226	(246)	(33,764)	102,512	(1)	102,511

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

RELIGARE CAPITAL MARKETS PLC

Company statement of changes in equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Exchange Reserve £'000	Retained Earnings/ (Loss) £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 April 2009	1,947	10,396	725	2,226	-	(2,849)	12,445	-	12,445
Comprehensive Income									
Profit or loss						4,263	4,263	-	4,263
Total comprehensive income	-	-	-	-	-	4,263	4,263	-	4,263
Transactions with owners									
Proceeds from shares issue	12,000	-	-	-	-	-	12,000	-	12,000
Shares issued in exchange for equity	6,525	-	-	-	-	-	6,525	-	6,525
Acquisition of Minority interests	-	-	-	-	-	-	-	-	-
Total transactions with owners	18,525	-	-	-	-	-	18,525	-	18,525
Balance at 1 April 2010	20,472	10,396	725	2,226	-	1,414	35,233	-	35,233
Comprehensive Income									
Profit or loss	-	-	-	-	-	(12,978)	(12,978)	-	(12,978)
Other Comprehensive Income									
Foreign exchange gain/loss on consolidation	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(12,978)	(12,978)	-	(12,978)
Transactions with owners									
Proceeds from shares issue	102,703	-	-	-	-	-	102,703	-	102,703
Total transactions with owners	102,703	-	-	-	-	-	102,703	-	102,703
Balance at 31 March 2011	123,175	10,396	725	2,226	-	(11,564)	124,958	-	124,958

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

RELIGARE CAPITAL MARKETS PLC

Group cash flow statement for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cash flows from operating activities		
Profit/(loss) for the year	(33,196)	3,100
<i>Adjustments for:</i>		
Interest income	(666)	(425)
Interest expense	1,106	891
Impairment of trade and other receivables	1,167	644
Depreciation	1,411	479
Loss on disposal of non-current assets	38	12
(Gain) on sale of building	(18,597)	-
(Gain)/loss on financial instruments held for trading	4,304	(1,548)
Amortisation of intangible assets	422	203
Exchange differences	(246)	-
Dividends received	(1)	-
Cash flows from operating activities before changes in working capital and provisions	(44,258)	3,356
Decrease/(increase) in trade and other receivables	(108,334)	(6,300)
Increase/(decrease) in trade and other payables	87,158	8,243
Increase/(decrease) in current tax liabilities	1,899	367
Cash used in operating activities	(63,535)	5,666
Income taxes received/ (paid)	-	1,627
Purchase of financial instruments held for trading	(4,290)	(238)
Sale of financial instruments held for trading	1,570	2,138
Net cash flows from operating activities	(66,255)	9,193
Cash flows from investing activities		
Investments in subsidiaries acquired net of cash	(19,257)	(421)
Interest received	666	425
Purchase of property, plant and equipment	(4,871)	(21,885)
Purchase of intangible assets	(1,706)	(2,046)
Sale of property, plant and equipment	39,787	168
Dividend received	1	-
Net cash from investing activities	14,620	(23,759)
Cash flows from financing activities		
Purchase of fixed deposits	-	(8,900)
Repayment of fixed deposits	8,900	-
Issue of ordinary shares	102,703	18,525
Repayment of borrowings	(18,846)	-
Proceeds from borrowings	-	18,846
Interest paid	(1,106)	(891)
Net cash from financing activities	91,651	27,580
Net increase/(decrease) in cash and cash equivalents	40,016	13,014
Cash at the beginning of the year	13,461	447
Cash at the end of the year	53,477	13,461

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

RELIGARE CAPITAL MARKETS PLC

Company cash flow statement for the year ended 31 March 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cash flows from operating activities		
Profit/(loss) for the year	(12,978)	4,263
<i>Adjustments for:</i>		
Interest income	(465)	(425)
Interest expense	314	891
Impairment of trade and other receivables	1,073	614
Depreciation	364	281
Loss on disposal of non-current assets	12	6
(Gain)/loss on financial instruments held for trading	4,304	(1,234)
Exchange differences	-	172
Dividends received	(1)	-
Cash flows from operating activities before changes in working capital and provisions	<u>(7,377)</u>	<u>4,568</u>
Decrease/(increase) in trade and other receivables	(30,978)	(7,606)
Increase/(decrease) in trade and other payables	5,478	9,793
Increase/(decrease) in current tax liabilities	1,585	240
Cash used in operating activities	<u>(31,292)</u>	<u>6,995</u>
Income taxes received/ (paid)	-	1,529
Purchase of Financial Instruments held for trading	(4,177)	(1,531)
Sale of Financial Instruments held for trading	1,547	1,305
Net cash flows from operating activities	<u>(33,922)</u>	<u>8,298</u>
Cash flows from investing activities		
Investment in subsidiaries net of cash acquired	(52,502)	(5,214)
Interest received	465	425
Purchase of property, plant and equipment	(593)	(2,257)
Purchase of intangible assets	(1,706)	(228)
Sale of property, plant and equipment	14	168
Dividend received	1	-
Net cash from investing activities	<u>(54,321)</u>	<u>(7,106)</u>
Cash flows from financing activities		
Purchase of fixed deposit	-	(8,900)
Repayment of fixed deposit	8,900	-
Issue of ordinary shares	102,703	18,525
Interest paid	(314)	(891)
Net cash from financing activities	<u>111,289</u>	<u>8,734</u>
Net increase/(decrease) in cash and cash equivalents	23,046	9,926
Cash at the beginning of the year	10,235	309
Cash at the end of the year	26 <u>33,281</u>	<u>10,235</u>

The accounting policies and notes on pages 17 to 52 form an integral part of these financial statements.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

1. Accounting policies

1.1 Basis of preparation

The consolidated financial statements of Religare Capital Markets plc (“the financial statements”) have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivatives) being held at fair value through profit and loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies.

As set out in the Directors’ Report, the financial statements have been prepared on a going concern basis. The Directors have produced projections of the working capital requirements of the Group for the next 12 months, which shows significant additional funds will be required over the coming period, in line with the agreed investment schedule set out in the business plan. In the light of this the Directors have received assurances from Religare Enterprise Limited, that it is their intention to continue to support the Group on an going basis. Whilst these assurances are not legally binding the Directors believe that it is the intention of Religare Enterprise Limited to provide the necessary additional funding to ensure that the Group satisfies its commitments and ensure that the Group has sufficient funds so that the Group will continue in business as a going concern.

1.2 Revenue

Revenue, which is stated exclusive of value added tax, comprises:

- Commission from acting as agent in investment business, which is recognised on the trade date;
- Fee income from corporate broking and related activities which is brought into account when the transaction has been completed and authorised by the client. Some of this revenue is taken in the form of shares in the client enterprise rather than cash. In this case the amount taken to revenue will be the value of the fee agreed with the client or, if no specific fee was agreed, then the market value of the shares acquired at the date of the completion of the transaction. In either case the shares are recognised as financial instruments held for trading;
- Fee income from investment management and advisory services which is recognised at the date of delivery of the service; and
- Financial Instruments held for trading are valued at fair value and the difference between this value and cost is recognised in the profit and loss account. In the case of quoted investments fair value is taken to be the quoted mid-market price. For unquoted investments the fair value is taken to be the last price at which identical financial instruments were traded in an arm’s length transaction. In the absence of any external basis of assessing fair value the directors will attribute a fair value based on the original cost and their knowledge of the activities and results of the underlying company.
- Rental income from the letting out of part of the building located at 100 Cannon Street to third party tenants.

Other operating income is income earned not in the ordinary course of the firm’s business. This comprises capital gains on sale of 100 Cannon Street, dividends on our own holdings and other sundry income.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

1.3 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. Subsidiaries which have non-coterminous year ends are pro-rated based upon local management submissions.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are capitalised as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

b) Joint Ventures

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognizes the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures'. The group does not recognize its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

1.4 Foreign Currency.

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in GBP, which is the company's functional and the group's presentation currency.

b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.5 Intangible Assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

c) Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

d) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their estimated useful economic lives. The amortisation expense is included within the administrative expenses line in the income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual / legal rights. The amount ascribed to such intangibles is arrived at by using appropriate valuation techniques.

Then significant intangibles recognised by the group, their economic useful life and the method used to determine the costs of intangibles acquired in business combinations are as follows:

Intangible asset	Useful economic life	Valuation method
Non-contractual client lists and relationships	6 years	Estimated discounted cashflow
Licences	4 years	Estimated cost of obtaining a new licence
Customer relationships	10 years	Estimated discounted cashflow
Trade Name	5 years	Estimated life of phasing out the Aviate Trade name
Non-compete and claw-back agreement	3 years	Estimated benefit from reduced competition

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

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- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
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Intangible asset	Useful economic life	Valuation method
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Customer relationships	10 years	Estimated discounted cashflow
Trade Name	5 years	Estimated life of phasing out the Aviate Trade name
Non-compete and claw-back agreement	3 years	Estimated benefit from reduced competition

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less its costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment charges are included in the administrative expenses line in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

1.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1.8 Financial Assets

1.8.1 Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

1.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'gains/ (losses) on financial instruments held for trading in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. Unquoted investments are valued based on the most recently traded price for those shares, where the shares have not been traded for a period longer than 6 months the valuation is calculated on the total number of shares over the net assets based on the latest set of signed financial statements.

1.9 Employee benefits

a) Pension obligations

For defined contribution plans the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Bonus payments

The group recognises a liability and an expense for guaranteed cash bonuses. The bonuses are accounted as long term employee benefits under IAS 19. The expected employee benefit is spread over the service period and is discounted using a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.10 Provision

Provisions for legal claims are recognised when: the group has a present legal obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.11 Taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base, except for differences arising from:

- The initial recognition of goodwill
- Goodwill for which amortisation is not deductible
- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.
- Investments in subsidiaries and jointly controlled entities where the group is able to control the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those circumstances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities / (assets) are settled / (recovered).

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

1.12 Clients' Deposits

The Company holds money on behalf of clients for corporate broking and contract for difference business. Such monies and the corresponding liability in the corporate broking business are not shown on the face of the balance sheet as the Company is not beneficially entitled there to.

1.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.14 Property, plant and equipment

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Each year the difference between depreciation based on the re-valued carrying amount of the asset charged to the income statement and the depreciation based on the re-valued carrying amount of the asset charged to the income statement, and the depreciation based on the asset's original costs is transferred from other reserves to retained earnings.

Land is not depreciated. Depreciation on all other items of property, plant and equipment is calculated using the straight line method over their expected useful lives. It is applied at the following rates:

Computer and Office equipment-	33.3% straight line
Furniture and fixtures	- 33.3% straight line
Motor Vehicles	- 33.3% straight line
Buildings	- 2.0% straight line
Leasehold Improvements	- 10.0% straight line
Software Development	- 20.0% straight line

1.15 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are classified as current assets. Trade receivables are recognised at fair value less provision for impairment.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

1.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown separately in current liabilities.

1.17 Share capital

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

1.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities.

Trade payables are recognised at fair value.

2. Changes in accounting policies

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2010 but which are not relevant to the group

IFRS 3 (revised), Business combinations – effective from 1 July 2009

All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27 (revised), Consolidated and separate financial statements – effective from 1 July 2009

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

(b) New standards, amendments to published standards and interpretations to existing standards effective in 2010 but which are not relevant to the group

IFRIC 17, Distribution of non-cash assets to owners - effective from 1 July 2009

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution or reserves or as dividends.

IFRIC 18, Transfers of assets from customers - effective from 1 July 2009

This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant & equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

IFRIC 9, Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement - effective from 1 July 2009

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit and loss category'.

IFRIC 16, Hedges of a net investment in a foreign operation - effective from 1 July 2009

This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the destination, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

IAS 1 (amendment), Presentation of financial statements

The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 36 (amendment), Impairment of assets - effective 1 January 2010

The amendment clarifies that the largest cash-generating unit to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by para 5 of IFRS 8.

IFRS 2 (amendments), Group cash-settled share-based payment transactions - effective from 1 January 2010

In addition to incorporating IFRIC 8, Scope of IFRS 2 and IFRIC 11, IFRS 2, Group and treasury share transactions. The amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (amendment), Non-current assets held for sale and discontinued operations

The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations.

(c) Standards, amendments and interpretations to published standards not yet effective

IFRS 9, Financial Instruments - issued November 2009

This standard is the first step in the process to replace IAS 39, financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets.

IAS 24 (revised), Related party disclosures - issued November 2009

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government related entities. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

3. Critical accounting estimates and judgements

a) Intangible assets

The Directors have reviewed the recurring income of the part of Blomfield Corporate Finance Limited (Now Religare Capital Markets (UK) Limited) that consists of the business that was ARM Corporate Finance Limited. They have formed the opinion that the average life of their clients will be approximately 6 years. These assumptions have been used in the calculation of the value of intangible assets as described in note 14.

ARM Corporate Finance Limited held a licence to act as NOMAD for companies seeking admission to trading on the London Stock Exchange's Alternative Investment Market and as sponsor to companies seeking a full listing on the London Stock Exchange. The Directors have estimated the cost of obtaining such a licence and have used this as an indication of the carrying value of the licence. The value is amortised over 4 years.

b) Fair value of financial assets

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. Unquoted investments are valued based on the most recently traded price for those shares, where the shares have not been traded for a period longer than 6 months the valuation is calculated on the total number of shares over the net assets based on the latest set of signed financial statements.

c) Income taxes

The group is subject to income taxes in numerous jurisdictions, significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

4. Revenue

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Commission	8,352	2,424
Corporate finance	770	370
Financial Advisory	10,095	18,155
Investment management	545	21
Rental income	1,863	1,862
(Loss)/Gains on financial instruments held for trading	(4,304)	1,549
	<u>17,321</u>	<u>24,381</u>

5. Operating Profit/(Loss)

This has been arrived at after charging:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Depreciation	1,411	479
Amortisation	422	203
Defined contribution pension costs	258	162
Hire of other assets – operating leases	2,463	1,276
Loss on translation of foreign currencies	1,096	6
Disposal of property, plant & equipment	36	-
Impairment of receivables	1,167	644

Auditors Remuneration

Fees payable to company's auditor for the audit of parent company and consolidated financial statements

100 60

Fees payable to the company's auditor and its associates for other services:

- The audit of the company's subsidiaries pursuant to legislation
- Tax services
- Other

100 81

257 57

50 -

507 198

6. Exceptional item

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Sale of building	18,597	-

On the 4th March 2011, the directors sold the 100 Cannon Street property to a third party for £38m and realised a profit on sale of £18.6m (see note 12).

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

7. Staff costs

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Staff costs for all employees, including executive Directors, consist of:		
Wages and salaries	42,451	7,238
Defined contribution pension cost	258	162
Employer's national insurance contributions and similar taxes	1,800	725
	<u>44,509</u>	<u>8,125</u>

The average numbers of employees of the Group during the year including executive Directors and commission sharing salesmen was:

	Group	
	2011 No. of employees	2010 No. of employees
Dealing and sales staff	107	44
Settlement and administration staff	46	35
	<u>153</u>	<u>79</u>

8. Directors

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Aggregate emoluments	275	426
Aggregate amounts (excluding shares) receivable under long-term incentive plans	4,186	797
Defined contribution pension scheme:		
- Contributions made for the year	13	10
Sums paid to third parties for directors' services	94	75
	<u>4,568</u>	<u>1,308</u>

Highest paid director

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Aggregate emoluments	250	132
Aggregate amounts (excluding shares) receivable under long-term incentive plans	4,149	797
Defined contributions pension scheme:		
- Contributions made for the year	13	7
	<u>4,412</u>	<u>936</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

9. Discontinued operations

Following the approval of the group's management the group's contract for difference (CFD) business has been discontinued. The CFD business has no assets and liabilities due to the nature of the business itself. All the CFD clients are institutional clients and as such all client money is held off balance sheet. The CFD business also has no debtors or creditors, as incomes and expenses are recognised at the trade date, which is also when the money is received from clients. The below table shows an analysis of the direct results of the discontinued operations and excludes group allocated costs.

	31 March 2011 £'000	31 March 2010 £'000
Revenue	1,318	1,638
Expenses	(1,667)	(1,869)
Loss before tax from discontinued operations	(349)	(231)
Tax	-	-
Loss after tax of discontinued operations	(349)	(231)

10. Finance Income & Expenses

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Bank interest receivable	666	425
Bank interest payable	(1,106)	(891)
	<u>(440)</u>	<u>(466)</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

11. Income tax expense

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<i>Current tax expense</i>		
UK Corporation tax and income tax of overseas operations on profit for the year	30	(15)
<i>Deferred tax expense</i>		
Deferred tax written off	-	-
Total tax charge	30	(15)

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group as follows:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
(Loss)/Profit before tax	(33,196)	3,100
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2010: 28%)	(9,295)	868
Expenses not deductible for tax purposes	(286)	83
Different tax rates on overseas earnings	1,870	-
Deferred tax assets not recognised	10,986	1,601
Corporation tax losses brought forward	-	(2,244)
Group relief from outside consolidation group for nil consideration	(3,260)	-
Adjustment in respect of prior year	15	(323)
Amount (credited) / debited to the income statement	30	(15)

A change to the UK Corporation Tax rate reducing it from 28% to 27% was enacted in the Finance Act 2010, effective from 1 April 2011. A further reduction of 1% in the UK Corporate Tax rate was announced in the 2011 Budget statement and was enacted on 29 March 2011 reducing it to 26% effective from 1 April 2011.

Unprovided deferred tax balances in respect of losses and other deferred tax assets amounting to £6,638,000 (2010: £1,270,000) have not been recognised due to uncertainty of future taxable profits or future capital gains.

There are further changes proposed to the UK Corporate Tax rate for subsequent years reducing it by 1% per year to 23% by 1 April 2014, which are expected to be enacted separately each year. The overall effect of the changes from 26% to 23%, if applied to the unprovided deferred tax balance at 31 March 2011 would be to reduce the unprovided deferred tax by £866,000.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

12. Property, plant and equipment

Group 2011

	Land & Buildings £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Software Development £'000	Motor vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost							
At 1 April 2010	19,860	1,101	175	238	41	1,740	23,155
Additions	-	787	418	234	122	1,795	3,356
Disposals	(19,860)	(867)	(162)	-	(41)	(205)	(21,135)
At 31 March 2011	-	1,021	431	472	122	3,330	5,376
Accumulated Depreciation							
At 1 April 2010	195	940	117	87	28	71	1,438
Charge in the year	-	499	205	111	21	575	1,411
On disposals	(195)	(849)	(144)	-	(28)	(207)	(1,423)
At 31 March 2011	-	590	178	198	21	439	1,426
Net book value at 31 March 2011	-	431	253	274	101	2,891	3,950
Net book value at 31 March 2010	19,665	161	58	151	13	1,669	21,717

Company 2011

	Land & Buildings £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Software Development £'000	Motor vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost							
At 1 April 2010	-	1,030	156	238	41	1,740	3,205
Additions	-	28	26	218	122	201	595
Disposals	-	(844)	(150)	-	(41)	-	(1,035)
At 31 March 2011	-	214	32	456	122	1,941	2,765
Accumulated Depreciation							
At 1 April 2010	-	912	108	87	28	71	1,206
Charge in the year	-	-	48	108	21	187	364
On disposals	-	(838)	(141)	-	(28)	-	(1,007)
At 31 March 2011	-	74	15	195	21	258	563
Net book value at 31 March 2011	-	140	17	261	101	1,683	2,202
Net book value at 31 March 2010	-	118	48	151	13	1,669	1,999

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Group 2010

	Land & Buildings £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Software Development £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost							
At 1 April 2009	71	1,233	246	-	41	-	1,591
Additions	19,860	47	-	238	-	1,740	21,885
Disposals	(71)	(179)	(71)	-	-	-	(321)
At 31 March 2010	19,860	1,101	175	238	41	1,740	23,155
Accumulated Depreciation							
At 1 April 2009	7	947	138	-	14	-	1,106
Charge in the year	195	58	54	87	14	71	479
On disposals	(7)	(65)	(75)	-	-	-	(147)
At 31 March 2010	195	940	117	87	28	71	1,438
Net book value at 31 March 2010	19,665	161	58	151	13	1,669	21,717
Net book value at 31 March 2009	64	286	108	-	27	-	485

Company 2010

	Land & Buildings £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Software Development £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost							
At 1 April 2009	-	935	215	-	41	-	1,191
Additions	-	115	-	238	-	1,740	2,093
Disposals	-	(20)	(59)	-	-	-	(79)
At 31 March 2010	-	1,030	156	238	41	1,740	3,205
Accumulated Depreciation							
At 1 April 2009	-	871	113	-	14	-	998
Charge in the year	-	57	52	87	14	71	281
On disposals	-	(16)	(57)	-	-	-	(73)
At 31 March 2010	-	912	108	87	28	71	1,206
Net book value at 31 March 2010	-	118	48	151	13	1,669	1,999
Net book value at 31 March 2009	-	65	102	-	27	-	194

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

13. Subsidiary companies

The principal subsidiaries of Religare Capital Markets Plc

Name	Country of Incorporation	Proportion of ownership interest	Reporting date	
London Wall Nominees Limited	Great Britain	100%	31 March 2011	Nominee
Religare Capital Markets (UK) Limited	Great Britain	100%	31 March 2011	Trading
Hichens, Harrison (Ventures) Ltd	Great Britain	100%	31 March 2011	Nominee
Religare Capital Markets Inc	USA	100%	31 March 2011	Trading
Religare Capital Markets Corporate Finance Pte Ltd	Singapore	100%	31 March 2011	Trading
Religare Hichens Harrison Pty Ltd	South Africa	100%	31 March 2011	Trading
Religare Hichens Harrison Consultoria Internacional Ltda	Brazil	99%	31 Dec 2010	Trading
Religare Global Asset Management Japan Co. Ltd	Japan	100%	31 March 2011	Trading
Religare Investment Holdings (UK) Ltd	UK	100%	31 March 2011	Trading
Tobler (Mauritius) Ltd	Mauritius	100%	31 March 2011	Trading
Tobler UK Ltd	Great Britain	100%	31 March 2011	Trading
Religare Capital Markets (EMEA) Ltd	Great Britain	100%	31 March 2011	Trading
Religare Capital Markets (USA) LLC	USA	100%	31 March 2011	Trading
Religare Capital Markets (Hong Kong) Ltd	Hong Kong	100%	31 March 2011	Trading
Religare Capital markets (Singapore) Ltd	Singapore	100%	31 March 2011	Trading

London Wall Nominees Limited acts as a nominee investment holding company for the clients of Religare Capital Markets Plc but does not trade. All the other companies annotated as dormant above have carried on no activities during the year and have made neither profit nor loss. Hichens Harrison (Ventures) Limited acts as a holding company for some the investments acquired by the group mainly as a result of making strategic investments in clients or taking shares in lieu of fees. Hichens, Harrison (Ventures) Limited and all the companies annotated as "trading" in the above list are included in the consolidated financial statements. Those companies annotated as either dormant or ceased trading are not consolidated as they are in aggregate immaterial to the RCM plc group result.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Interest in joint venture

The group has a 50% interest in a joint venture, Milestone Religare Capital Management Ltd, which is involved in the funds management industry. The following amounts represent the group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement of the group:

	31 March 2011	31 March 2010
	£'000	£'000
Assets		
Current	73	49
	<u>73</u>	<u>49</u>
Liabilities		
Current	136	11
	<u>136</u>	<u>11</u>
Net Assets	<u>(63)</u>	<u>38</u>
Income	-	-
Expenses	101	29
Loss after income tax	<u>101</u>	<u>29</u>

There are no contingent liabilities relating to the group's interest in the joint venture.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

14. Intangible assets

Group 2011	Goodwill	Software Development	Client List	Licences	Customer relationships	Trade name	Non-competes and Clawback Agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2011								
Cost	39,736	1,934	1,088	50	2,800	2,418	446	48,472
Accumulated amortisation	-	-	(617)	(43)	(70)	(121)	(37)	(888)
	39,736	1,934	471	7	2,730	2,297	409	47,584
Period ended 31 March 2011								
Opening net book value	3,855	228	652	20	-	-	-	4,755
- Additional development	-	1,706	-	-	-	-	-	1,706
- Through business combination	35,881	-	-	-	2,800	2,418	446	41,545
- Sale of intangibles	-	-	-	-	-	-	-	-
Amortisation for the year	-	-	(181)	(13)	(70)	(121)	(37)	(422)
Closing net book value	39,736	1,934	471	7	2,730	2,297	409	47,584
Company 2011								
Company 2011	Goodwill	Software Development	Client List	Licences	Customer relationships	Trade name	Non-competes and Clawback Agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2011								
Cost	-	1,934	-	-	-	-	-	1,934
Accumulated amortisation	-	-	-	-	-	-	-	-
	-	1,934	-	-	-	-	-	1,934
Period ended 31 March 2011								
Opening net book value	-	228	-	-	-	-	-	228
- Additional development	-	1,706	-	-	-	-	-	1,706
- Through business combination	-	-	-	-	-	-	-	-
- Sale of intangibles	-	-	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	-	-	-	-
Closing net book value	-	1,934	-	-	-	-	-	1,934

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Group 2010	Goodwill	Software Development	Client List	Licences	Customer relationships	Trade name	Non-competes and Clawback Agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	At 31 March 2010							
Cost	3,855	228	1,088	50	-	-	-	5,221
Accumulated amortisation	-	-	(436)	(30)	-	-	-	(466)
	<u>3,855</u>	<u>228</u>	<u>652</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,755</u>
Period ended 31 March 2010								
Opening net book value	3,808	-	834	32	-	-	-	4,674
- Additional development	-	228	-	-	-	-	-	228
- Through business combination	47	-	-	-	-	-	-	47
Amortisation for the year	-	-	(182)	(12)	-	-	-	(194)
Closing net book value	<u>3,855</u>	<u>228</u>	<u>652</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,755</u>

Company 2010	Goodwill	Software Development	Client List	Licences	Customer relationships	Trade name	Non-competes and Clawback Agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	At 31 March 2010							
Cost	-	228	-	-	-	-	-	228
Accumulated amortisation	-	-	-	-	-	-	-	-
	<u>-</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>
Period ended 31 March 2010								
Opening net book value	-	-	-	-	-	-	-	-
- Through business combination	-	228	-	-	-	-	-	228
Amortisation for the year	-	-	-	-	-	-	-	-
Closing net book value	<u>-</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

The following describes the nature and remaining life of each intangible asset:

Intangible	Description
Goodwill	The consideration paid over and above the net assets of the entity being acquired.
Client List	The value of the retainer fee income to be earned over four years on the existing clients of Blomfield Corporate Finance (now Religare Capital Markets (UK) Ltd).
Licences	The value of the three regulatory licences (UKLA sponsor, AIM Nominated Advisor and PLUS corporate advisor) held by Blomfield Corporate Finance (now Religare Capital Market (UK) Ltd).
Customer relationships	The value of the loyalty of the existing client base acquired with the purchase of Central Joint Enterprises.
Trade Name	The value of the 'Aviate' trade name in the Hong Kong and Singapore financial services market.
Non-compete and Claw-back agreement	The value associated with the principals of Central Joint Enterprises not starting up a new business and competing against Religare.
Software Development	The development of a CFD trading platform.

15. Investment in subsidiaries

Company

	31 March 2011 £'000	31 March 2010 £'000
At 1 April	11,271	6,088
Write-off of non-trading subsidiary	-	22
Investment in JV	63	67
Sale of investment to subsidiary	-	(88)
Investment in new acquisitions	52,502	-
Capital infusion	23,853	5,796
Investment write down	-	(614)
At 31 March	87,689	11,271

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

16. Financial instruments held for trading

Group

	Cost	Change in value recognised in consolidated income statement	Market value at 31 March 2011	Market value at 31 March 2010
	£'000	£'000	£'000	£'000
Listed on Nasdaq	154	(123)	31	39
Listed on AIM	214	(36)	178	776
Listed on Plus Markets	320	(21)	299	265
Unquoted	317	14	331	326
Fund Investments	1,199	-	1,199	1,321
Commodities	11	-	11	906
	<u>2,215</u>	<u>(166)</u>	<u>2,049</u>	<u>3,633</u>

Company

	Cost	Change in value recognised in income statement	Market value at 31 March 2011	Market value at 31 March 2010
	£'000	£'000	£'000	£'000
Listed on Nasdaq	154	(123)	31	39
Listed on AIM	149	(1)	148	760
Listed on Plus Markets	320	(21)	299	265
Unquoted	240	(39)	201	272
Fund Investments	1,199	-	1,199	1,321
Commodities	11	-	11	906
	<u>2,073</u>	<u>(184)</u>	<u>1,889</u>	<u>3,563</u>

17. Trade and other receivables

Group

	31 March 2011	31 March 2010
	£'000	£'000
Commissions and fees	8,893	1,030
Prepayments	2,108	1,201
Amount due from fellow subsidiaries	26,441	267
Other debtors	74,481	2,258
	<u>111,923</u>	<u>4,756</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Company

	31 March 2011	31 March 2010
	£'000	£'000
Commissions and fees	1,189	668
Prepayments	1,637	960
Amount due from subsidiaries	31,283	1,716
Other debtors	961	1,821
	<u>35,070</u>	<u>5,165</u>

All amounts shown under debtors fall due within one year.

18. Borrowings (secured)

Group

	31 March 2011	31 March 2010
	£'000	£'000
Loan principal	-	18,960
Loan repayments	-	(278)
Interest accrued and unpaid	-	164
	<u>-</u>	<u>18,846</u>
Current Liabilities		
Loan repayments due within 1 year	-	571
Non-current Liabilities		
Loan principal repayable after more than 1 year	-	18,275
	<u>-</u>	<u>18,846</u>

19. Deferred Consideration

Group and Company

	31 March 2011	31 March 2010
	£'000	£'000
Deferred consideration	23,079	-
	<u>23,079</u>	<u>-</u>

The deferred consideration is in relation to the purchase of Central Joint Enterprises Ltd (Aviate).

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

20. Trade and other payables

Group

	31 March 2011	31 March 2010
	£'000	£'000
Trade creditors and accruals	19,939	4,607
Accruals	4,807	-
Other trade creditors	66,229	-
	<u>90,975</u>	<u>4,607</u>

Company

	31 March 2011	31 March 2010
	£'000	£'000
Commissions and fees	10,295	5,757
Accruals	1,777	-
Other creditors	-	-
	<u>12,072</u>	<u>5,757</u>

21. Financial instruments

The Group differentiate their assets and liabilities into classes as follows:

	31 March 2011	31 March 2010
	£'000	£'000
Financial instruments held for trading	2,049	3,633
Financial Assets		
Cash and cash equivalents	53,477	13,461
Fixed deposits held with banks	-	8,900
Trade and other receivables	111,923	4,756
Financial Liabilities		
Deferred consideration	23,079	-
Trade & other payables	90,975	4,607
Borrowings	-	18,846

All the Group's financial assets and liabilities categorised as "current" are receivable or payable within twelve months with the exception of financial instruments held for trading, the disposal of which is subject to management decision in the light of market conditions.

The Directors consider that in all cases there is no significant difference between the fair value of the Group's assets and liabilities and the value at which they are stated in these financial statements.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

The Group is exposed through their operations to the following financial risks:

- Interest rate risk
- Foreign currency risk
- Liquidity risk
- Market price risk
- Credit risk

Interest rate risk

The interest rate profile of the financial assets and liabilities of the Group was:

	Year ended 31 March 2011 Non-interest bearing £'000	Year ended 31 March 2011 Floating rate £'000	Year ended 31 March 2010 Non-interest bearing £'000	Year ended 31 March 2010 Floating rate £'000
Cash	-	53,477	-	13,461
Barclays floating Rate note	-	-	-	8,900
Financial instruments held for trading	2,049	-	3,633	-
Trade and other receivables	111,923	-	4,756	-
Trade and other payables	(90,975)	-	(4,607)	-
Bank loans (secured)	-	-	-	(18,846)
Total	22,997	53,477	3,782	3,515

The group has minimal interest rate risk because of the existence of floating rate assets.

Financial assets

The Financial assets of the Group as at 31 March 2011 amounted to £167,449k of which £30,114k were sterling balances on overnight deposit with banks. (2010: £30,750k of which £8,047k were sterling balances on overnight deposit with banks). In previous years these typically earned interest at 2% below LIBOR.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Foreign currency risk

The table below shows the foreign currency monetary assets of the Group and the Company:

	Group		Company	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Cash				
US Dollars	1,652	9,161	435	8,977
Euro	12	-	12	-
Japan Yen	699	1,098	32	-
HK dollar	12,439	-	-	-
Sing dollar	1,431	-	27	-
Other	16	953	6	47
Total	16,249	11,212	512	9,024
Debtors				
US Dollars	210	266	-	-
HK dollar	68,486	-	-	-
Sing dollar	4,974	-	-	-
Dirham	-	10	-	10
Other	-	41	-	15
Total	73,670	317	-	25

The group's biggest foreign currency cash holdings are in Singapore dollars and Hong Kong dollars, and adverse movement in these currencies of 5% will create a loss of £20,000 and £45,000 respectively.

The group's biggest foreign currency debtors are in Hong Kong dollars, these are primarily the unsettled client trades, which are due to be settled. For every trade we have with a client there is a trade with a broker. The total of the unsettled broker trades is £66,229k, so the net monetary position of Hong Kong dollars is only minor.

Liquidity risk

The Group's liquidity is monitored on a daily basis to ensure that it has sufficient cash balances to meet its settlement and general financial commitments. Surplus funds are assessed on a daily basis with any excess funds being placed on overnight deposit.

The carrying amounts of financial liabilities, all of which are exposed to cash flow or value interest rate risk, are repayable as follows:

	31 March 2011 £'000	31 March 2010 £'000
In less than 1 year		
Trade creditors and accruals	90,975	4,607
Borrowings	-	571
Current tax liabilities	2,418	519
	<u>93,393</u>	<u>5,697</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

The group has sufficient cash reserves to pay all immediate liabilities due. The group considers that if the cash and cash equivalents is not sufficient to cover all immediate liabilities, the trade and other receivables balance of £111,973k which falls due in approximately the same timeframe as the above liabilities will be able to do so.

	31 March 2011 £'000	31 March 2010 £'000
Unquoted investments	331	326

All the investments in unquoted investments are held in private companies. These investments would be classed as illiquid as disposal of our holdings takes time.

All of the group's own holdings are considered readily realisable as the majority are listed on the AIM and PLUS markets.

Market price risk

The Group is also exposed to market risk in respect of its financial instruments held for trading.

	31 March 2011		31 March 2010	
	Carrying Value £'000	Maximum exposure £'000	Carrying Value £'000	Maximum Exposure £'000
Listed on Nasdaq	31	31	39	39
Investments quoted on AIM	178	178	776	776
Investments quoted on PLUS Markets	299	299	265	265
Unquoted Investments	331	331	326	326
Fund Investments	1,199	1,199	1,321	1,321
Commodities	11	11	906	906
	<u>2,049</u>	<u>2,049</u>	<u>3,633</u>	<u>3,633</u>

The investments that are quoted on AIM, NASDAQ and PLUS are subject to the volatilities of the market. The investments are however diversified over a number of industries and geographical locations. This coupled with the ability of the directors to control the timing of sale minimises the risk of realising losses to the extent estimated above.

Credit risk

Credit risk is the risk that market counterparties, clients or third parties may be unable to meet their obligations to the Group resulting in financial loss to the Group. The Group is primarily exposed to counter party credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

The Group's exposure to credit risk from different exposure classes is summarised below:

	31 March 2011		31 March 2010	
	Carrying Value £'000	Maximum exposure £'000	Carrying Value £'000	Maximum Exposure £'000
Cash	53,477	53,477	22,361	22,361
Corporate clients in respect of invoices for corporate broking services	8,893	8,893	934	934
Institutional and retail clients in respect of investment trades	-	-	78	78
Market counterparties	66,384	66,384	1,915	1,915
Other third parties	36,646	36,646	1,829	1,829
	<u>111,923</u>	<u>111,923</u>	<u>4,756</u>	<u>4,756</u>

The balances of corporate clients in respect of invoices for corporate broking were on average 65 days.

The Group's corporate broking and corporate finance clients are substantial businesses which either are, or are preparing to list on either The London Stock Exchange main list, AIM, PLUS markets or the equivalent markets in the other locations where the group operates.

Transaction fees and commissions in respect of corporate broking transactions are deducted from funds raised before the balance is transferred to the client, reducing the risk on corporate broking fees to the amounts invoiced as quarterly retainers. These balances are kept under regular review, outstanding amounts are vigorously pursued, with the assistance of a debt collection agency where appropriate.

An assessment of balances due from corporate clients in respect of corporate broking fees to determine whether the asset is impaired is carried out at each balance sheet date. Where there is evidence of impairment, usually the non payment of a balance more than twelve months after the due date, then an impairment loss is recognised through the profit and loss account.

Institutional and retail client balances, and market counterparty balances are in respect of settlement balances which typically have settlement periods of between 3 and 10 days.

All new clients complete a New Client Application which requests information of income and net worth. This is considered in conjunction with the source of the introduction and the results of money laundering checks.

Client balances are monitored daily. Where a client fails to rectify any temporary debit balance within a reasonable time, the Group exercises the right, established by its terms of business, to liquidate any other positions of the client which are under the Group's control.

The number and spread of the Group's clients ensures that any residual credit risk is minimised.

Given all the cash is held with one bank, review procedures are undertaken at least annually to ensure if any credit risk exposure is discovered, steps are taken to reduce this risk.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

Fair Value Estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

	Level 1	Level 2	Level 3	Total Balance
Assets				
Financial assets held for trading				
- Equity securities	508	-	-	508
- Commodities	11	-	-	11
- Unquoted	-	-	331	331
- Fund investments	-	1,199	-	1,199
	<u>519</u>	<u>1,199</u>	<u>331</u>	<u>2,049</u>

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 also consists of the amounts invested in private limited companies.

Capital Disclosures

The Group is regulated by The Financial Services Authority (FSA) and is required to maintain its capital in excess of a minimum level agreed with the FSA. In August 2008 the FSA imposed an Individual Capital Guidance (ICG) of 310%. At 31 March 2011 the firm's Capital Requirement was £22,569k, and its capital, calculated in accordance with the FSA's regulations was £41,429k thereby giving a surplus of £18,860k.

The immediate parent company of Religare Capital Markets plc is Religare Capital Markets International (UK) Ltd ("RCMI"), which is an unregulated UK incorporated company wholly owned by a non-EEA group structure. Following the completion of a regulatory capital review after the appointment of a new Chief Operating Officer, it was concluded on the advice of the Group's professional advisers that, under current FSA consolidated supervision requirements, RCMI should have been identified as the highest UK parent financial holding company, and the FSA's consolidated capital requirements complied with at that level. These requirements include having adequate capital to meet minimum FSA consolidated capital and exposure limit requirements. These matters were proactively raised to the FSA by Religare Capital Markets plc and its proposal for resolution was accepted by the FSA. In agreement with the FSA, the consolidated requirements are currently applied at Religare Capital Markets plc level whilst a reorganisation of RCMI is completed. The reorganisation is in the process of execution. However the directors of Religare Capital Markets plc note that, in the unlikely event that the reorganisation is not completed, an additional GBP 56million of capital resources would be required. The making available of such additional resources is within the scope of the assurances referred to in note 1.1 to these financial statements.

22. Share capital

	31 March 2011 Number	31 March 2011 £'000	31 March 2010 Number	31 March 2010 £'000
Issued and fully paid:				
<i>Ordinary shares of 10 pence each</i>				
At beginning of the period	204,718,773	20,472	19,468,773	1,947
Employee share options exercised	-	-	-	-
Other issued for cash during the year	1,027,033,907	102,703	120,000,000	12,000
Issued in exchange for equity	-	-	65,250,000	6,525
At end of the period	<u>1,231,752,680</u>	<u>123,175</u>	<u>204,718,773</u>	<u>20,472</u>

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

24. Changes in shareholders' equity

Group	31 March 2011	31 March 2010
	£'000	£'000
Total recognised income and expense	(33,196)	3,100
Issue of new ordinary shares for cash (net of expenses)	102,703	12,000
Shares issued for equity	-	6,525
Exchange reserve	(246)	-
Net (reduction)/addition to shareholders funds	69,261	21,625
Capital and reserves attributable to equity holders of the parent at the beginning of the period	33,251	11,626
Capital and reserves attributable to equity holders of the parent	102,512	33,251
Minority interest	(1)	(1)
Capital and reserves attributable to equity holders of the parent at the end of the period	102,511	33,250

25. Leases

Operating leases

The Group's only operating leases are in respect of the properties that it occupies. There is currently one lease that covers the space occupied by head office. Religare Capital Markets (UK) Limited and Religare Capital Markets (EMEA) Ltd currently occupy floor space within the same building as head office.

The Group occupies one property in Dubai, two in America, five in Singapore, one in Hong Kong, one in Japan and one in Brazil all subject to annually renewable licences.

The total of future minimum lease payments due is as follows:

	31 March 2011	31 March 2010
	£'000	£'000
Not later than one year	4,565	1,445
Later than one year and not later than 5 years	11,325	5,780
Total	15,890	7,225

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Notes to the financial statements for the year ended 31 March 2011

26. Notes supporting cash flow statement

Cash and cash equivalents comprise:

Group

	31 March 2011	31 March 2010
	£'000	£'000
Cash available on demand	53,477	13,461
Overdrafts	-	-
	<u>53,477</u>	<u>13,461</u>
<hr/>		
Cash and cash equivalents at the beginning of the year	13,461	447
Cash and cash equivalents at the end of the year	<u>53,477</u>	<u>13,461</u>

Company

	31 March 2011	31 March 2010
	£'000	£'000
Cash available on demand	33,281	10,235
Overdrafts	-	-
	<u>33,281</u>	<u>10,235</u>
<hr/>		
Cash and cash equivalents at the beginning of the year	10,235	309
Cash and cash equivalents at the end of the year	<u>33,281</u>	<u>10,235</u>

27. Contingent Liabilities

There is a contingent liability surrounding a complaint from a former retail client. Management consider that it is not probable that the complaint involving the client will result in material obligations based on legal advice received. Therefore no provision has been recognised.

As part of the consideration for the purchase of Central Joint Enterprises Pte Ltd there are earn out agreements payable under the SPA. The first amount of USD 8,500,000 is payable on the 1st October 2012, the second payment of USD 8,500,000 is payable on the 1st October 2013. Management consider that given the current market conditions the earn out terms will not be met and therefore will not become payable. On this basis no provision has been recognised.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

28. Related party transactions

During the year the company has lent Super Religare Labs £632,396. Super Religare Labs, Religare Enterprises Limited and the Religare Group have common capital providers. The amount is subject to interest rates at 12.75% All transactions are conducted on an arm's length basis with signed agreements. At 31 March there was no outstanding balance.

In August 2010 the company used the services of Religare Aviation (a wholly owned subsidiary of the ultimate parent company). The company hired the use of a private plane from Religare Aviation for a fee of 225,503 INR. The fee was in line with the prevailing market rate at the time the services were used. At 31 March there was no outstanding balance.

During the year the company used the services of Religare Technova. Religare Technova, Religare Enterprises Limited and the Religare Group have common capital providers. Religare Technova was commissioned to develop a piece of CFD software for the company, the fees charged for the year was £1.7m. The fees were in line with the prevailing market rate at the time the services were used. At 31 March £1.5m was outstanding.

The company uses the services of Religare Technologies. Religare Technologies, Religare Enterprises Limited and the Religare Group have common capital providers. Religare Technologies provides back office support for the company. The fees charged for the year were 2,789,025 INR. The fees were in line with the prevailing market rate at the time the services were used. At 31 March there was no outstanding balance.

In December the company lent Religare Capital Markets International (Mauritius) a sum of £29mn. The money was lent on an arm's length basis with interest payable at the rate of 3 months USD LIBOR plus 150BPS. At 31 March £27.3mn was outstanding.

During the year the company and Religare Capital Markets Pte Ltd provided advisory services to Fortis Global Healthcare. Fortis Global Healthcare, Religare Enterprises Limited and the Religare Group have common capital providers. The value of the services provided totalled USD14.89mn . At 31 March USD3.5mn was still outstanding.

During the year Religare Capital Markets Pte Ltd provided advisory services to Altai Investments Ltd. Altai Investments, Religare Enterprises Limited and the Religare Group have common capital providers. The value of the services provided totalled USD 5.3mn. At 31 March USD 3.9mn was still outstanding.

The company uses the services of Religare Travels (a wholly owned subsidiary of the ultimate parent company). Religare Travels is the company's travel agent. The fees charged by Religare Travels are in line with the prevailing market rate. At 31 March £114k was outstanding.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

29. Acquisition

The group has made three acquisitions during the period

	Acquisition date	Subsidiary	Percentage acquired	Cash Consideration	Deferred consideration	Fair value of net assets	Goodwill arising on acquisition (i)	Costs (ii)
a)	1 November 2010	Barnard, Jacobs Mellet (UK) Ltd	100%	£3.9mn	0	£3.5mn	£0.4mn	£0.3mn
b)	9 December 2010	Central Joint Enterprises Ltd	100%	£25.2mn	£23.1mn	£7.2mn	£41.1mn	£0.6mn
c)	25 January 2011	Barnard, Jacobs Mellet (USA) LLC	100%	£0.28mn	0	£0.23mn	£0.05mn	£0.0mn

- i) None of the goodwill recognised for Central Joint Enterprises Ltd is expected to be deductible for income tax purposes.
- ii) Costs directly attributable to each acquisition have been capitalised and included within the cash consideration.

- a) Barnard, Jacobs Mellet (UK) Ltd (BJM UK) is a United Kingdom institutional broking business. The goodwill arising is attributable to the acquisition strengthening the group's UK and emerging market institutional business.
- b) Central Joint Enterprises Ltd (Aviate) is a Hong Kong institutional broking business that has operations in Singapore. The goodwill arising is attributable to the acquisition strengthening the group's institutional business in Hong Kong and Singapore.
- c) Barnard, Jacobs Mellet (USA) LLC (BJM USA) is a United States institutional broking business. The goodwill arising is attributable to the acquisition strengthening the group's US and emerging market institutional business.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

The fair value of the net assets acquired, consideration paid and goodwill arising on these transactions were:

£	BJM (UK) '000s	Aviate '000s	BJM (USA) '000s	Total '000s
Net assets acquired:				
Property, plant & equipment	55	400	1	456
Debtors and prepayments	1,869	28,205	324	30,398
Current tax	-	135	-	135
Deferred tax	-	(3)	-	(3)
Cash and cash equivalents	3,658	6,083	425	10,166
Creditors and accruals	(2,048)	(27,629)	(518)	(30,195)
Lease obligation	-	-	-	-
Identifiable net assets	3,534	7,191	232	10,957
Goodwill	352	41,138	55	41,545
Total consideration	3,886	48,329	287	52,502
Satisfied by:				
Cash consideration	3,886	25,250	287	29,423
Deferred consideration	-	23,079	-	23,079
Total consideration satisfied	3,886	48,329	287	52,502
Cash consideration	3,886	25,250	287	29,423
Cash and cash equivalent balances acquired	(3,658)	(6,083)	(425)	(10,166)
Net cash outflow/(inflow) completed in 2011	228	19,167	(138)	19,257

Barnard, Jacobs Mellet (UK) Ltd

BJM UK earned revenue of £516,034 and incurred a loss from operations (excluding exceptional items and amortisation) of £1,668,456 in the period since acquisition.

Central Joint Enterprises

The contingent consideration also includes deferred consideration due to the shareholders of Central Joint Enterprises. The deferred consideration is dependent on the key personnel staying in the business. The undiscounted amount of the deferred consideration that the group could be required to make under the consideration arrangements is £23,079,000. Further, two contingent considerations, as detailed in note 27 could be payable to the shareholders of Central Joint Enterprises, however the directors view this as a remote possibility.

Central Joint Enterprises earned revenue of £5,879,990 and incurred a loss from operations (excluding exceptional items and amortisation) of £1,811,201 in the period since acquisition.

Barnard, Jacobs Mellet (USA) LLC

BJM USA earned no revenue and incurred a loss from operations (excluding exceptional items and amortisation) of £332,019 in the period since acquisition.

RELIGARE CAPITAL MARKETS PLC

Notes to the financial statements for the year ended 31 March 2011

30. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

Management considers the business primarily from a product perspective.

Management divide the business into two main divisions; investment banking (IBD) and equities (IE).

There are also two smaller divisions that are segregated out that are London Listings and Broking (LLAB) and Contracts for Difference (CFD).

Everything else is clubbed under others. Although the LLAB and CFD divisions do not meet the quantitative thresholds required by IFRS 8, management has concluded that these segments should be reported as they are key businesses in the UK market and thus closely monitored by management.

The others division is primarily made up of the asset management side of the business as well as the investments held by the firm. These operations are not included separately in the reports to management as they are not considered to be key drivers of the business going forward.

	UK				
	IBD ' 000s	IE ' 000s	LLAB ' 000s	CFD ' 000s	OTHER ' 000s
Total Segment revenue	9,866	7,034	2,442	1,318	15,520
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	9,866	7,034	2,442	1,318	15,520
Direct cost	1,977	4,727	1,412	1,667	1,255
Personnel cost	4,532	6,154	2,498	649	1,497
Bonus	10,645	15,483	1,557	843	500
Total Direct Cost	17,154	26,364	5,467	3,159	3,222
Contribution	(7,288)	(19,330)	(3,025)	(1,841)	12,298
Other indirect costs	1,231	2,873	3,641	879	5,386
Total Profit/Loss	(8,519)	(22,203)	(6,666)	(2,720)	6,912

Only the profit and loss of each segment has been disclosed for each division as is regularly provided to management.

The assets and liabilities of each division are not disclosed as they are not reported to management.

31. Immediate and ultimate parent companies

The immediate parent company is Religare Capital Markets International (UK) Ltd, a company incorporated in the UK.

The company's ultimate controlling undertaking is Religare Enterprises Ltd, incorporated in India. Religare Enterprises Ltd is the largest group for which accounts are prepared.

32. Subsequent events

As of the 6th June 2011, the CFD platform software being developed by Religare Technova was sold to Relsec (Australia) Pty Ltd (a wholly owned subsidiary of the ultimate parent company) for proceeds of £1.9 million.