Connecting the world's financial markets

ICAP plc Annual Report
for the year ended 31 March 2011

Inside this report

Welcome to ICAP in...

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ICAP is the world's premier voice and electronic interdealer broker and provider of post trade risk and information services.

In this section

we provide a ten-point overview of ICAP, what we do and how we have performed.

Highlights

ICAP delivered a solid performance facilitated by our global reach and diverse range of services.

Read more on pages 24 and 30

- → Group revenue from continuing operations rose to £1,741 million, an 8% increase. Profit before tax[1] of £350 million was up 4%
- → Electronic broking revenue of £302 million produced an operating profit[1] of £123 million
- → Post trade risk and information revenue rose to £184 million and produced an operating profit[1] of £79 million
- → Electronic broking, post trade risk and information contributed 54% of operating profit[1]
- → The Group's operating profit[1] margin was 22% (2010 – 22%) as a result of investment in new businesses and one-off costs
- → EPS (basic) increased from 18.0p to 28.7p; EPS (adjusted basic[1]) increased by 13% to 39.9p
- → Free cash flow[2] of £189 million (2010: £218 million). Net debt[3] of £161 million (2010 – £229 million) after paying £90 million in dividends
- → The directors recommend a final dividend per ICAP share of 14.68p, which will be paid on 19 August 2011. The full-year dividend will be 19.95p compared with 17.55p per share in 2009/10

Financial summary

It has been another period of substantial progress for our electronic broking and post trade risk services businesses.

Continuing operations	2011 £m	2010 £m	Variance %
Revenue	**1,741**	1,605	8
Operating expenses[1]	**(1,387)**	(1,270)	(9)
Other income	**21**	19	11
Operating profit[1]	**375**	354	6
Net finance costs[1]	**(28)**	(26)	(8)
Associates (net of tax)[1]	**3**	7	(57)
Profit before tax[1]	**350**	335	4
Profit before tax – statutory[4]	**233**	247	(6)

	pence	pence	Variance %
Dividend per share	**19.95**	17.55	14
Earnings per share total operations			
Basic	**28.7**	18.0	59
Adjusted basic	**39.9**	32.6	22
Earnings per share continuing operations			
Adjusted basic[1]	**39.9**	35.4	13

Total operations	2011 £m	2010 £m	Variance %
Net assets	**1,251**	1,215	3
Free cash flow	**189**	218	(13)
Net debt	**(161)**	(229)	30

Read more on pages 24 and 30

Notes:
1 From continuing operations excluding acquisition and disposal costs and exceptional items.
2 Net cash flow from operating activities adjusted for capital expenditure and dividends received from associates and investments.
3 Cash and cash equivalents less long-term and short-term borrowings.
4 From continuing operations, total statutory profit before tax for the year including acquisition and disposal costs (£94m) and exceptional items (£23m).

What we do

ICAP is the world's premier voice and electronic interdealer broker and provider of post trade risk and information services. The Group is active in the wholesale markets in interest rates, credit, commodities, FX, emerging markets and equity derivatives.

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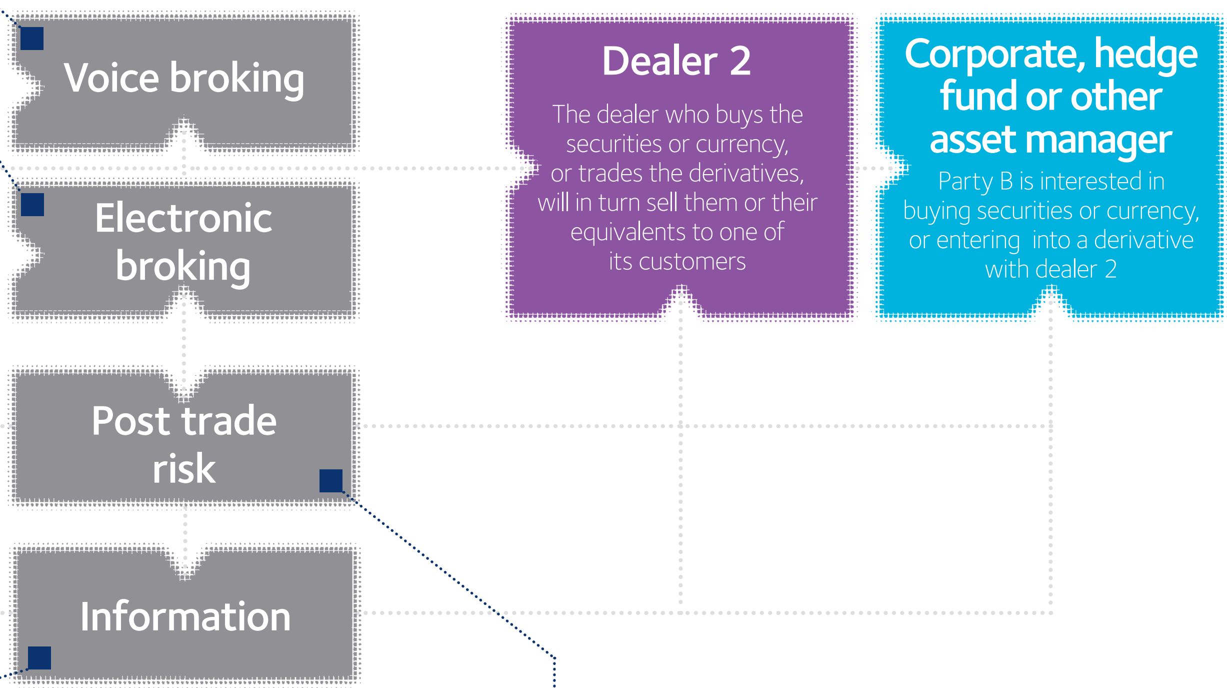
Information

ICAP information empowers customers to make trading decisions with authoritative, independent and consistent OTC market information, across a range of asset classes. Our data is the intelligence behind algorithmic trading and research models for customers and it is a key source of mark-to-market data for the industry.

Electronic and voice broking

An interdealer broker draws together willingness to buy and sell in wholesale markets. ICAP uses voice broking or electronic networks to bring these buyers and sellers together, facilitating price discovery and receiving a commission when a transaction is entered into. In many of the markets where ICAP operates, voice brokers help to create liquidity and facilitate the price discovery process.

This is particularly important in non-standardised, bespoke markets where the number of parties willing to enter certain transactions may be limited. In more standardised markets with higher and more frequent participation, such as spot FX and government bonds, ICAP operates electronic broking platforms. ICAP's combined solution offers access to markets across all asset classes and levels of liquidity.

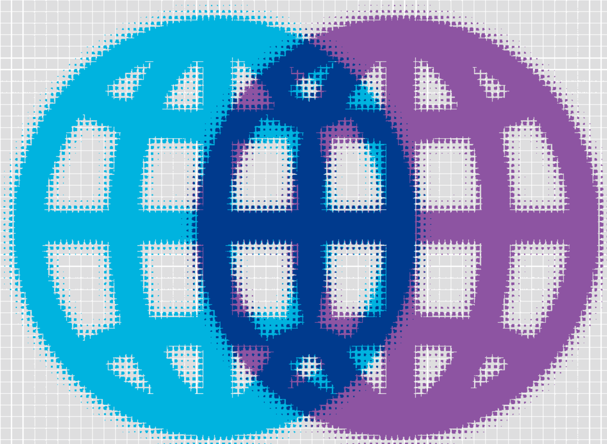


Post trade risk

ICAP also provides a range of post trade risk services to help its customers reduce operational and systemic risk in their markets. This increases their capacity, reduces their costs and creates new trading opportunities, which in turn benefits ICAP.

Diversity of our business

ICAP has followed a clear growth and diversification strategy. Our business is well positioned to take advantage of any changes in the financial services industry.



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Our businesses

This past year we concentrated on organic growth, leveraging existing assets and further developing the collaborative relationships we have with our bank customers.

We have taken electronic markets into new asset classes following the launch in September 2010 of ICAP's electronic euro interest rates swaps platform. The platform, which has market maker support, brings increased transparency and greater efficiency as well as lower transaction costs to the world's largest OTC derivative market.

We have consolidated our position as a leading global intermediary in the wholesale financial markets by a clear margin with a further increase in our market share.

Our business is managed across the following segments:

- → core voice broking – EMEA, the Americas and Asia Pacific
- → electronic broking
- → post trade risk and information
- → new businesses

Core voice broking

Our voice broking business is active in the wholesale markets in rates, FX, commodities, emerging markets, credit and equities.

Electronic broking

We operate the world's leading electronic trading platforms in the OTC FX and fixed income markets. The platforms offer efficient and effective trading solutions to customers in more than 50 countries in a range of instruments including spot FX, US Treasuries, European government bonds and EU and US repo. The platforms are built on our networks connecting participants in wholesale financial markets.

Post trade risk and information

The post trade risk and information business is comprised of Traiana, the portfolio risk services businesses – Reset, TriOptima and ReMatch – and the information business.

New businesses

The new business segment included the Group's investment in a number of new initiatives which have been started or acquired over the past two years. These include Brazil, base metals and intellectual property.

Business drivers

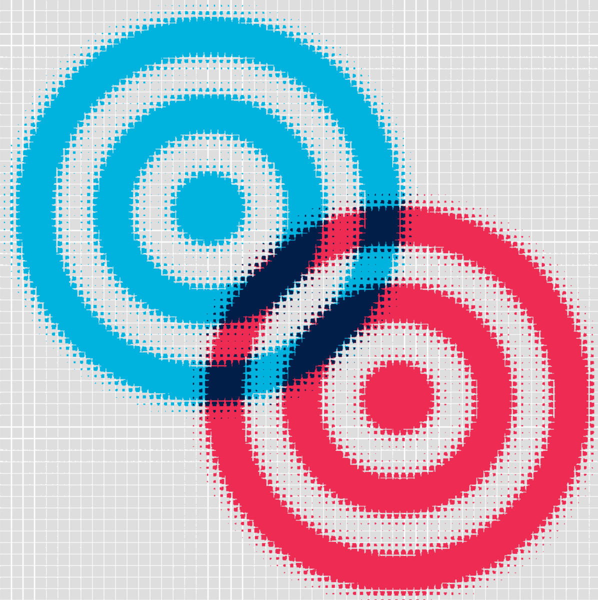
ICAP continues to have the potential for further sustainable growth and we have invested ahead of our competitors. Factors that support this growth include:

- continuing regulatory pressure on financial market participants to overhaul OTC market infrastructure, reducing systemic and operational risk by improving back office procedures and reducing counterparty risk;
- clearing of OTC derivatives trades to reduce risk, improve market efficiency and reduce costs;
- increased political pressure for new regulations requiring more electronic trading, improved transparency and higher capital requirements for OTC trades that are not cleared;
- demand for improved operational and capital efficiency for bank and hedge fund traders in these markets;
- continued liberalisation of emerging markets. Economic growth and increasing sophistication are driving growth in onshore and offshore interest rate, FX and credit markets in these countries;
- instability in currencies, interest rate and credit markets leading to price volatility and forming the basis for further growth in interest rate and credit derivatives, FX, commodities and listed financial markets;
- use of derivatives to manage efficiently and hedge risk exposure to changes in interest rates and FX, commodity and other price fluctuations;
- continuing high levels of government and corporate bond issuance as structural change reducing bank lending to corporates; and
- reallocation of capital to commoditised flow markets and the structural shift away from complex structured products.

Our business model

ICAP's businesses connect our customers via global networks.

We believe that conducting business in an ethical and responsible manner creates competitive advantage.



Read more on pages 19 and 40

ICAP's businesses are based fundamentally on connecting customers through our wholesale financial networks. We develop and operate these global networks and have successfully built a business providing value added services to our customers and then charging them when they complete their transactions using these networks.

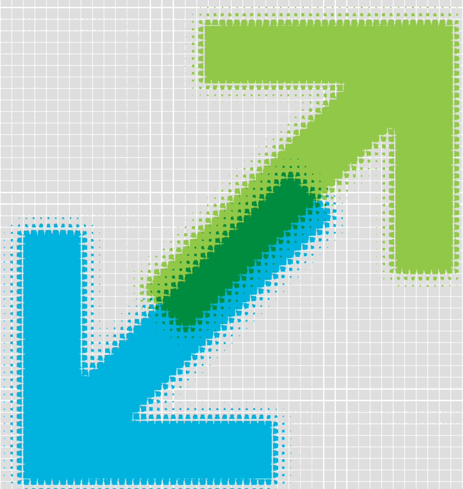
Building physical, global networks is technically challenging, time consuming and requires considerable customer co-operation. However, once a network is established there are significant economies of scale.

In the broking businesses, as the number of buyers and sellers on a network increases, liquidity increases as prices tighten making the network more attractive to new users. In turn the network becomes more valuable as transaction volumes increase and new customers and products are added.

Corporate social responsibility is a fundamental part of the Group's business strategy. It is not conducted as a separate and self-contained activity, but is integral to the business and to our cultural goals. We believe that conducting business in an ethical and responsible manner creates competitive advantage, enabling us to build goodwill and maintain successful working relationships with customers, suppliers and regulators as well as supporting the global communities in which our employees live and work.

Our strategy and progress

The charts show two of the key performance indicators ICAP uses to measure the progress it is making towards its financial and strategic goals.



Read more on pages 20 and 32

ICAP's strategic goals are clear. We aim to:

- → be the main infrastructure provider to the world's wholesale OTC markets;
- → be the leading global intermediary;
- → be the leading post trade risk services provider;
- → generate operating profit[1] evenly distributed between voice broking, electronic broking and post trade risk services; and
- → deliver superior EPS growth for our investors.

Global market share

2009	21%–23%
2010	22%–24%
2011	23%–25%

ICAP estimates its share of the overall available market[2] has increased to 23–25% from 22–24% in the previous year.

Operating profit[1] split

	Voice	Electronic	Post trade risk and information
2009	59%	24%	17%
2010	52%	29%	19%
2011	46%	33%	21%

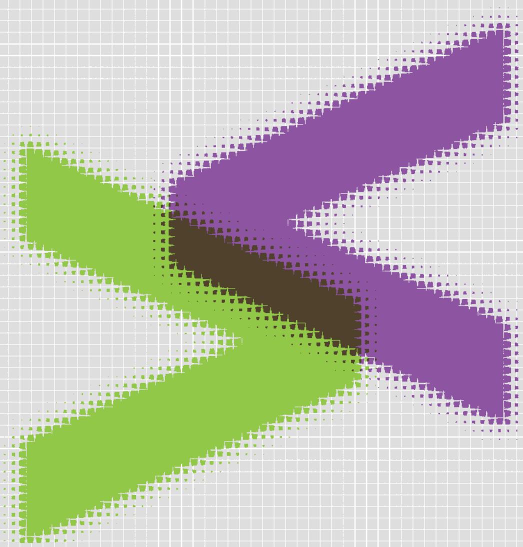
ICAP has moved closer to its aim to have a split of operating profit that is evenly distributed between its businesses. In 2010/11, 46% of our operating profit[1] was derived from voice broking, 33% from electronic broking and 21% from post trade risk and information.

[1]From continuing operations excluding acquisition and disposal costs and exceptional items.

[2]Market excludes global cash and equities and listed futures and includes shipping, post trade risk and information.

How we have performed

ICAP reports an operating profit[1] from continuing operations of £375 million, up 6% on the prior year with an operating profit[1] margin of 22%.



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Core voice broking

Revenue[1] from ICAP's core voice broking businesses was broadly in line with the prior year despite revenue from Asia Pacific being adversely impacted by the loss of 38 brokers in September 2010. Revenue growth reflected strong performance of emerging markets, commodities and interest rate derivatives, which was offset by slower performances in credit and equity derivatives. In addition, revenue benefited from stronger dollar and euro exchange rates.

Operating profit[1] decreased by 7% and the operating profit[1] margin by 2 percentage points following a number of one-off costs across all segments. However, our continued focus on costs, together with our new businesses reaching operational maturity, will support the operating profit[1] margin for the voice broking business.

[1]From continuing operations excluding acquisition and disposal costs and exceptional items.

Electronic broking

Electronic broking reported revenue of £302 million, an increase of 20% over the prior year. Operating profit[1] increased by 23% to £123 million. Despite the substantial revenue growth, the operating profit[1] margin increased marginally to 41% reflecting one-off costs primarily related to the write-down of technology platforms.

Combined average daily electronic broking volumes for the BrokerTec fixed income platform and EBS spot FX platform for the 12 months ended 31 March 2011 were $778 billion, up 24% from the previous year, with the highest average daily volume of $914.5 billion being achieved.

ICAP's demonstrated expertise in developing and operating highly transparent and efficient electronic trading solutions positions it well to benefit from impending regulatory changes in Europe and the US.

Post trade risk and information

The post trade risk and information business continued to perform strongly reporting revenue of £184 million, an increase of 30% on the prior year. Operating profit[1] increased 14% reflecting a combination of the acquisition of TriOptima and higher volumes in Traiana offset by Reset which saw lower activity levels as a result of benign market conditions during the first part of the year.

A change in the revenue mix, together with the ongoing investment in Traiana and ReMatch, resulted in the operating profit[1] margin falling from 49% to 43%.

Key achievements 2010/11

→ successful launch of the electronic euro IRS platform;

→ integration of TriOptima into our post trade risk business;

→ further increase in our market share; and

→ generated superior EPS growth for our investors.

Segmental performance revenue from continuing operations

Core voice broking

£1,183 million

Electronic broking

£302 million

Post trade risk and information

£184 million

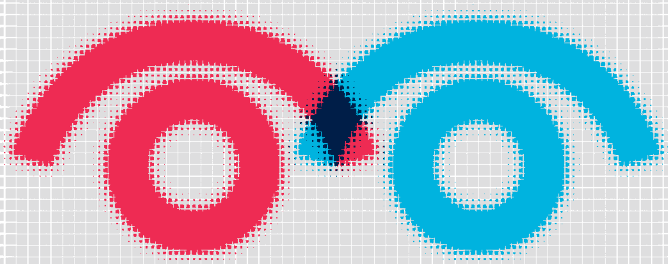
New businesses

£72 million

[1]From continuing operations excluding acquisition and disposal costs and exceptional items.

Managing risk

The board believes that a sound control environment and robust risk management are fundamental to ICAP's success.



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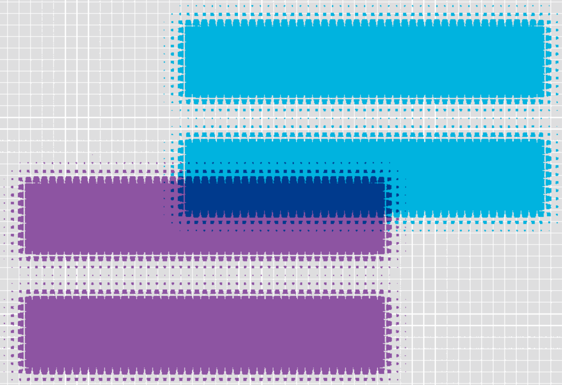
ICAP aspires to the highest ethical and professional standards and seeks to set the standards for our industry in regulation and compliance. We are committed to continuing to strengthen our risk control environment, both geographically and across product lines, and have continued to make substantial progress in the past year.

ICAP is an interdealer broker and consequently has a very different risk profile from that of a bank, investment manager, insurance company or hedge fund. The Group does not have material exposures to market risk or long duration credit risk. ICAP is primarily commission earning and its financial performance was largely unaffected by the 'credit crunch' which followed the Lehman bankruptcy in 2008 because the Group does not carry credit sensitive assets on its balance sheet and does not leverage its capital.

The Group continues to classify its risk exposures into eight broad risk categories, of which we consider liquidity, operational and legal and compliance to be our three principal risk categories.

How we are rewarded

Remuneration is performance-based to support our strategic aims and our robust risk management.



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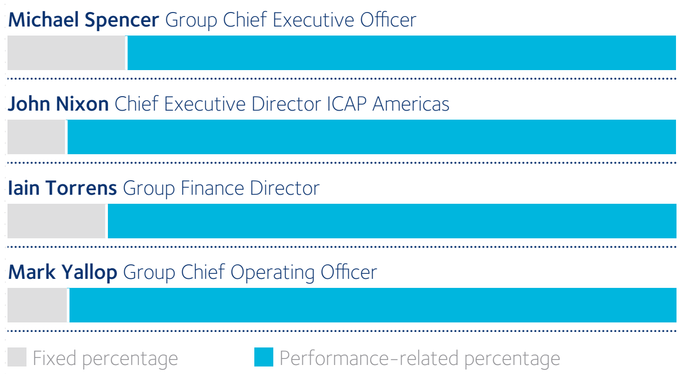
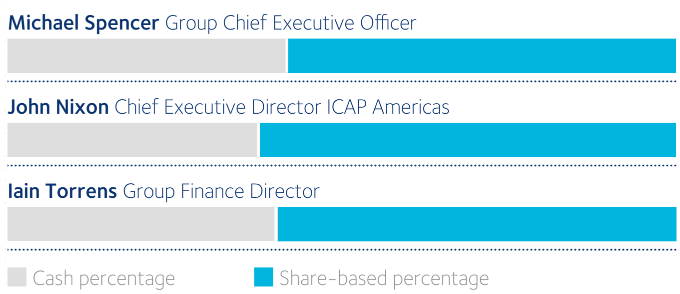
ICAP's remuneration policy is aligned with its activities as an interdealer broker and provider of post trade risk and information services. Remuneration is earned on revenue that is certain.

The main component of the executive directors' remuneration is based on the financial performance of the Group and thereby aligned with the interests of shareholders. The charts below set out the performance-related and the share-based elements of the executive directors' remuneration.

Performance-related pay



Share-based remuneration



Following Mark Yallop's decision to leave ICAP, his bonus for 2010/11 was paid in cash and, therefore, no share-based remuneration is shown for Mark Yallop.

Our key resources

ICAP aims to conduct its business in a socially responsible manner and respects the needs of its customers, employees, investors, regulators, suppliers and other stakeholders.

Read more on pages 40, 31 and 18

Board and management

The Group is led by an experienced board of directors and very capable senior management. The board oversees ICAP's risk management, control and compliance functions. There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer and clear responsibility within the Global Executive Management Group for each business area.

ICAP has built a very strong competitive position with a very broad management team, led by the Global Executive Management Group. This consists of the four executive directors of ICAP and six members of senior management.

Staff

ICAP employs approximately 4,900 people worldwide, of which more than 2,700 are brokers, sales and customer support staff. Almost 1,000 people are employed in IT roles. In 2010/11, 56 graduates joined ICAP under our global graduate recruitment programme and our aim is for ICAP to become a graduate employer of choice.

Customer relationships

This past year we concentrated on organic growth, leveraging existing assets and further developing the collaborative relationships we have with our bank customers.

We have taken electronic markets into new asset classes following the launch in September 2010 of ICAP's electronic euro interest rates swaps platform. This is a prime example of how we work closely with our customers, aligning our interests with theirs and expanding their use of ICAP's developing market infrastructure to increase efficiency and reduce risk.

Technology

Over the past 12 months we invested 12% of our revenue on technology, an indication of our continued investment for the long term and our commitment to keep ICAP's businesses at the forefront of our industry with the leading platforms and functionality.

Our investment in technology is paramount to our commercial success. We develop and operate global wholesale financial networks providing value added services to customers and then charge them when they complete their transactions using these networks. Building networks that involve direct integration with our banking customers' infrastructure is technically challenging but is crucial to the efficient operation of the financial markets.

Suppliers

We rely on a number of key suppliers to help us carry out our business. We have put in place procedures to ensure that purchasing decisions balance cost against other factors including service quality, global reach and resilience.

Board

Non-executive directors

Charles Gregson (Chairman)
Hsieh Fu Hua
Diane Schueneman
John Sievwright
Robert Standing

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Executive directors

Michael Spencer
John Nixon
Iain Torrens
Mark Yallop

Global Executive Management Group

Senior management

Mark Beeston
David Casterton
Gil Mandelzis
Douglas Rhoten
David Rutter
Duncan Wales

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BUSINE
REVIEW

In this section

we describe the main trends underlying the performance of the business and the principal risks and uncertainties facing the Group.

Group Chief Executive Officer's review

Michael Spencer
ICAP Group Chief Executive Officer

In recent years we have followed a clear growth and diversification strategy and our business is well positioned to take advantage of any changes in the structure and regulation of the financial services industry.

ICAP delivered a solid performance during the financial year, facilitated by our global reach and diverse range of services. It has been another period of substantial progress for our electronic broking and post trade risk services businesses and during the year we achieved a further increase in our market share.

This past year we concentrated on organic growth, leveraging existing assets and further developing the collaborative relationships we have with our bank customers. In the first half of the year we saw generally quieter markets but delivered good revenue and earnings growth driven primarily by our electronic broking business. We benefited from the strength of our emerging markets' businesses, continuing turbulence in the world's commodity markets, significant euro denominated bond issuance and rising concerns about higher inflation. More recently the political and economic uncertainties in the Middle East and North Africa, as well as the tragic events in Japan, have contributed to volatility in global financial markets.

We have taken electronic markets into new asset classes following the launch in September 2010 of ICAP's electronic euro interest rates swaps (IRS) platform. The platform, which has market maker support, brings increased transparency and greater efficiency as well as lower transaction costs to the world's largest OTC derivative market. This platform has now transacted over €360 billion in volume involving more than 4,300 trades representing over 20% of our euro IRS activity since its launch. We continue to see month-on-month increases in activity on this electronic system and, in March 2011, over 30% of our euro IRS trades were transacted on the platform. We plan to expand the platform to include dollar IRS during 2011.

This is a prime example of how we work closely with our customers, aligning our interests with theirs and expanding their use of ICAP's developing market infrastructure, to increase efficiency and reduce risk.

While the regulatory landscape is evolving, we continue to expect we will be a substantial beneficiary of a shift to more transparent markets arising from increased electronic trading and clearing of more standardised transactions.

In April 2011, ICAP received the Queen's Award for Enterprise in the International Trade category in recognition of the large proportion of our business which is conducted either between the UK and international customers or completely outside the UK.

Together with our executive management team and my fellow ICAP directors, I would like to thank each member of our staff for their individual and collective contributions to another successful year.

Progress in achieving our strategic objectives

In recent years we have followed a clear growth and diversification strategy and our business is well positioned to take advantage of any changes in the structure and regulation of the financial services industry. ICAP continues to benefit significantly from investments made in previous years and is more broadly based than it has ever been. We have taken a disciplined approach to our new initiatives, produced a sound control environment and a robust approach to risk management.

A year ago we said that we would be concentrating on growing our business organically and working with our customers to expand the use of the market infrastructure in which we had previously invested. We have consolidated our position as a leading global intermediary in the wholesale financial markets by a clear margin with a further increase in our market share. Our leading voice broking business has expanded in emerging markets and commodities. Lower levels of activity in credit and equity derivatives slowed our business in those products.

ICAP's electronic broking business has seen an encouraging increase in volumes with total electronic broking volumes for the month of March 2011 on the BrokerTec and EBS platforms reaching $851.5 billion, an increase of 19% year-on-year. In the newer markets, activity on ICAP's electronic platform for credit derivatives in the US has risen progressively. The successful launch of electronic broking in the euro IRS market has been most encouraging.

The development of our post trade risk and information businesses in providing innovative services has continued apace. Traiana's Harmony FX product has continued to gain significant market share with higher levels of integration with our customer base and the CLSAS joint venture with CLS Group in FX has seen a very large increase in volume. In addition, Traiana recently launched real-time straight-through-processing connectivity for our customers to CME Clearing for OTC FX derivatives and non-deliverable forwards (NDFs).

Financial markets reform

Significant progress is being made by regulators in proposing changes to financial regulation which aim to strengthen supervision and market infrastructure. It is clear that there will be a long road to travel as, once the changes have been agreed, implementation of some aspects is likely to be phased over several years.

Following the publication of the Basel III capital and liquidity reform package as well as the banks' capital requirements, we expect a clearer view will now emerge of the potential impact on the operations of banks and their customers as a result of the way their trading operations (both proprietary and flow) are treated for risk and capital purposes.

Regulators want to lower operational and systemic risk through greater automation and increased transparency of trading execution. The CFTC has not yet finalised the parameters that would define a swap execution facility, a type of organised trading venue in the US, but we believe ICAP is well placed to provide sophisticated technology platforms that are fully compliant with the rules as they are finalised. In Europe, there are positive signs of the EU's commitment to open, efficient and resilient markets in the proposed European Market Infrastructure Regulations (EMIR). The EU's MiFID II consultation is underway and the proposals are expected to be released in the second half of 2011.

The regulatory push towards more electronic or hybrid trading of derivatives and central clearing are positive drivers for our sector. As a leading provider of OTC market infrastructure, ICAP is in a very strong position to work with market participants and lead new initiatives to address regulatory concerns.

In addition to reducing counterparty risk through the extension of central clearing of eligible derivatives, we believe that there will be significant continuing demand for bilateral clearing of the many OTC derivatives that are not suitable for central counterparty (CCP) clearing. Regulators are increasingly aware of the need to build resilience in these markets and ICAP is continuing to work on the development of automated collateral management networks to streamline the process for both banks and their customers. This reduces costs, improves efficiency and mitigates risk.

Key achievements 2010/11

- → successful launch of the electronic euro IRS platform;
- → integration of TriOptima into our post trade risk business;
- → further increase in our market share; and
- → generated superior EPS growth for our investors.

Strategic priorities for 2011/12

- → seize opportunities created by regulatory reform;
- → leverage comparative advantage of 'voice plus electronic' business model;
- → leverage investment made over 2007 to 2010;
- → focus on markets with higher growth fundamentals; and
- → leverage Group capital infrastructure.

Above all, however, we believe that the many changes proposed will stimulate the banks and market infrastructure providers, including ICAP, to further technological innovation that will help achieve the objectives of the regulators for more resilient markets and, thereby, create opportunities for building new businesses.

ICAP's business model

ICAP's businesses are based fundamentally on connecting customers through our wholesale financial networks. We develop and operate these global networks and have successfully built a business providing value added services to our customers and then charging them when they complete their transactions using these networks. Building physical, global networks is technically challenging, time consuming and requires considerable customer co-operation. However, once a network is established there are significant economies of scale. In the broking businesses, as the number of buyers and sellers utilising a network increases, liquidity increases as prices tighten making the network more attractive to new users. In turn, the network becomes more valuable as transaction volumes increase and new customers and products are added.

Our business success relies on maintaining our leadership position in the interdealer broking industry, our ability to identify and assess new business opportunities, the speed of our response and our management of the risks involved.

ICAP aspires to the highest ethical and professional standards and seeks to set the standards for our industry in regulatory compliance. We are committed to continuing to strengthen our control environment, both geographically and across product lines, and have continued to make substantial progress in the past year.

Group Chief Executive Officer's review
continued

Business drivers

ICAP continues to have the potential for further sustainable growth and we have invested ahead of our competitors. Factors that support this growth include:

- continuing regulatory pressure on financial market participants to overhaul OTC market infrastructure, reducing systemic and operational risk by improving back office procedures and reducing counterparty risk;
- clearing of OTC derivatives trades to reduce risk, improve market efficiency and reduce costs;
- increased political pressure for new regulations requiring more electronic trading, improved transparency and higher capital requirements for OTC trades that are not cleared;
- demand for improved operational and capital efficiency for bank and hedge fund traders in these markets;
- continued liberalisation of emerging markets. Economic growth and increasing sophistication are driving growth in onshore and offshore interest rate, FX and credit markets in these countries;
- instability in currencies, interest rate and credit markets leading to price volatility and forming the basis for further growth in interest rate and credit derivatives, FX, commodities and listed financial markets;
- use of derivatives to manage efficiently and hedge risk exposure to changes in interest rates and FX, commodity and other price fluctuations;
- continuing high levels of government and corporate bond issuance as structural change reduces bank lending to corporates; and
- reallocation of capital to commoditised flow markets and the structural shift away from complex structured products.

Overall goals

ICAP's goals remain unchanged; we aim:

- to be the main infrastructure provider to the world's wholesale OTC markets;
- to be the leading global intermediary;
- to be the leading post trade risk services provider;
- to generate operating profit evenly distributed between voice broking, electronic broking and post trade risk services; and
- to deliver superior EPS growth for our investors.

Our strategy for the medium term is to seize the opportunities created by regulatory change in trade execution and post trade and leverage the comparative advantage of our voice and electronic business model. To achieve this we will seek to partner with our major customers, where possible, and leverage the significant investments in network businesses we have made in the past few years. To accomplish this we will continue to strengthen the Group's infrastructure and focus our resources on higher growth markets, particularly emerging markets and commodities.

Changing competitive environment

We continue to benefit from greater scale and broader diversity than our competitors and have outperformed many of them in terms of market share. When assessing our available market size we include interdealer broking markets in rates, FX, commodities (including shipping), emerging markets, credit and equities – together with markets such as post trade risk. Markets like financial futures remain separate from this broader definition, although ICAP does act as an executing broker in listed futures markets. By our estimates, overall industry revenue was unchanged in 2010 at $11 billion. On this basis ICAP currently estimates its share of this market has grown to 23% – 25%.

We aim to have at least 35% of overall interdealer market revenue and to generate operating profit evenly distributed between voice broking, electronic broking and post trade risk and information services. In 2010/11, 54% of ICAP's operating profit was generated from electronic broking and post trade risk and information, their highest combined level in ICAP's history.

The competitive landscape we face has begun to change significantly and will become more complex. The changing regulatory environment means that interdealer brokers will need to adjust and increase their investment in electronic platforms otherwise the traditional broking industry will face severe longer-term challenges. This could lead to significant shifts in the market structure: a huge opportunity for a small number of electronic platform owners and a big problem for the losing brokers. We believe that this environment will provide very significant opportunities for ICAP as a result of prior investment and current positioning.

Our voice broking business is a diverse, growing franchise that is an essential platform for the continued expansion of voice and electronic trading. Revenue per voice broker has increased from £533,000 to £542,000 and the number of brokers has increased marginally to over 2,300.

In electronic broking we expect there will be fewer winners than in voice broking, with a small number of successful platforms. In other electronic markets cheaper execution costs have led to more arbitrage opportunities and we have seen the emergence of new sources of liquidity, including algorithmic trading, resulting in higher volumes of activity.

Large areas of the post trade landscape will be impacted by regulatory changes as trading facility rules, mandatory clearing and data repository rules all challenge incumbent technologies. The combination of electronic execution and clearing means that the bulk of transactions are about to become multilateral; the infrastructure supporting trading by banks was originally designed to support bilateral transaction flow. As trading volumes increase there will be greater demand for automation and new work-flow processes. The Group's post trade risk businesses have significant growth capacity and can be leveraged across different asset classes to reduce further risk and improve operational efficiency in the wholesale financial markets.

Our competitors in post trade risk are widely dispersed and there are no other businesses with our combination of scale, technology or network connectivity covering the segments in which we operate.

Resources and relationships

The Group has the financial resources to continue to grow and develop. Our business continues to be highly cash generative with free cash flow of £189 million in 2010/11.

The single biggest resource requirement for the coming year will be to support electronic platform initiatives. We will continue to invest around 12% of our revenue on technology to support our growth and our customers' needs with leading platforms and innovative functionality.

An important component of our success will continue to be our ability to collaborate closely with our customers on major projects where our investment and their support are key to successful innovation in our markets.

As the business has successfully expanded, the number of our staff has increased from 4,739 to 4,934 and we have increased our technology staff by 25% to almost 1,000. These increases reflect our ability to recruit and retain the highest quality experienced staff and also the continuing success of our graduate recruitment programme. This full-time programme operates in EMEA, the Americas and Asia Pacific providing training and support. It delivers qualified entry level staff for broking, finance, business services, human resources, post trade risk services, research and risk. 176 staff have joined the Group as a result of this programme.

As ICAP implements its strategy the three principal risks that the Group will have exposure to are liquidity, operational and legal and compliance risk. These risks reflect, in particular, the upcoming changes in financial regulations in Europe and the US and the consequences that these changes will have on the Group's operational capacity and strategic investments.

Social responsibility

It is very satisfying that ICAP's Charity Day has become an annual event in the global financial markets' calendar. This is thanks entirely to our customers, suppliers and employees whose incredible support since it started in 1993 has made it such an annual success. It is based on a powerful and simple formula; on one day each year, together, we give 100% of the Group's revenue, including brokers' commissions, to more than 200 charities worldwide.

ICAP has raised over £76.6 million for more than 1,000 charities since 1993 and in December 2010 we successfully raised £12.1 million in a single day.

Dividend

The directors have based their final dividend recommendation on the continuing adjusted EPS of 39.9p so that the total dividend for the year will be 19.95p compared with 17.55p per share in 2009/10: subject to shareholder approval a final dividend of 14.68p per share will be paid on 19 August 2011 to shareholders on the register on 22 July 2011.

Outlook

We have made a good start to the new financial year and the short-term outlook is underpinned by macroeconomic stress and market volatility. As the banks and our regulators seek to create more resilient, robust and orderly OTC derivatives markets we believe that ICAP's business model is well prepared for changes in the financial market infrastructure. Investments in previous years have created a solid base for future growth and there are significant opportunities to expand the use of the market infrastructure we have built. We are confident we can deliver sustainable long-term growth.

The Group remains focused on the disciplined execution of our strategy and we have positioned the business for sustained long-term development. Once again, this year we are concentrating on organic growth and remain committed to developing collaborative relationships with our bank customers.

Global Executive Management Group (GEMG)

The GEMG consists of the four executive directors of ICAP, the five business chief executive officers and the group general counsel.

Michael Spencer

Group Chief Executive Officer

Michael Spencer was the founder of Intercapital in 1986 and became Chairman and Group Chief Executive Officer of Intercapital in October 1998, following the Exco/Intercapital merger. Michael, together with IPGL and its subsidiary companies, is a substantial shareholder in the Company. Michael resigned from his role as Treasurer of the Conservative Party in October 2010.

Michael is chairman of the GEMG.

Iain Torrens

Group Finance Director

Iain Torrens was appointed an executive director of ICAP in November 2010. He joined ICAP in 2006 as group treasurer and became group financial controller in 2008. Before joining ICAP, Iain worked in a number of senior financial roles for CP Ships Limited and Cookson Group plc. He is a Chartered Accountant and Chartered Secretary.

Iain is chairman of the GRACC.

John Nixon

Group Executive Director ICAP Americas

John Nixon was appointed an executive director of ICAP in May 2008 having been chief executive officer of ICAP Electronic Broking and the information business. Prior to his full-time involvement with the Company, John served from 1998 to 2002 as a non-executive director of ICAP. John has extensive experience in the interdealer broking industry. He was previously the Chief Executive Officer of Tullett and Tokyo Forex, now part of Tullett Prebon, where he worked from 1978 to 1997.

Mark Yallop

Group Chief Operating Officer

Mark Yallop was appointed an executive director of ICAP in July 2005. He is responsible for the post trade risk businesses. He had previously been Group Chief Operating Officer of Deutsche Bank Group, following many years' involvement in trading in the derivatives, foreign exchange and cash markets. He was also a director of ISDA from 1996 to 1998.

Mark is chairman of the GOC.

Mark Beeston

Chief Executive Officer

ICAP's Portfolio Risk Services

Mark Beeston is Chief Executive Officer of ICAP's Portfolio Risk Services business. Prior to joining ICAP, he spent four years as President of T-Zero (now ICELink), a subsidiary of Creditex Group Inc (now ICE). Mark spent 13 years at Deutsche Bank where among other roles he served as Chief Operating Officer for Global Credit Trading, Chief Operating Officer for OTC Derivatives and global head of Money Market Derivatives trading. He represented Deutsche Bank at board level across numerous industry companies and associations including ISDA, Markit, OTCDerivNet and DTCC DerivServ.

David Casterton

Chief Executive Officer

ICAP London and EMEA

David Casterton is Chief Executive Officer of ICAP London and EMEA. He joined ICAP in 1995 and was appointed Chief Executive Officer in June 2008. He is responsible for all voice broking, technology and support functions in London and EMEA. Prior to joining ICAP he was with MW Marshalls and Guy Butler International.

Gil Mandelzis

Chief Executive Officer

Traiana

Gil Mandelzis co-founded Traiana in April 2000 and continued as Chief Executive Officer of Traiana following ICAP's acquisition of the company in October 2007. Prior to Traiana, Gil worked in the M & A group at Deutsche Bank Alex Brown (formerly BT Wolfensohn) in New York, where he advised companies in the financial and technology sectors. Gil holds a MBA from INSEAD.

Douglas Rhoten

Chief Executive Officer

ICAP Americas

Douglas Rhoten is Chief Executive Officer of ICAP Americas. He joined in 1977 and was appointed chief executive officer in 2001. He is responsible for ICAP's voice broking, including Latin America and Brazil and the associated technology and support functions in the US. He is a founding member of The Green Exchange and a former member of the US Federal Reserve Bank Foreign Exchange Committee.

David Rutter

Chief Executive Officer

ICAP Electronic Broking

David Rutter is the Chief Executive Officer of ICAP Electronic Broking which includes EBS and BrokerTec. Prior to joining ICAP in 2003 he was a significant shareholder in Prebon and served in various capacities, including global chief executive officer of Prebon Energy and managing director of the Americas since joining in 1988. He has served on several corporate boards of entities in the e-commerce field.

Duncan Wales

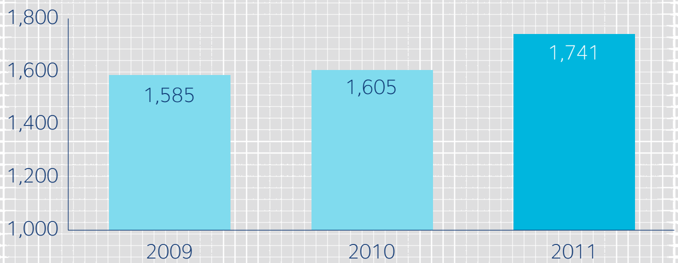
Group General Counsel

ICAP plc

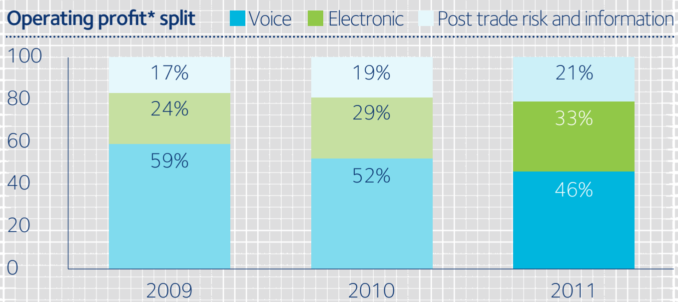
Duncan Wales is Group General Counsel and has been responsible for the global legal function since December 2008. He has occupied a number of senior roles within the legal and compliance departments at ICAP, including director of government affairs. Prior to its acquisition by ICAP in 2003, Duncan was director of legal affairs at BrokerTec. As well as having experience in investment banks, Duncan spent five years at Clifford Chance as a derivatives and OTC markets specialist. He is a member of the GC 100 Group.

Business review

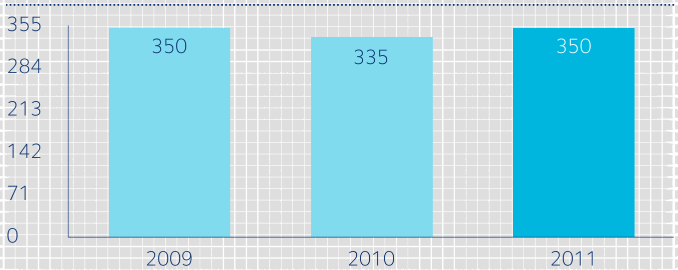
Revenue from continuing operations (£m)



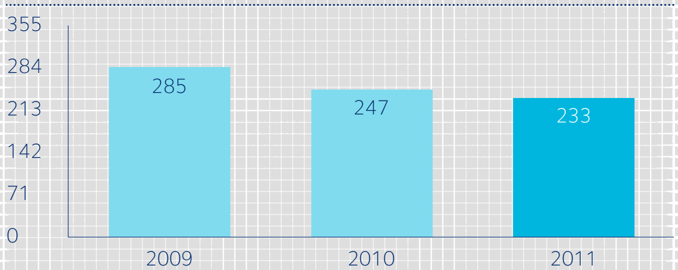
Operating profit* split



Profit before tax* (£m)



Profit before tax, statutory (£m)



Results for 2011

The Group reports revenue of £1,741 million, 8% above the prior year reflecting substantial progress in ICAP's electronic broking and post trade risk and information businesses. We have seen increases in volumes on both our traditional fixed income and FX electronic trading platforms together with the successful launch of our new electronic euro IRS platform.

During the year, we moved closer to our strategic goal to have our operating profit generated evenly between voice broking, electronic broking and post trade risk and information with a total of 54% generated by our non-voice broking businesses. Strong volumes contributed to the percentage of operating profit generated by the electronic broking platforms increasing from 28% to 33%, while the acquisition of TriOptima in March 2010 and higher volumes in Traiana offset the impact of lower activity levels in Reset. This resulted in an increase of two percentage points in the share of group operating profit* for post trade risk and information.

The management of our cost base remains an area of substantial focus and, while we saw net operating expenses increase by 9% in the year to 31 March 2011, a substantial component of the rise relates to £17 million of non-recurring one-off costs and the Group's investment in businesses, systems and processes which will fuel future growth. The acquisition of TriOptima, as well as investment in developing our newer voice businesses, including Brazil, accounted for £42 million of the total increase, 45% of the total if we exclude FX, with a further £22 million reflecting our increased spend on technology systems.

The Group reports an operating profit* from continuing operations of £375 million, up 6% on the prior year due to a strong performance by our electronic broking and post trade risk and information businesses, offset by continued investment and one-off costs.

The Group's operating profit* margin, generated from its continuing operations for the year ended 31 March 2011, remained unchanged at 22%.

Profit before tax of £350 million was up 4% on the prior year and includes a full-year contribution from TriOptima which was previously accounted for as an associate. Profit before tax on a statutory basis reduced by £14 million to £233 million primarily as a result of higher pre-tax trading profits being partially offset by an increase of £22 million in amortisation of intangibles related to the acquisition of TriOptima.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

ICAP reports on segments of its business in the same way externally as we manage and report the business internally. The major segments are the three regions of core voice broking, electronic broking, post trade risk and information and new businesses. New businesses, comprising new voice broking businesses, have been separated out to allow the appropriate focus given the very substantial investment that has been undertaken in the recent years.

ICAP provides services in a broad range of markets and the diversity of its market coverage is a key strength of the Group. The revenue and growth rates per market from our continuing operations are given below.

Continuing operations Markets	2011 Revenue £m	2010 Revenue £m	Growth %
Rates	695	630	10
FX	321	292	10
Commodities	213	175	22
Emerging markets	191	141	35
Credit	185	204	(9)
Equities	136	163	(17)
Total	**1,741**	1,605	**8**

Segmental performance

Core voice broking

	Revenue £m	Growth %	Operating profit* £m	Growth %
EMEA	578	1	114	(4)
The Americas	471	2	83	–
Asia Pacific	134	6	(3)	n/m
Total	**1,183**	**2**	**194**	**(7)**

Our voice broking business is active in the wholesale markets in rates, FX, commodities, emerging markets, credit and equities. ICAP's strategy is to profitably expand our leading voice broking business by increasing market share.

Revenue from ICAP's core voice broking businesses was broadly in line with the prior year despite revenue from Asia Pacific being adversely impacted by the loss of 38 brokers in September 2010. Revenue growth reflected strong performance of emerging markets, commodities and interest rate derivatives, which was offset by slower performances in credit and equity derivatives. In addition, revenue benefited from stronger dollar and euro exchange rates. Operating profit* decreased by 7% and the operating profit* margin by 2 percentage points following a number of one-off costs across all segments. However, our continued focus on costs, together with our new businesses reaching operational maturity, will support the operating profit* margin for the voice broking business.

Rates

The interest rate markets have been active during 2010/11 with volume increases seen across the two main products: interest rate derivatives and government bonds, including US Treasuries. Volatility remained high due to the sovereign debt crisis in Europe and continuing global high levels of government debt issuance. Within the interest rate derivatives market, the biggest component of our business in terms of revenue, the euro swaps business and the cross-currency swaps area were the best performers and ICAP retained its position as the largest broker in these areas. Business was supported by high levels of corporate bond issuance in EMEA in what is still a very low rate environment.

FX

FX markets remained volatile in both developed and emerging markets resulting in significantly increased volumes in forward products. The spot FX business market has performed in line with the prior year.

Commodities

Economic uncertainty has substantially benefited our commodities business specifically trading in oils, coal and natural gas, contributing to record revenue in EMEA. In the US, our electricity and oil businesses performed strongly. We continue to develop our hybrid trading options for customers with momentum building for ICAPture, our US-focused platform designed to meet the changing regulatory requirements of the Dodd-Frank Act. With a focus on oils, we are extending ICAP TrueQuote from a post trade support engine to an interactive execution tool, providing screen-supported voice hybrid execution alongside straight-through-processing to multiple clearing venues.

ICAP Shipping saw a general improvement in trading conditions and, while it recorded a small operating loss, we expect investments made in the current year will position the business to respond to improvements in market conditions.

Emerging markets

We have seen a strong increase in both volume and market share in the emerging markets' rates businesses, specifically central European interest rate swaps, and have maintained our market leadership in Latin American businesses where we have deep customer and exchange relationships. In Asia, market conditions remained highly competitive, with a large number of brokers competing for business in all of our markets. In September we lost 38 broking staff in Singapore to a competitor and, while we have been actively rehiring, revenue was adversely impacted in the second half of the year. Over the medium term, we expect substantial growth in the region to come from China, where we have recently expanded the scope of our joint venture with CFETS and commenced broking renminbi on an offshore basis.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

Credit

Revenue in credit as a whole was down on previous years and we saw a return to more normal markets. Although there was a reduction in the risk appetite of some of our customers, overall market volumes in corporate bond markets remained relatively high. Tighter spreads however reduced ICAP's revenue. Against this we saw an increase in CDS revenue driven, in particular, by strong growth in index products with increased volumes and an improvement in market share. We expect that potential changes to the market structure driven by further regulatory change are likely to impact these markets in the coming years. The introduction of electronic platforms is well advanced in the CDS markets on both sides of the Atlantic.

Equities

Equity derivatives are the main focus of this segment. Proposed regulatory changes, with the threat of increased capital requirements and reduced proprietary trading put our customers' margins under pressure. This in turn had two effects; the first was commission compression for brokers of 20% – 30% and the second, low market volumes, particularly in the first three quarters of the year. In the first half of the year, our US business performed better by increasing market share. We have successfully kept our teams intact despite aggressive approaches to key staff by competitors. As a result we were in a good position to benefit in the last quarter of the year when we saw an increase in market volumes.

Electronic broking

	£m	Growth %
Revenue	**302**	**20**
Operating profit*	**123**	**23**

ICAP operates the world's leading electronic trading platforms in the OTC FX and fixed income markets. The platforms offer efficient and effective trading solutions to customers in more than 50 countries in a range of instruments including spot FX, US Treasuries, European government bonds and EU and US repo. The platforms are built on our networks connecting participants in wholesale financial markets.

ICAP's strategy is to grow our global electronic broking business both through increasing the volume of existing products and by developing new markets.

Combined average daily electronic broking volumes for the BrokerTec fixed income platform and EBS spot FX platform for the 12 months ended 31 March 2011 were $778 billion, up 24% from the previous year, with the highest average daily volume of $914.5 billion being achieved.

Electronic broking reported revenue of £302 million, an increase of 20% over the prior year. Operating profit* increased by 23% to £123 million. Despite the substantial revenue growth, the operating profit* margin increased marginally to 41% reflecting one-off costs primarily related to the write-down of technology platforms.

ICAP's demonstrated expertise in developing and operating highly transparent and efficient electronic trading solutions positions it well to benefit from impending regulatory changes in Europe and the US.

To further support its market leading position in a time of heightened competition in electronic trading, ICAP continues to invest in product development, operations and technology.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

Rates

Fixed income

Trading on the BrokerTec platform was strong with total average daily volumes in US Treasury products, EU repo and US repo at $627 billion, up 27% on the prior year. Growth in US Treasury products benefited from high levels of issuance and activity in the US repo markets was particularly strong.

In Europe, electronic trading of European government bonds continued the growth seen in the previous year. From April 2011, BrokerTec, an official platform in Portugal, secured primary dealer obligations from domestic market participants increasing the number of EU governments that recognise the use of the BrokerTec platform.

In August 2010, having previously achieved the ability to submit overnight repos to the central clearer, LCH.Clearnet, BrokerTec EU repo trading was launched in Spain, leading to considerable new customer participation and the capture of considerable business in term secured funding.

Investment in BrokerTec platform technology continued throughout the year and was focused on delivering performance improvements and facilitating enhancements to EU and US trading capabilities. A capital expenditure programme to significantly upgrade the platform is on track to be completed in the second quarter of 2012.

Interest rates

In September, we launched an electronic platform for trading euro IRS with market maker support, bringing increased transparency and greater efficiency, as well as lower transaction costs to the world's largest OTC derivative market. This initiative will make a substantial contribution towards further reducing operational and systemic risks in trading OTC derivatives. Our electronic IRS platform takes our established voice liquidity and combines it with a proven electronic platform to create a single liquidity pool in a wide range of euro IRS instruments out to 30 years' maturity.

Since its launch, the platform has transacted over €360 billion in volume involving more than 4,300 trades representing 20% of our euro IRS activity. We continue to see month-on-month increases in activity and, in March 2011, over 30% of our euro IRS trades were transacted on the platform. We plan to expand into dollar IRS during 2011.

FX

We saw growth in FX activity over the course of the year. Average daily electronic broking volumes on the EBS platform were $151 billion, an 11% year-on-year increase.

The EBS platform continued to demonstrate its role as the FX market's central source of pricing and liquidity, especially clear in moments of heightened volatility.

Over the past year, several new order types designed to support manual traders, including the introduction of the first purely electronic Fix Order, were launched. Decimalised pricing on the EBS platform was launched in March 2011.

Increased activity in a diverse range of currency pairs continued and the EBS presence in emerging markets strengthened. In September 2010, EBS was the first electronic platform to enable trading of Hong Kong cleared Chinese renminbi. March 2011 was a record month for Commonwealth and emerging markets' currencies overall, with record monthly trading of the Australian dollar, Hong Kong cleared Chinese renminbi, Russian rouble and NDFs.

MyTreasury

MyTreasury is an electronic money market trading platform for corporate treasury investors launched initially to offer AAA-rated money market funds and currently being extended to cover term deposits and certificates of deposit.

During a period of fund sector consolidation, the value of funds invested via MyTreasury increased 270% from 2009/10. The platform has achieved complete offshore fund provider coverage and now offers access to more than 160 fund accounts. The number of investors using the platform increased by more than 40% year-on-year.

Credit

ICAP has a number of electronic platforms which have been developed to address different aspects of the credit derivatives markets. ICAP launched the first hybrid electronic and voice platform in Europe in 2004 and the first purely electronic credit trading application in the US in 2007. These products provide traders with real-time access to the full range of CDS markets, such as the on-the-run and off-the-run investment grade and high yield CDX indices, including support for curves, switches and rolls. ICAP recently introduced single name CDS instruments to the platform and is rolling out new single-name credit sectors weekly. The BrokerTec credit platform offers both manual and automated trading to all major banking institutions and has consistently been in the top three interdealer platforms. In the US we launched an additional hybrid platform for the credit default index market.

Institutions in the US are anticipating the implementation of new regulatory requirements and accordingly have shown growing interest in our electronic credit solutions. CDS trading activity on the BrokerTec platform continues to grow, with steady participation in the market on a daily basis. It is expected that in the second quarter of 2011 total volumes since launch will surpass $300 billion. We are well positioned to take advantage of regulatory changes within the credit market and our trading platforms are expected be fully compliant with these changes.

Post trade risk and information

	£m	Growth %
Revenue	184	30
Operating profit*	79	14

ICAP's strategy is to develop our post trade risk and information businesses to provide innovative services that enable our customers to reduce their costs and risks and to increase their efficiency, return on capital and capacity to process trades. The post trade risk and information segment is comprised of Traiana, the portfolio risk services businesses – Reset, TriOptima and ReMatch – and the information business.

The post trade risk and information business continued to perform strongly reporting revenue of £184 million, an increase of 30% on the prior year, while operating profit* increased 14% reflecting a combination of the acquisition of TriOptima and higher volumes in Traiana. These improvements were offset by Reset which saw lower activity levels as a result of benign market conditions during the first part of the year.

A change in the revenue mix, together with the ongoing investment in Traiana and ReMatch, resulted in the operating profit* margin falling from 49% to 43%.

Reset

Reset, the market leading provider for interest rate reset risk management, accounts for the largest proportion of ICAP's post trade risk revenue and operating profit*. Reset's expertise is in short-end risk management and this helps our customers to control their fixing risk. The Reset matching engine allows for unilateral matching with hedging, therefore it is no longer necessary for our customers to have an offsetting position for each trade to be executed. During the first part of the year, Reset saw some slowdown as short-term interest rates remained low and stable, although we saw a pick up in the final quarter of the year as volatility returned to the LIBOR market. In addition, Reset began to benefit from its newly launched inflation fixing and basis fixing services and will be launching other new products, including bonds, over the next 12 months.

TriOptima

TriOptima is the provider of OTC derivatives infrastructure services including triReduce and triResolve. TriOptima's services, aimed at reducing risk and helping financial institutions to manage their OTC derivative portfolios more efficiently, continue to be well utilised by the markets. The regulatory environment creates interesting opportunities for TriOptima as our customers focus significant resources on their new regulatory obligations.

The business has faced a challenging operating environment as regulatory pressure on customers has been focused on maximising submission to clearing rather than optimising their portfolios through compression. These conditions are expected to be temporary. TriOptima's portfolio compression service, triReduce, eliminated $45.8 trillion in IRS in a record 53 cycles and $8.5 trillion in CDS in a record 95 compression cycles during 2010/11.

TriOptima's counterparty exposure management service, triResolve, for OTC derivatives, including portfolio reconciliation, margin call management and dispute resolution, also continued to expand. In October, TriOptima announced that the 'Big Six' Canadian banks had joined the triResolve service. Currently, six million OTC derivative trades from 2,800 legal entities are regularly reconciled through triResolve. This represents 75% of all non-cleared OTC derivative transactions.

Traiana

Traiana, the leading provider of post-trade services across asset classes, operates the industry-standard platform, Traiana Harmony, reducing the risk and cost of trade processing. Traiana saw strong growth this year and has continued to expand its offering to both buy and sell-side firms across FX, exchange trade derivatives, equities and equity derivatives. Traiana Harmony now processes more than $700 billion in trading volume each day, and connects more than 500 market participants including leading buy-side, sell-side, execution venues and independent software vendors.

In FX, Traiana has continued to see strong revenue growth from existing services and the introduction of new products. Traiana Harmony has continued its strong growth in FX with daily trades processed more than doubling year-on-year, driven by continued growth in volumes from top banks and prime brokers, increasing volumes from high-frequency trading and rising retail FX trading volumes. In addition, Traiana's trade aggregation joint venture with CLS Group, CLSAS, continued to expand in 2010/11. In December, Traiana and the CLS Group announced that all eight founding member banks of CLSAS had gone live with the service after adoption in just a year. On 15 March 2011 the CLSAS service processed the highest daily volume recorded so far with over 295,984 gross trades, aggregated to 11,788. Average daily volumes processed through CLSAS in March 2011 were 162,300 with an average compression ratio of 93.8%, from a standing start at the beginning of the year.

In a move to help customers address new regulations, Traiana announced in March that it had launched a new service for the clearing of OTC FX derivatives, Harmony CCP Connect, with Citi as its first customer and CME Group its first clearing house. Harmony CCP Connect links banks and prime brokers to clearing houses to comply with global financial reforms in the wake of the 2008 financial crisis, easing the implementation of central clearing mandates for derivatives.

Traiana has also continued to expand the Harmony Network into new asset classes, including contract-for-difference (CFD) equity swaps and exchange-traded derivatives. Harmony is now the largest post trade network in the world for equity derivatives/CFDs, and is used by 12 of the world's largest equity swap counterparties and over 60 executing brokers. In March 2011, Traiana expanded Harmony's CFD equity swaps network to the buy-side and a growing group of buy-side firms have already connected to the network.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

ReMatch

ReMatch provides market risk mitigation and portfolio rebalancing services to address the problems derived from the build-up of illiquid, calendar spread, net open positions in CDS portfolios. In the past year, it expanded its services to include US financials and western European sovereign CDS products. ReMatch addresses the problem of minimal or no exit liquidity at the 'off the run' points in a trader's CDS portfolio, and reduces the market risk created by the build-up of these illiquid positions. Since its launch in October 2009, ReMatch has helped the market reduce a total of $250 billion in CDS trades.

Information

ICAP information empowers customers to make trading decisions with authoritative, independent and consistent OTC market information, across a range of asset classes. We provide real-time, end-of-day and historical data solutions across our brokered product range. Our data is the intelligence behind algorithmic trading and research models for customers and is a key source of mark-to-market data for the industry. This part of our post trade risk and information business is a profitable, high margin cash generative business with a broad, loyal, global customer base. The business has exhibited strong performance year-on-year with both revenue and profit growth and employs a subscription-based charging structure which provides a regular revenue stream.

The business has distribution relationships with global risk management, analytics and data vendors and is a trusted industry standard. Investing in new technologies has enabled us to collect and distribute increasing quantities of data more efficiently. With $1.4 trillion of average daily volume traded by ICAP fed into our data products, there are 29 million average daily data updates in over 94,000 instruments delivered to end users. While the regulatory landscape continues to evolve, we continue to expect the environment to offer significant growth capacity for independent, supported, data services. In 2010, ICAP won Inside Market Data's award for Best Global Broker for Global Market Data for the fourth year.

New businesses

	2011 £m	2010 £m
Revenue	**72**	54
Operating profit*	**(21)**	(24)

For 2010/11 the new business segment included the Group's investment in a number of new initiatives which have been started or acquired over the past two years. These include Brazil, base metals and intellectual property.

Our ongoing investment in Brazil represents half of the operating losses of the new business segment.

This segment has been reviewed and, as a result of the decreasing number of new businesses set up or established over the past two financial years, it is planned to discontinue this segment for the year ending 31 March 2012.

Brazil

ICAP's operations in Brazil, with more than 250 brokers and support staff, encompasses three core products: futures (BM&F), equities (Bovespa) and a retail share trading platform (MYCAP). ICAP saw its market position improve with a near doubling of its revenue year-on-year and the MYCAP customer base increased to 10,000 accounts.

As a result of our ongoing investment the business was loss making during 2010/11 and this is expected to continue in the year ahead, albeit at a lower level, as we invest in the business. We are now the leading independent broker and in the top 10 across all key product lines amidst a very competitive field of over 60 broker organisations. We have invested significantly in our systems and infrastructure and have seen encouraging recent growth in direct market access which will provide a key driver for the future. For the year ending 31 March 2012 the Brazil business will be reported as part of the Americas voice broking business.

Base metals

ICAP is a Category 2 broking member of the London Metals Exchange (LME). The LME business produced strong revenue growth and is profitable. It gained access to new pools of liquidity by expanding geographically to offer a global service and by broadening its product offering over the past 12 months, including the new futures mini contract which was launched on the Singapore Exchange in February 2011, as well as opening a new office in Hong Kong. In future, base metals will be reported as part of EMEA's voice broking business.

Intellectual property

Patents continue to build a strong pipeline of deals and has held a number of auctions making a modest profit. The market growth is fuelled by smartphone patent wars, corporate bankruptcies and patent litigation risk. We have expanded the business beyond the traditional markets into automotive and pharmaceutical asset classes both of which offer significant growth opportunities. In future intellectual property will be reported as part of the Americas voice broking business.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

Profit for the year

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit before tax* from continuing operations	**350**	335
Acquisition and disposal costs	**(94)**	(62)
Exceptional items	**(23)**	(26)
Profit before tax from continuing operations (statutory)	**233**	247
Tax	**(50)**	(83)
Profit from continuing operations	**183**	164

The Group reports a solid performance with profit after tax, acquisition and disposal costs and exceptional items of £183 million from continuing operations.

Acquisition and disposal costs

For the year commencing 1 April 2010, the Group has redefined the column previously entitled 'amortisation and impairment of intangibles arising on consolidation' having considered the impact of the adoption of IFRS3 (revised) 'Business Combinations' to the consolidated income statement. Details can be found in the basis of preparation of the financial statements on page 71.

The Group saw amortisation of intangibles increase by £22 million over the prior year related to the acquisition of TriOptima.

Exceptional items and discontinued operations

The Group's policy is to separately disclose items in its income statement as exceptional which are non-recurring and, in terms of both size and nature, material.

The Group has recognised an exceptional pre-tax charge in its continuing business of £23 million in respect of the recoverability of the loans made to a number of associates active in non-core agency voice markets (£20 million) and an adjustment to the 2010 SEC settlement-related costs (£3 million) .

A post-tax credit of £4 million relating to a reversal of a prior year exceptional charge, disclosed as discontinued in 2010/11, was recognised as an exceptional item relating to the decision to close the European and Asia Pacific full service agency cash equities businesses in 2009/10.

Tax

The Group's effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations is 26% (2010 – 32%) which represents maintenance of the underlying rate of 32% less a reduction of 6% in respect of settling enquires with tax authorities.

A tax credit of £32 million (2010 – £20 million) has been recognised in the consolidated income statement column entitled 'acquisition and disposal costs' to reflect the impact of deferred tax on amortising intangible assets. The overall objective continues to be to plan and manage the tax affairs of the Group efficiently while complying with local tax regulations.

The Group's tax charge is affected by the varying tax rates in different jurisdictions applied to taxable profits; the mix of those profits; and the rules impacting deductibility of certain costs. The Group continues to take a prudent approach to the management of its tax affairs and provisions are set to cover tax exposures. We expect the Group's effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations to be 31% for the financial year ending 31 March 2012.

Earnings and earnings per share (EPS)

We believe that the most appropriate EPS measurement ratio for the Group is adjusted basic EPS as this measure better reflects the Group's underlying cash earnings. Adjusted basic EPS from continuing operations excludes the impact of the performance of acquisition and disposal costs, exceptional items (note 5) and discontinued operations (note 25). The calculation of EPS is set out in note 2 to the financial statements.

Adjusted basic EPS from continuing operations increased by 13% to 39.9p. The Group's basic EPS from continuing operations increased from 25.5p to 28.1p and total basic EPS, including discontinued operations, increased from 18.0p to 28.7p primarily as a result of a tax credit recognised in the financial year.

*Profit before tax, acquisition and disposal costs and exceptional items.

Dividend

For the past four years, the Group has paid a dividend equal to 50% of adjusted basic EPS which reflects the board's desire to balance distributions to shareholders against the wider capital demands of the Group.

For the current year we propose, subject to shareholder approval, to continue to apply the same multiple which results in a final dividend of 14.68p being proposed. This compares to 12.44p in the prior year and, when taken in conjunction with the interim dividend of 5.27p per share, results in a full-year dividend of 19.95p which is an increase of 14% on the prior year.

Interim dividends are calculated as 30% of the previous year's full-year dividend. This approach is expected to continue for the 2011/12 financial year.

Operating profit*/cash conversion

The Group's consolidated cash flow statement is set out on page 70 of the financial statements.

The Group continues to generate substantial free cash flow. Over the long term it is expected free cash and post-tax profit will converge. At 31 March 2011 our free cash flow conversion was 80% against a three-year average ongoing free cash conversion of 107% of post-tax profit. This compares to 118% in the prior year as a result of increasing working capital requirements.

Free cash flow	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Cash from ongoing operations**	**363**	390
Interest and tax	**(86)**	(69)
Cash flow from ongoing operating activities	**277**	321
Capital expenditure	**(69)**	(66)
Dividends from associates and investments	**2**	9
Ongoing free cashflow	**210**	264
Discontinued and exceptionals**	**(21)**	(46)
Free cash flow	**189**	218

Cash generated from ongoing operations decreased by £27 million in 2010/11 of which £8 million related to the change in restricted funds, £3 million related to higher trading levels, offset by the impact of initially unsettled trades of £38 million.

Net payments in respect of interest and tax have increased by £17 million to £86 million, primarily reflecting the full-year impact of the five-year senior notes.

The Group distributed £90 million of its free cash flow to shareholders through its dividend.

Events after the balance sheet date

On 8 April 2011, the FSA approved the Group's application to renew its waiver from investment firm consolidation for a further five years.

Technology

Technology is critical to all elements of our business. Over the past 12 months we invested 12% of our revenue on technology, an indication of our continued investment for the long term and our commitment to keep ICAP's businesses at the forefront of our industry, with the leading platforms and functionality and the post trade risk business. Almost 1,000 people, nearly 20% of ICAP's employees worldwide, are employed in IT roles.

Our investment in technology is paramount to our commercial success. We develop and operate global wholesale financial networks providing value added services to customers and then charge them when they complete their transactions using these networks. Building networks that involve direct integration with our banking customers' infrastructure is technically challenging but is crucial to the efficient operation of the financial markets.

Our investment in technology is targeted to support anticipated growth and to meet our customers' future needs. We have a strategic planning process for the management of our technology portfolio that can be broken down into the following objectives:

- → risk reduction;
- → enhancing performance;
- → improving governance;
- → business continuity; and
- → process improvement and cost savings.

We continue to make significant investments in technology within our voice broking business to support efficient and improved interaction with our customers, hybrid trading systems, straight-through-processing, risk and compliance management, regulatory and financial reporting and clearing and settlement.

Our ongoing investment in our i-Swap platform over the past ten years has culminated in the successful launch of our electronic euro IRS platform. The platform facilitates both rates and strategy trading including curve spreads, butterflies, future crosses and basis. The technology enables the execution of multi-leg trades too complex for traditional voice broking, thereby driving incremental business. Technology has also enabled us to launch a pre-trade credit filter allowing electronic execution against firm prices.

In electronic markets our fixed income and FX systems continue to be leaders in their fields. We are making substantial investments in our key trading systems to ensure that we continue to provide high performance systems that support both electronic and manual trading. Our technology investments have been recognised by our customer community. For the past two years, ICAP's electronic FX platform, EBS, was voted number one in the industry trading platform category in the Risk Magazine's 2010 technology rankings. The category awards the industry trading platform that provides the best offering based on functionality, usability, performance and reliability.

In our post trade businesses, technology is integral to our entire portfolio of products and services.

We believe that the many changes proposed by the regulators will stimulate the banks and market infrastructure providers, including ICAP, to further technological innovation that will help achieve the objectives of the regulators for more resilient markets, and thereby create opportunities for building new business.

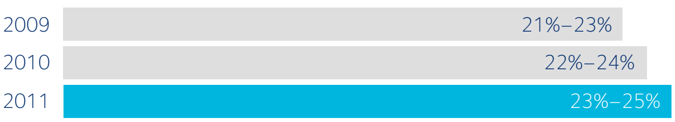
*Profit before tax, acquisition and disposal costs and exceptional items.

**Cash from operations disclosed in the consolidated cash flow statement consists of cash from ongoing operations plus discontinued and exceptional items.

Key performance indicators

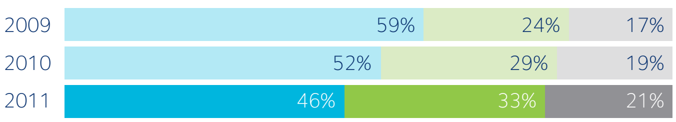
This section describes the key performance indicators we use to measure the progress we are making towards our financial and strategic goals. We aim to be the leading global intermediary and the leading post trade risk provider in our markets, with operating profit* that is evenly distributed between voice broking, electronic broking and post trade risk services.

Global market share



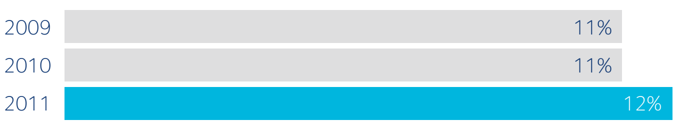
ICAP estimates its share of its overall available market, excluding global cash and equities and listed futures and including shipping, post trade risk and information, increased to 23 – 25% from 22 – 24% in the previous year. By our estimates, the size of ICAP's total available market was $11 billion.

Operating profit* split



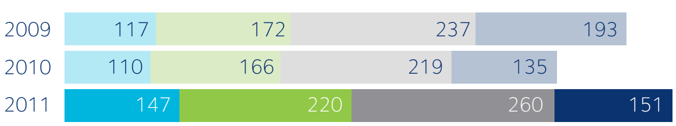
ICAP aims to have a split of operating profit* that is evenly distributed between its voice broking, electronic broking and post trade risk and information businesses. In 2010/11,with the inclusion of TriOptima, we have moved closer to this aim resulting in 46% of our operating profit* being derived from voice broking, 33% from electronic broking and 21% from post trade risk and information.

Technology spend as a percentage of revenue



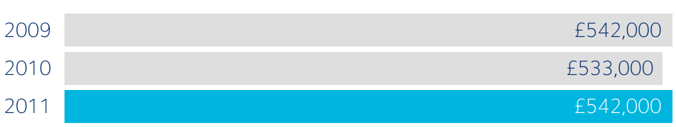
ICAP continues to invest a significant proportion of its revenue to develop its world leading electronic broking platforms which are crucial to our ability to anticipate and meet our customers' needs. Traditionally, ICAP has defined technology spend in terms of voice and electronic broking. This year, however, we have redefined this to include other businesses specifically post trade risk and information. The percentage of revenue spent on technology has increased by 1% to 12%, reflecting the inclusion of TriOptima and an increased focus on our post trade and electronic platforms.

Electronic volumes ($billion)



This year, we have introduced a new key performance indicator reflecting the increased importance we place on electronic markets. ICAP monitors daily volumes as a key metric of the business's performance and this year saw volumes increase by 23% from $630 billion in 2009/10 to $778 billion in 2010/11 reflecting our strong performance in both FX and fixed income.

Voice revenue* per voice broker



For 2010/11 the key performance indicator for voice revenue* per voice broker increased compared to the previous year reflecting an increased contribution by new businesses, including Brazil.

Three-year average conversion of profit into cash

The Group's business model efficiently converts profit into cash, with cash collection from customers normally occurring in advance of commission payments to staff. The ratio is impacted by factors such as business mix, the level of unsettled matched principal trades and other short-term timing differences. Over the medium to longer-term we expect profits and cash conversions to converge. The reduction in this year's ratio to 107% is in line with our long-term goal and includes the short-term impact of a number of unsettled matched principal trades which existed at 31 March 2011 and were subsequently settled in April 2011.

*From continuing operations excluding acquisition and disposal costs and exceptional items.

Risk and control environment: enablers of business

Market and regulatory environment

The financial market environment remained challenging in the past year. Most markets traded in a volatile fashion driven by patchy market confidence, accommodative central bank monetary policies and socio-political events. ICAP continued to benefit from its position as the leading interdealer broker, leveraging increasing market volumes, and its low market risk business model. In the coming years the Group will face the following three macro challenges to its position in the market.

- → The Group's key clients remain the large international banks. These banks are still in the process of reshaping their activities to adapt to the new regulatory requirements of Basel III and the Dodd-Frank Act in the US and EMIR and MiFID II in Europe. This reshaping could profoundly change the overall structure of the financial industry and thereby potentially the role and position of interdealer brokers. The buy-side and the so-called 'shadow banking industry' could become much larger players in this new financial world obliging interdealer brokers to adapt their offering to cater to new regulatory and customer needs.
- → The implementation of the new financial regulations will potentially redefine some aspects of interdealer broking and create new types of competition between interdealer brokers and other market intermediaries for execution business. In the US, the Dodd-Frank Act requires that certain classes of derivatives trade on Designated Contract Markets or on hereby created 'swap execution facilities'. In Europe, there are parallel proposals for MiFID II that classes derivatives traded on exchanges, multilateral trading facilities and 'organised trading facilities'. The precise scope and impact of these proposals on market operating models are yet to be defined but, given ICAP's leading position in the market and its balanced portfolio of electronic, voice and post trade businesses, the Group remains well positioned to take advantage of the proposed legislative and regulatory changes.
- → Finally, the implementation of the Dodd-Frank Act and MiFID II present technical challenges as they fundamentally redefine the relationship between broking platform operators and their customers. This will require additional investments in a number of control areas to accommodate the increased level of compliance monitoring required for these new-market structures. The progressive move from voice-brokered products to hybrid or fully electronic platforms implied by the regulations could also disrupt trade flows from market participants concerned about the public availability of prices.

The risks we face

ICAP is an interdealer broker and consequently has a very different risk profile from that of a bank, investment manager, insurance company or hedge fund. ICAP is not required to commit material amounts of capital in the conduct of its day-to-day business; its profit and cash flows are driven by transaction volumes and do not depend on the valuation of its assets and liabilities; and ICAP does not have material exposures to market risk or long duration credit risk.

The macroeconomic stresses simulated by regulators of the banking and insurance industries, for instance, do not create losses for ICAP. ICAP is primarily commission earning and its financial performance was largely unaffected by the 'credit crunch' which followed the Lehman bankruptcy in 2008 because the Group does not carry credit sensitive assets on its balance sheet and does not leverage its capital.

The board monitors the risk profile of the Group using eight broad risk categories: liquidity risk, operational risk, legal and compliance risk, strategic risk, credit risk, reputational risk, financial risk and market risk. Within each risk category we have a taxonomy of the specific risks that we face. Liquidity risk, operational risk and legal and compliance risk are the principal risk categories to the Group. These risks and the way in which they are managed and mitigated are described below.

The three principal risk categories

Risk category	Description	Mitigation
Liquidity risk	→ Liquidity risk is the risk that any part of the Group has insufficient cash available to meet its financial commitments on the dates that they fall due. → As a result of providing services to its customers in matched principal transactions and execution (and some limited instances of clearing) in exchange traded products, the Group is required to provide collateral and margin to the clearing houses of which it is a direct member and to those third party clearing providers who act on the Group's behalf. On top of this core liquidity requirement, the Group is also exposed to temporary movements in margin requirements as a result of changes in the volume and mix of the transactions undertaken by its customers. It is difficult accurately to predict the timing and amount of these temporary movements, which are often only required intra-day.	→ The Group holds a minimum of $250 million of liquidity in the form of cash and undrawn committed facilities which are available to meet same-day calls, see note 8 to the financial statements. → The Group seeks to diversify its funding sources and maintains an investment grade rating from Fitch and Moody's. Counterparty limits for cash investment are set and monitored by the group risk and capital committee and, through the recent financial market turmoil, a number of changes have been made to reduce further the Group's exposure to institutions perceived as higher risk.
Operational risk	→ Operational risk is the risk of human error; process failure; technology failure; and/or external events, for example: – trade dealing errors; – loss of key members from a broking desk; – IT applications or network failures; – trade processing or settlement failures; – internal or external fraud; – loss of confidential client data; – a building fire or flood; and – acts of terrorism impacting the building or employees.	→ Significant operational exposures and their related controls are regularly reviewed and assessed using a variety of tools including risk control self assessments, key risk indicators and operational process maps. Corrective steps are taken to reduce the probability of operational risks occurring and to mitigate their impact in the event they do occur. → Significant resources are devoted to protecting the resilience of the Group's systems. Formal business continuity plans and appropriate remote data back-up and disaster recovery facilities for each of our key locations are in place. Business continuity for our core activities and our remote data back-up disaster recovery facilities are tested periodically to maintain effectiveness with the outcome of the testing subject to audit.
Legal and compliance risk	→ As a global business the Group is subject to regulatory oversight by many authorities. The Group's lead regulator is the FSA. The Group has multiple and often complex contractual arrangements with its customers, suppliers, lenders and business partners.	→ Our legal and compliance risks are managed by our legal and compliance functions (see compliance management on page 38). The legal department is an independent function with teams based in each main geographic region reporting centrally to the group general counsel. The group general counsel in turn reports directly to the Group Chief Executive Officer.

Other risk categories

Risk category	Description	Mitigation
Strategic risk	A number of strategic risks, any of which could challenge ICAP's business model or ability to earn revenue, as set out below, are an inevitable consequence of the Group's position in the wholesale financial markets: → increasing competition/disintermediation: existing or potential competitors might be able to exploit their size, expertise, access to better funding, superior technology or other types of leverage to change the economics or the mechanics of our business to their advantage and hence reduce ICAP's market share or profitability; → significant change in the structure of markets as a result of operational changes imposed by regulation and/or legislation; → variability in economic and financial markets: the volume of business flow transacted by the Group is affected directly by conditions in the global financial markets. Factors influencing ICAP's daily volumes include the levels and volatility of and correlations between asset prices, credit quality of counterparties, changes in economic activity, political and market events, product innovation and indicators of market confidence; and → diversification into new markets, with novel risk characteristics.	→ The mitigation and management of strategic risk is facilitated by our risk and governance framework. This enables our holistic understanding of strategic risk to be gained through our regional and Group level risk and operating committees, enabling management and senior executives to identify and assess the strategic risks that we face. The strategic plan, which incorporates our risk appetite, is reviewed annually by the board.
Credit risk	→ The Group is exposed to credit risk in the event of non-payment of commissions by customers and through potential failures of banks with which the Group has cash deposits.	→ Processes and controls are in place to limit and monitor the Group's exposures to any of its customers or to concentrations of customers. → ICAP's credit risk in the name give-up broking business and in the post trade risk and information businesses is limited to the (potential) non-recovery of commission/fee income earned for arranging a transaction or providing information or a post trade or risk mitigation service. This risk is monitored by regional accounts receivable teams. → To mitigate the potential credit risk implicit in matched principal transactions, ICAP applies a disciplined approach to new client approval, undertakes transactions on a delivery-versus-payment basis and, through the global risk function, monitors limits and their utilisation on a global basis.

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Other risk categories continued

Risk category	Description	Mitigation
Reputational risk	→ ICAP relies on a reputation for the highest integrity in all its activities both in order to maintain its existing business and to pursue its strategies for growth and new business development. → Inevitably, despite these specific steps taken by the Group, ICAP remains exposed to the general perception of the financial industry. In times of market and regulatory uncertainty, a single large negative event in the wholesale financial markets may be widely advertised and commented on and, as a result, create through 'reputational contagion' the impression of wider operational or organisational deficiencies in the industry.	→ Measures include Group policies, procedures and delegated authorities, management and staff training, and management of the Group's internal system of controls and procedures for the management of data confidentiality and security. → ICAP is well aware of this situation, routinely monitors events at other companies and regularly upgrades its preparedness.
Financial risk	→ Currency risk The Group presents its consolidated financial statements in pound sterling and conducts business in a number of other currencies, principally the dollar and the euro. Consequently the Group is exposed to FX risk due to exchange rate movements which affect the Group's transactional revenue, and the translation of the earnings and net assets of its non-pound sterling operations. → Interest rate risk The Group finances itself through a combination of fixed and floating rate debt obligations and maintains cash on its balance sheet to meet a combination of local regulatory capital rules, clearing house deposits and other commercial requirements, including margin calls which arise through the provision of certain markets of clearing services to brokerage clients.	→ Further details of the Group's currency risk hedging strategy and the level of cover in place at 31 March 2011 are contained in note 10(a) to the financial statements. → Derivative instruments are used, as appropriate, with the objective of minimising interest cost and the impact of interest volatility on the Group's income statement. Details of the Group's sensitivity to changes in interest rates are set out in note 10(b) to the financial statements. → All approved counterparts for EMEA matched principal broking have pre-approved cash and risk weighted limits. In the same way we also apply cash limits to all EMEA name give-up and LME customers with the remaining exchange-traded counterparts being work in progress as are post trade services. The limits assigned are within the agreed ICAP risk appetite as defined by the board and any exceptions to this appetite are pre-approved by the risk function and any unauthorised trading activity is reported as such.
Market risk	→ ICAP does not take active market risk in the pursuit of any of its businesses. As a result, however, of providing its clients with matched principal brokerage, exchange execution, or facilitating customer trades, it can become exposed to a variety of market risks including price, interest rate and FX. → The Group's matched principal brokerage business involves ICAP acting as counterparty for identified buyers and sellers by matching, in whole or in part, reciprocal back-to-back trades. In order to facilitate customer transactions and provide liquidity, the Group may participate in certain marketplaces by posting quotations. The act of posting quotations in pursuit of customer orders can result in ICAP becoming principal to an unmatched trade. In such situations, or where one or both counterparties in an OTC matched principal transaction fail to fulfil their obligations (for example an unsettled transaction), or through trade mismatches or errors, ICAP is exposed to market risk. A similar risk exists for exchange traded transactions in which ICAP executes or facilitates client orders.	→ Policies and procedures are in place to reduce the likelihood of such trade mismatches or failed give-ups and, in the event that they arise, the Group's policy is to liquidate these principal positions as soon as reasonably practicable. → In practice, only an extremely small proportion of ICAP's transactions actually result in any exposure to market risk and compliance with ICAP's policies is monitored by the risk and compliance functions and by senior management.

Risk appetite

ICAP has established a risk appetite framework in relation to each of the eight broad risk categories mentioned above. The Group's risk appetite statement clarifies those risks that the Group is prepared to accept and manage in the pursuit of its objectives and those which it does not accept, the tolerances (quantitative or qualitative) for these risks and how the Group measures its risk profile and reports breaches when risk appetite is exceeded. Both the framework for risk appetite and tolerances for each type of risk are reviewed by the board twice a year. The risk profile resulting from the Group's annual strategy process is evaluated against the risk appetite and the operational capacity of the Group to ensure that all the business development plans are appropriate and sustainable.

The Group's risk appetite is summarised below.

- Liquidity risk is controlled within well defined and prudent liquidity limits and the Group maintains a liquidity cushion of at least $250 million at all times.
- ICAP operates its business within pre-agreed loss constraints and with adequate operational capacity to manage its operational risk.
- ICAP maintains a strong compliance risk management framework, and operates in accordance with applicable regulatory standards, to manage legal and compliance risk. ICAP maintains at all times capital in excess of the minimum regulatory requirement for each of its subsidiaries.
- Strategic risk is managed though a well controlled framework of financial objectives and risk tolerances for new projects. All new businesses and acquisitions are subject to a formal new business approval process and due diligence.
- Credit risk is managed through well defined, single credit exposure and concentration limits.
- ICAP pursues all its business activities with a high level of integrity, has clear and consistent conduct of business policies and requires a high level of ethical behaviour from all staff at all times to mitigate reputational risk.
- ICAP limits its exposure to financial risk through a conservative hedging policy and aims to maintain an investment grade credit rating.
- ICAP is prohibited from taking proprietary positions and maintains very low limits on market risk for facilitation businesses.

Risk and control framework

The board believes that a sound control environment and robust risk management are fundamental to ICAP's success. The significant risks of the Group are continually monitored, assessed and managed at the relevant level.

The Group operates a 'three lines of defence' model for the risk management and control of its businesses.

- The first line of defence comprises senior business and executive management. This constituency owns the risks and controls for their respective businesses and retains full accountability for control related business issues.
- The second line of defence is the risk management and compliance functions. These ensure that the Group's risk framework and infrastructure is able to identify, monitor, mitigate and report key risks and that the Group remains within its risk appetite and complies with applicable regulatory standards.
- The internal audit function provides the third line of defence by making a systematic and disciplined evaluation of the risk management function, the control and governance frameworks, and the structures, processes and methodologies operating within the Group.

A key tenet of the three lines of defence model is that the senior management of the Group, in particular those senior managers with responsibility for overseeing the front, middle and back office functions, are responsible for all control-related business issues and have full accountability for the management of the risks in their businesses, within the limits and the control environment established by the Group. All staff and managers are required to take a prudent approach to risk taking and to review regularly the effectiveness of their control environment.

The Group's independent control functions (risk, compliance and internal audit) are responsible for ensuring that the control environment is fit for purpose and able to identify and escalate to senior management the Group's key risks and to mitigate these risks where appropriate.

The Group has created an integrated control framework for the three key control functions of risk, compliance and internal audit. Under this framework, these three functions will, where appropriate and on a planned basis, combine resources, skills and technical expertise in the conduct of monitoring, oversight and review work in order to provide enhanced assurance as to the effectiveness of the system of internal controls to the GOC, the audit and risk committee and the board.

Risk governance

The board is responsible for setting the overall risk strategy and risk appetite of the Group. The audit and risk committee is also responsible for approving the appointment, dismissal and compensation of the global head of risk, thereby reinforcing the independence of the risk function.

The audit and risk committee has delegated the day-to-day risk management of the Group to two executive committees: the global operating committee (GOC) and the group risk and capital committee (GRACC) each of which meet at least six times a year. The GOC focuses on issues of operational capability across regions and businesses including operational, strategic, reputational, legal and compliance matters. The GRACC responsibilities are centred on the monitoring of liquidity, credit, market and financial risks. Details of the committees' responsibilities are shown on page 52.

The audit and risk committee, GOC and GRACC have terms of reference that require all aspects of the Group's risk management activities to be regularly reviewed. The risk function reports to the global head of risk and is accountable for managing the risk framework of the Group across all ICAP's entities and geographies.

The global head of risk is a member of the GOC and the GRACC and is a standing attendee at the audit and risk committee.

In addition to the audit and risk committee, GOC and GRACC, all lines of business and regions have risk committees which are responsible for supervising risk levels in their respective businesses and regions and acting as the interface between front office management and the Group risk function.

Risk management

Day-to-day risk management and mitigation is the responsibility of business heads. Risk management provides support to the businesses with a range of tools adapted to the size and complexity of the Group and an independent assessment and reporting of risk to senior management. These tools include:

- liquidity risk and credit risk limits based on an internal scoring system;
- monitoring tools and reports such as dashboards and key risk indicators;
- group and risk policies;
- controls and procedures;
- risk and control self assessments and process maps; and
- significant risk assessment and quantification programmes.

The risk team monitors an array of qualitative and quantitative measures to ensure that the business risks remain within acceptable parameters. More emphasis is given to the relevance of these measures than to their mathematical sophistication. Metrics that are robust, easy to explain to the businesses and directly related to their risk profiles are preferred. Examples include key risk indicators, scenario analysis and credit exposure metrics. Using these measures, the Group produces a number of market, credit and operational risk and intelligence reports which are disseminated widely among the Group's managers and up to executive management level and the board.

Compliance management

The Group's compliance department reports to the group head of compliance who in turn reports to the Group Chief Operating Officer. Dedicated compliance departments support the businesses operating in EMEA, the Americas and Asia Pacific regions, each under the leadership of a regional head of compliance. The group head of compliance is a member of the GOC, the GRACC and is a standing attendee at the audit and risk committee.

In response to challenges posed by changes to the regulatory environment and the more intrusive stance of industry regulators, the Group has made a significant investment in the enhancement of the compliance department in 2010/11. These initiatives included the appointment of a group head of compliance, the realignment of the Group's compliance risk management framework, enhancements to compliance methodologies and the recruitment of additional staff.

The Group's compliance department operates under the mandate set by the board. This mandate, inter alia, establishes the compliance department as an independent global control and assurance function which implements and manages ICAP's compliance risk management framework. This framework is designed to provide assurance that ICAP's business is conducted in accordance with applicable rules, regulations and regulatory standards. As such, the framework incorporates the requirements of applicable law and published international best practice standards including business advisory support, compliance risk assessment and mitigation, compliance monitoring and surveillance, anti-money laundering compliance and reporting and escalation.

The Group's compliance department undertakes an annual risk assessment in each region as the basis for the annual compliance plan for those legal entities, desks, offices, business and operating units which will be the subject of compliance review and examination. ICAP's compliance risk management framework is risk based, which means that ICAP assesses and ranks its compliance risks and prioritises its compliance resources accordingly on a Group, regional and business unit basis.

Internal audit

The day-to-day business of the Group is managed through a system of financial, operational and compliance controls and monitored by a series of risk management systems. The effectiveness of the internal control system is reviewed regularly by the independent internal audit function. Internal audit reports to the audit and risk committee and functionally to the Group Finance Director. Internal audit establishes an annual audit plan based on discussions with management and the assessment of the risks inherent in the Group's activities. Based on the results from these audits, it provides assurance to executive management and the board that the system of internal control achieves its objectives and highlights gaps and areas for improvement. The internal audit function is outsourced to Ernst & Young.

Financial reporting

The Group's finance function is organised on a regional basis under the leadership of the Group Finance Director whose direct reports include the regional chief financial officer for each of EMEA, the Americas and Asia Pacific, the chief financial officer electronic broking, the group financial controller, the group treasurer, the group head of taxation and the director of finance operations.

This group meets on a monthly basis and is responsible for both the day-to-day management and strategic development of the Group's finance infrastructure together with ensuring that Group policies have been adopted and appropriate controls put in place to enable accurate and timely reporting of consolidated financial information for management, regulatory and statutory purposes.

External reporting, which includes the half and full-year reports and the interim management statements, uses data produced by the regional teams and relies on systems and processes functioning correctly.

To mininise the risk of error, the Group Finance Director requires the business chief executive officers and chief financial officers to provide their assessment of the financial control environment as part of a filing assurance review process before the half-year and full-year report is recommended by the audit and risk committee to the board for external release.

Corporate social responsibility

Corporate social responsibility is a fundamental part of the Group's business strategy. It is not conducted as a separate and self-contained activity, but is integral to the business and to our cultural goals. We believe that conducting business in an ethical and responsible manner creates competitive advantage, enabling us to build goodwill and maintain successful working relationships with customers, suppliers and regulators as well as supporting the global communities in which our employees live and work.

Our business

As an interdealer broker, our principal contribution is to facilitate trading in the wholesale financial markets to help ensure the efficient functioning of the global financial markets. Our trading platforms in electronic markets, together with our post trade risk businesses, are contributing to the shift to more resilient, safer and transparent financial markets.

We believe that our role as a key participant in wholesale financial markets best positions us to contribute to society, while maximising shareholder returns over the long term. Our board is committed to monitoring our approach to corporate social responsibility and is kept updated on progress.

As the Group has expanded, ICAP has attracted people with a broad range of skills in both technology and in the original broking businesses. The brokers and their managers comprise the largest group of the overall staff and they are required to have very specific skills. They are highly entrepreneurial, dynamic, team-spirited individuals with extremely strong networking and interpersonal skills and the ability to excel in a pressurised environment. ICAP's ability to attract and retain the highest quality staff and leverage their intellectual capital is one of the key factors driving the success of our business.

Management is committed to the advancement and training of talented individuals and to providing an environment that is intellectually challenging, motivating and supportive. Our increasing investment in staff through training, in particular on management and supervisory skills, and on providing market knowledge and product training to the business support functions, has continued this year and has been designed to enhance the support to the broking functions and to ensure our people are able to operate effectively in increasingly complex markets and in a changing regulatory environment.

The use of e-learning continues to be a particular feature, especially in areas of risk management and compliance training and has been used extensively in the year to roll out training to brokers, desk head and infrastructure staff. It provides an excellent way of monitoring effective delivery of training and employees' acknowledgement of their awareness of relevant policies and their agreement to be bound by them.

ICAP employs approximately 4,900 people worldwide. Of this number, more than 2,700 are brokers, sales and customer support staff and almost 1,000 are employed in IT roles and product development of our electronic broking platforms. This year we appointed a global head of human resources and began a process of leveraging best practice consistently across all geographies and lines of business.

ICAP is a global business reflecting the global nature of the markets in which we operate. Geographic mobility of the workforce has always been a feature of ICAP's business model and there are increasing opportunities for people to transfer to other businesses within the Group.

ICAP continues to monitor staff efficiency and productivity closely. Broker compensation is directly linked to commission which varies from desk to desk. Profit per broker will depend on the mix of business undertaken. Commission arrangements are structured to ensure no risk remains outstanding at the time of payment. As a result, there is no requirement for deferral conditions to be attached to commission payments.

Graduate recruitment

To ensure a continuing flow of intellectual capital into our business, ICAP is committed to maintaining and further developing an active Global Graduate Recruitment and Training Programme.

First launched in 2006, ICAP's entry-level programmes are designed to deliver a steady flow of young developing talent into the business. Since its launch, 176 graduates have joined the Group, with 56 joining in the past year. We also offer a range of internship and placement programmes to ensure we attract the best and the brightest early on; successful interns are offered full-time positions once they graduate.

Our full-time and internship programmes are available across a number of broking businesses globally. These programmes also include shipbroking, post trade risk services, finance, business services, human resources, research and risk.

In March 2011, the ICAP 2010 graduate recruitment campaign, 'Here's The Deal', was voted the 'Best Student Marketing Campaign' in the TARGETjobs Awards. This achievement illustrates ICAP's commitment to its objective of becoming a graduate employer of choice.

Our workplace

It is the nature of ICAP, and our people, to innovate and adapt to a constantly changing market and regulatory environment. We do this with a commitment to achieving and maintaining high standards in the workplace. This commitment is underpinned by policies on equal opportunities, harassment and discrimination, to which all employees are required to adhere and which are regularly monitored and enforced.

ICAP is committed to employment policies that provide and promote equal employment and advancement opportunities and to providing an environment that ensures tolerance and respect for all employees. ICAP's policy is that no employee, contract or temporary worker will be treated less favourably, victimised or harassed on the grounds of their disability, gender, marital or civil partnership status, race, nationality, colour, ethnicity, religion or similar philosophical belief, sexual orientation, age, or any other class protected by applicable law.

In a number of locations, for example the UK and the US, there has been increasingly active promotion of diversity initiatives. These include a Diversity Council in the US, which arranges presentations by prominent people from minority groups, and the activities of the ICAP Mutual Interest Networks which is the umbrella framework in the UK for a range of affinity networks such as Women's ICAP Network and Family and Dependants Network. These groups also arrange presentations and information sessions on subjects of interest to the network membership with the overall aim of encouraging a more diverse and inclusive environment in ICAP.

The Group recognises the importance of effective internal communication in promoting employee engagement and uses a variety of methods, including messages from the Group Chief Executive Officer and ICAP's global intranet, to keep staff informed about developments in the business, policies and procedures and training and career advancement opportunities in a timely manner.

The Group's remuneration policy is performance based and is structured to be both consistent with, and to promote, effective risk management in respect of ICAP's activities. Further details of the remuneration policy, now applicable to the Group, are provided in the remuneration report set out on pages 53 to 60.

Health and safety

ICAP has a health and safety policy which is approved by the board and owned by the Group Chief Operating Officer. Regional health and safety committees oversee structures for policy compliance. All managers have a responsibility for ensuring a healthy and safe working environment. The great majority of ICAP employees work in an office environment and, as such, there are no significant areas of risk to report.

Charity Day

Corporate philanthropy and charitable giving have always been an important part of ICAP's corporate culture and ICAP's global annual Charity Day has played a special role in employee motivation since its inception in 1993.

Charity Day is an annual event held each December when the Group donates a whole day's revenue to a selection of charities worldwide. Instead of the revenue going directly to the broker commission pool, on Charity Day the revenue goes directly to many worthy causes.

Our vision for Charity Day is that we give something meaningful back to the global community in which we are privileged to live and work. Charity Day for us is a collaborative effort. It is a day when all of us, across all our offices, together with our customers, give 100% to charity. The money we raise on this day literally changes the lives of thousands of people. There is a huge sense of staff, customer and supplier involvement in Charity Day and, over the past 18 years, we have donated £76.6 million to more than 1,000 charities worldwide. This has contributed greatly to alleviating suffering and improving the lives of thousands of people. A large percentage of the charities supported are proposed by our staff in each of our offices around the world covering a whole spectrum of causes, including medical research, education, crime prevention, the developing world, conservation and children.

In December 2010 we successfully raised £12.1 million ($19 million) in one day. This was only made possible by the incredible efforts of our customers, staff, suppliers and supporters and everyone giving 100%.

Suppliers

We rely on a number of key suppliers to help us carry out our business. We have put in place procedures to ensure that purchasing decisions balance cost against other factors including service quality, global reach and resilience.

Environment

The Group's environmental policy to minimise its carbon footprint has been approved by the board and is owned by the Group Finance Director.

The Group's environment impact is relatively low, in common with other service orientated businesses. The key sources of greenhouse gases arise from the running of its network of offices worldwide and the travel commitments of our staff. The recent expansion of the Group's emerging markets businesses has inevitably resulted in a small increase in travel but we have managed to offset this rise through a number of initiatives including the introduction of more efficient lighting and air conditioning in some of our offices, the purchase, where possible, of electricity from renewable sources, the recycling of waste and, when moving offices, focusing on more environmentally friendly buildings, as well as the use of video conferencing facilities.

In March 2011, the Group completed the move of its staff based in Singapore from five separate locations into a new state-of-the-art facility at Marina Bay. In addition to providing strong commercial benefits of co-locating staff covering voice broking, electronic broking and post trade risk, it is expected that this move will result in a reduction in the Group's carbon footprint.

As in previous years, the Group worked with Carbon Neutral Limited, an environmental consultancy, to estimate the residual emissions of the Group in terms of carbon dioxide equivalents. Worldwide, we estimate that the Group emits the equivalent of 20.6 thousand tonnes* of carbon dioxide or 4.4 tonnes per employee (2010 – 3.5 tonnes) per annum. This year's emissions estimate includes the amount of transmission and distribution of electricity, adding 1.9 thousand tonnes to our emissions estimate. We have also included offices in Latin America, which have not previously been included in the calculation, adding 3.2 thousand tonnes of carbon dioxide to our emissions estimate. Considering these new elements, the Group's emissions estimate is comparable to that of last year.

Over time, however, we would expect that the growth of our business into new markets and the consequential establishment of new offices will add to the Group's carbon footprint. Where it is not possible to reduce the footprint, ICAP purchases Certificates of Emission Reduction (CER) under the United Nation's sponsored Clean Development Mechanism.

*Based on World Business Council for Sustainable Development and the World Resources Institute Protocols, relevant Scope 3 activities (mainly business travel and commuting) have been included as recommended by these organisations. Using only Scope 1 and 2 emissions (minimum recommended reporting level) would reduce ICAP's reported emissions by approximately 80%. The total figure is after excluding 9.5 tonnes (2010 – 8.1 tonnes) of electricity produced from renewable sources.

COVER


NANÇE

Directors' profiles

The Group is led by an experienced board of directors consisting of a non-executive Chairman, a Group Chief Executive Officer, three further executive directors and four independent non-executive directors.

Key to membership of committees

AR Audit and risk committee
N Nomination committee
R Remuneration committee

Charles Gregson N

Non-executive Chairman

Charles Gregson was appointed non-executive Chairman in 2001 having been the executive Chairman from 1998 to 2001. Between 1978 and 1998, he was responsible for the Garban businesses that demerged from United Business Media plc in 1998 and then merged with Intercapital in 1999 to form ICAP. He was chief executive of PR Newswire Association Inc and served on the board of United Business Media plc. Charles is a non-executive director of International Personal Finance plc, Caledonia Investments plc and St. James's Place plc and the non-executive chairman of CPP Group Plc. He is chairman of the nomination committee.

Michael Spencer N

Group Chief Executive Officer

Michael Spencer was the founder of Intercapital in 1986 and became Chairman and Group Chief Executive Officer of Intercapital in October 1998, following the Exco/Intercapital merger. Michael, together with IPGL and its subsidiary companies, is a substantial shareholder in the Company. Michael resigned from his role as Treasurer of the Conservative Party in October 2010.

John Nixon

Group Executive Director ICAP Americas

John Nixon was appointed an executive director of ICAP in May 2008 having been chief executive officer of ICAP Electronic Broking and the information business. Prior to his full-time involvement with the Company, John served from 1998 to 2002 as a non-executive director of ICAP. John has extensive experience in the interdealer broking industry. He was previously the Chief Executive Officer of Tullett and Tokyo Forex, now part of Tullett Prebon, where he worked from 1978 to 1997.

Iain Torrens

Group Finance Director

Iain Torrens was appointed an executive director of ICAP in November 2010. He joined ICAP in 2006 as group treasurer and became group financial controller in 2008. Before joining ICAP, Iain worked in a number of senior financial roles for CP Ships Limited and Cookson Group plc. He is a Chartered Accountant and Chartered Secretary.

Mark Yallop

Group Chief Operating Officer

Mark Yallop was appointed an executive director of ICAP in July 2005. He is responsible for the post trade risk businesses. He had previously been Group Chief Operating Officer of Deutsche Bank Group, following many years' involvement in trading in the derivatives, foreign exchange and cash markets. He was also a director of ISDA from 1996 to 1998.

Hsieh Fu Hua

Independent non-executive director

Hsieh Fu Hua was appointed an independent non-executive director of ICAP in January 2011. Fu Hua is Executive Director and President of Temasek Holdings (Private) Limited, Singapore. He was formerly chief executive officer and non-independent director of the Singapore Exchange from 2003 to 2009. He is also co-founder and adviser of the PrimePartners group of companies, a corporate and investment advisory business based in Singapore. Before forming PrimePartners in 1993, he headed Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974.

Diane Schueneman AR, N, R

Independent non-executive director

Diane Schueneman was appointed an independent non-executive director in July 2010. Diane was previously an independent consultant to the US Internal Revenue Service Commissioner for McKinsey & Company. She built an extensive career at Merrill Lynch and until 2008 was Senior Vice President, Head, Global Infrastructure Solutions and a Member of the Executive Operating Committee. During her career she has covered fixed income sales, business management, operations, client services and technology. Diane currently serves on two not-for-profit boards, Year Up and National Cooperative Cancer Network Foundation. She is on the advisory board of the United Bank for Africa Group New York.

John Sievwright AR, N, R

Independent non-executive director

John Sievwright is an independent non-executive director. He was appointed in July 2009. Prior to joining ICAP he was Chief Operating Officer, International, for Merrill Lynch, based in New York, Tokyo and London. He has also held a number of other senior positions at Merrill Lynch, including Chief Operating Officer, Global Markets and Investment Banking, Head of Global Futures and Options and Chief Administrative Officer for the Debt Markets and Global Equity Derivatives Divisions. John is also a non-executive director of FirstGroup plc. He is chairman of the audit and risk committee.

Robert Standing AR, N, R

Independent non-executive director

Robert Standing was appointed an independent non-executive director in July 2010. Robert is a principal of London Diversified Fund Management which was founded within the JPMorgan group in 1995 and separated out in 2002. Robert joined JPMorgan's predecessor in 1982, spending two years developing new products before joining the Capital Markets division in 1985. He subsequently worked in a range of roles before becoming Head of Fixed Income and Foreign Exchange for Europe in 1998. Robert was one of the founders of the Hedge Fund Standards Board. He is chairman of the remuneration committee.

Chairman's statement

In the past year, the board has undergone significant change and I would like to welcome as non-executive directors Diane Schueneman and Robert Standing, who joined in July 2010, and Hsieh Fu Hua, who joined in January 2011. I also welcome Iain Torrens, Group Finance Director, who joined the board as an executive director in November 2010. The new non-executive directors have significant relevant experience in areas of the business and geographies which will be increasingly important for the Company in the future and I am confident that the board has the right range of skills and expertise to successfully address any future challenges. An induction programme, tailored to the needs of the new directors, has taken place and regular updates and briefings are provided to new and continuing directors throughout their tenure as a director. Profiles of each board director are on pages 44 and 45.

William Nabarro, who joined the Garban board when Garban was demerged from United Business Media plc in 1998 and subsequently became a director of ICAP on the merger with Intercapital in 1999, retired in July 2010. James McNulty, who served on the board since 2004 and was the senior independent director and chairman of the remuneration committee, retired at the end of September 2010. Matthew Lester, the Group Finance Director since 2006, resigned in November 2010 to join the Royal Mail Group. I would like to extend my thanks to them for their wise advice and commitment to their roles over the years and to wish them every success in the future.

This year's Annual Report reflects the recent changes and recommendations on corporate governance contained in the Walker Report, the revised FSA Remuneration Code and the FRC Guidance on Board Effectiveness, as well as the revised Turnbull Guidance on Internal Control. The Company complied with the provisions of the Combined Code, with two exceptions. First, we did not appoint a senior independent director following the retirement of James McNulty. As Chairman, I have remained available for consultation with shareholders. Second, in view of the board changes, a board evaluation is taking place later than usual and the results will not be available until later in the year. Disclosures on the Company's compliance with the Combined Code are provided in the corporate governance section on pages 50 to 52 and the remuneration report on pages 53 to 60.

The UK Corporate Governance Code, published in June 2010, has been welcomed by the board and we are implementing one of its recommendations, annual re-election of directors, this year. All directors will therefore stand for re-appointment or re-election at the annual general meeting on 13 July 2011.

An evaluation of the executive committees was undertaken during the year and their terms of reference updated to reflect revised responsibilities. The board is confident that the delegated duties of these committees support a good corporate governance framework. Our executive committees are described more fully on page 52.

The board regularly reviews internal controls and takes any required action to ensure compliance. The Company's approach to risk management is described more fully in the risk and control environment section on pages 33 to 39 and in the directors' report on page 48. During the year, the Group has invested in significantly upgrading its infrastructure functions and processes to meet the new regulatory requirements across the globe. We have appointed new global heads of compliance and human resources and have strengthened the risk, compliance, finance and legal teams in our regional head offices. We believe these additional resources will help support the growth we expect in the business in the next few years.

Maintaining a strong position in a fast paced and competitive sector presents challenges. The board recognises that the risk appetite and internal controls' framework need to be kept under review to ensure these remain appropriate as the Group grows. The impact of the recent regulatory changes will be ongoing as further global regulatory changes take effect. The role of the board will be central to the success of the Group in delivering our strategic objectives, fostering our corporate values and promoting a robust corporate governance framework.

After six years at ICAP, our Group Chief Operating Officer, Mark Yallop, has decided to leave the Group. During his time with ICAP, Mark has been heavily involved in the strategic development of our business and has made an outstanding contribution to the Group. He was closely involved in the acquisition and integration of EBS and Link and led the development of ICAP's post trade risk businesses and the acquisitions of Traiana and the majority of TriOptima. Most recently he has led our efforts to strengthen significantly the Group's control environment in the light of increased regulatory oversight. I am very grateful that Mark has agreed to remain with ICAP until we appoint a replacement. We wish him well in his future endeavours.

This has been another extremely busy year for the board and I would like to thank my colleagues for all their support and the significant time commitment they have each made to their board responsibilities.

Charles Gregson
Chairman

18 May 2011

Directors' report

The directors present their report which includes the Chairman's statement on page 46, the corporate governance section on pages 50 to 52, the remuneration report on pages 53 to 60 and the audited financial statements of the Group for the year ended 31 March 2011.

Principal activities, business review and future developments

A review of principal business activities and future developments are set out in the following sections of the Annual Report and these sections are incorporated into the directors' report by reference:

Results and dividends

The consolidated income statement on page 64 sets out the results of the Group for the year. A final dividend of 14.68p per share is recommended by the directors. Together with the interim dividend of 5.27p per share already declared and paid, this makes a total for the year ended 31 March 2011 of 19.95p per share (2010 – 17.55p). Details of the interim dividend payment are set out in note 3 to the financial statements. Subject to approval at the annual general meeting, the final dividend will be paid on 19 August 2011 to shareholders on the register at the close of business on 22 July 2011. The shares will be quoted ex-dividend from 20 July 2011.

Directors and directors' interests

As at 31 March 2011, the board comprised the Chairman, four executive directors and four independent non-executive directors. The profiles of the current directors are set out on pages 44 and 45. William Nabarro who retired on 14 July 2010, James McNulty who retired on 30 September 2010, and Matthew Lester who resigned on 18 November 2010, also served as directors during the period.

Diane Schueneman and Robert Standing were appointed non-executive directors on 14 July 2010 and Hsieh Fu Hua was appointed a non-executive director on 1 January 2011. Iain Torrens succeeded Matthew Lester as an executive director and Group Finance Director on 18 November 2010.

The following table details the interests of the directors in the Company's ordinary shares of 10p each as at 31 March 2011 and 31 March 2010 (or at the date of appointment, if later). Directors' interests in options over Company shares are detailed on pages 59 and 60 of the remuneration report.

	As at 31 March 2011	As at 31 March 2010
Charles Gregson (Chairman)	**221,631**	217,283
Michael Spencer[1]	**108,302,480**	113,902,090
John Nixon	**–**	–
Iain Torrens	**6,716**	6,716
Mark Yallop	**1,052,998**	1,217,361
Hsieh Fu Hua	**–**	–
Diane Schueneman	**–**	–
John Sievwright	**20,000**	–
Robert Standing	**10,000**	10,000

Notes

1 Details of Michael Spencer's shareholding are set out in a note to the substantial shareholdings section of the directors' report on page 48.

2 Directors' interests shown in the table above represent shares beneficially held by each director together with shares held by their connected persons. They include ordinary shares held on behalf of Michael Spencer by the trustees of the ICAP Trust in respect of their basic awards under the BSMP.

3 Between 31 March 2011 and 12 May 2011 there were no changes to the above interests.

Share capital

The Company's share capital comprises ordinary shares of 10p each, all of which are fully paid. 664,268,260 shares were in issue at 31 March 2011, including Treasury Shares. Subject to the Company's articles of association and prevailing legislation, each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company. 4,028,154 (2010 – 2,034,739) Treasury Shares were held by the Company at 31 March 2011 representing 0.61% of the issued share capital. Such shares carry neither voting rights nor an entitlement to a dividend while held as Treasury Shares.

On 15 June 2010 the restriction on the transfer of shares issued to Ocean Tomo LLC, under the asset and purchase agreement dated 15 June 2009, lapsed. There are no other restrictions on the transfer of ordinary shares.

The Company purchased 1,993,415 of its own shares during the period under review. Following these purchases, and as at 12 May 2011, the Company had an unexpired authority to repurchase shares up to a maximum of 63,471,213 ordinary shares of 10p each. All changes in share capital are detailed in note 20 to the financial statements.

The ICAP and Garban Trusts hold ordinary shares which may be used to satisfy options and awards granted under the Company's share plans. The voting rights of ordinary shares held in the ICAP and Garban Trusts are exercisable by the trustees in accordance with their fiduciary duties. The right to receive dividends has been waived in respect of the shares held in the ICAP and Garban Trusts.

As at 31 March 2011, share awards and options existed over 12,643,150 of the Company's ordinary shares in relation to employee share awards and option schemes. Of this figure, 4,684,896 are awards and options over existing shares which are held in employee share trusts. The remainder are expected to be satisfied by either new issues of shares or by Treasury Shares. Changes in options and awards under the various schemes are detailed in note 22 to the financial statements.

The rules of the Company's share plans contain provisions which may cause options and awards granted to employees under the schemes to vest on a change of control.

Substantial shareholdings

As at 12 May 2011, the last practicable date prior to publication, the Company had been notified of the following interests of 3% or more in its issued ordinary share capital:

	Total interest in ordinary shares	Percentage of voting rights Indirect %	Direct %	Total %
Mr and Mrs M Spencer, together with INFBV and INCAP Overseas B.V.*	108,302,480	15.91	0.49	16.40
Newton Investment Management Limited	52,546,074	7.96	–	7.96
FIL Limited	33,972,106	5.14	–	5.14
BlackRock, Inc	32,388,112	0.08	4.82	4.90
Schroders plc	32,243,080	4.89	–	4.89
AXA SA	29,749,171	3.72	0.79	4.51
TIAA-CREF Investment Management, LLC and Teachers Advisors, Inc	26,393,754	–	3.99	3.99
Legal & General Group plc	19,850,242	–	3.01	3.01

* Mr and Mrs M Spencer own approximately 55.10% of IPGL which in turn owns 100% of INFBV, which in turn owns 100% of INCAP Overseas B.V. Accordingly, Mr and Mrs M Spencer are deemed to be interested in all the shares in ICAP plc held by INFBV and INCAP Overseas B.V. totalling 105,069,560. A trust fund of which their children are beneficiaries holds a further 50,000 shares and 1,647,914 shares are held by EES Trustees International Limited as trustee of the ICAP Trust. The shares held in the ICAP Trust include basic awards to Michael Spencer under the BSMP. Michael Spencer has an interest in a further 2,832 share options under the SAYE scheme. Michael Spencer holds 1,532,174 shares in his own name.

The Company has been notified by IPGL that, as part of normal corporate borrowing facilities, a total of 59,319,560 ICAP shares registered in the name of INFBV and 45,750,000 ICAP shares registered in the name of INCAP Overseas B.V. are included in a package of assets charged pursuant to a loan facility agreement originally dated 6 October 2008 (and subsequently amended) between IPGL, INFBV, certain other subsidiaries of IPGL and HSBC Bank Plc.

Mr M Spencer has notified the Company that security has been granted in favour of HSBC Private Bank (UK) Limited over 996,800 ICAP shares held by him personally.

Internal control, risk management and financial reporting

The board is responsible for reviewing the effectiveness of the internal control system which management is responsible for maintaining. Details of the Group's system of internal control, including its control over financial reporting, are set out in the business review on page 39 and are incorporated into the directors' report by reference.

The Group has investments in a number of joint ventures and associates. Internal control procedures for joint ventures and associates rests with the senior management of these operations and the Company seeks to monitor such investments and exert influence through board representation. The board's review of the effectiveness of the system of internal control in those entities is consequently less comprehensive than in its directly-owned subsidiaries.

Internal controls are designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

Creditor payment policy

The Company does not have any trade creditors and statements on Group operating companies' payments are contained within their own financial statements.

Related party transactions

Details of related party transactions are set out in note 29 to the financial statements.

Charitable donations

During the year the Group donated £13.2 million (2010 – £11.5 million) to charitable organisations globally, of which £5.7 million (2010 – £5 million) was donated to charitable organisations based in the UK. Of this figure, £12.1 million was raised on Charity Day, of which £4.6 million was donated to UK-based charities. The balance of £1.1 million comprised small donations, including donations to disaster funds, during the period. Further information about Charity Day can be found on page 41 of the business review and on the Group's website, www.icap.com.

Political donations

No political donations were made during the year (2010 – nil).

Employee involvement

Details are given in the business review on page 41.

Disability policy

Details are given in the business review on page 41.

Events after the balance sheet date

Details of events after the balance sheet date are set out in the business review on page 31 and in note 30 to the financial statements.

Auditors and the disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each director has taken all the steps that he is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

PricewaterhouseCoopers LLP were re-appointed auditors to the Company on 14 July 2010. Resolutions to re-appoint PricewaterhouseCoopers LLP and to authorise the directors to set their remuneration will be proposed at the forthcoming annual general meeting. Note 6 to the financial statements sets out details of the auditors' remuneration.

Statement of directors' responsibilities for the Annual Report

The directors are responsible for preparing the Annual Report, the remuneration 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 elected to prepare the Company and Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 EU 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 and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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 and the remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

The directors are also required by the Disclosure and Transparency Rules of the FSA to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company and the Group.

Each of the directors, whose name and function is listed in the directors' profiles, confirms that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report disclosures are contained in the business review and include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the business review and notes 7 and 8 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The business review includes an analysis of the key risks facing the Group and the Group's approach to risk management.

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Annual general meeting

The thirteenth annual general meeting of the Company will be held on Wednesday 13 July 2011. Details of the resolutions to be proposed at the annual general meeting are set out in the notice of annual general meeting sent to all shareholders. The notice is sent to shareholders at least 20 working days before the meeting and details of proxy votes for and against each resolution, together with votes withheld, are made available after the vote has been dealt with on a show of hands.

By order of the board

Deborah Abrehart
Group Company Secretary
ICAP plc
2 Broadgate
London
EC2M 7UR
Company number 3611426

18 May 2011

Corporate governance

The governance section details how the Company has applied the principles set out in section 1 of the Combined Code and includes additional disclosures as to how the Company has complied with the detailed provisions of the Combined Code.

During the year, the Company complied with the provisions of the Combined Code with two exceptions. Following the retirement of James McNulty in September 2010, a senior independent director has yet to be appointed. Given the changes to the board this past year, it was agreed that no immediate appointment of a replacement would be made. For this reason we did not have a senior independent director for the full duration of the year in compliance with Combined Code provision A.3.3. The Chairman remained available for consultation with shareholders.

Combined Code provision A.6.1 requires an annual performance review of the board and its committees. A full, externally facilitated board evaluation is underway. However, following the changes to the board, the evaluation is taking place later than usual and the results of this evaluation will be available later in the year.

The Combined Code is publicly available at www. frc.org.uk.

Composition of the board

As at 31 March 2011, the board comprised a non-executive Chairman, four executive directors, including the Group Chief Executive Officer, and four independent non-executive directors.

During the year, the planned succession to the board of non-executive directors and an executive director presented the opportunity to refresh skills and expertise to strengthen the board's overall ability to focus on the delivery of strategy, good governance and shareholder value.

Following an evaluation of the skills and experience sought, the board appointed leadership advisory firm Heidrick & Struggles to undertake this search. Subsequently, as a result of this search, Diane Schueneman and Robert Standing were appointed non-executive directors on 14 July 2010. Hsieh Fu Hua, who is based in Singapore, was appointed a non-executive director on 1 January 2011. Iain Torrens succeeded Matthew Lester as an executive director and Group Finance Director on 18 November 2010 in line with the succession plan. With their range of skills and expertise, these appointments bring new perspective and balance to the board.

Board meetings

Six board meetings were scheduled during the year, one of which was dedicated to a strategic review. Between each scheduled meeting, the board convened by conference call to receive trading reports and updates on current issues. The Chairman, in consultation with the executive directors and the group company secretary, sets the agenda for board meetings. All directors receive comprehensive documentation prior to each meeting on the matters to be discussed to enable them to exercise their judgement in the discharge of their duties. GEMG members and certain senior executives attend meetings by invitation to present on their areas of expertise. During the year, such presentations included the Americas voice broking business and the Brazilian business.

The following table sets out the number of meetings of the board attended by directors in office at 31 March 2011:

	Total possible attendance	Meetings attended
Charles Gregson	6	6
Michael Spencer	6	6
John Nixon	6	6
Iain Torrens (appointed 18 November 2010)	2	2
Mark Yallop	6	6
Hsieh Fu Hua (appointed 1 January 2011)	2	2
Diane Schueneman (appointed 14 July 2010)	4	4
John Sievwright	6	6
Robert Standing (appointed 14 July 2010)	4	4

Role of the board

A schedule of matters specifically reserved to the board for decision and approval includes the Group's long-term objectives and commercial strategy, significant acquisitions, disposals and investments, the Group's annual and half-year reports, interim management statements, any significant change in accounting policies or practices, any interim dividend and recommendation of the final dividend, the annual operating and capital expenditure budgets, any changes to the Company's capital structure or its status as a listed company, risk management strategy and treasury policy.

There is a clear division between the role of the Chairman, who is responsible for the leadership of the board and for ensuring effective communication with shareholders, and the Group Chief Executive Officer, who is responsible for leading and managing the business.

As well as appropriate training and briefings, all directors have access to the advice and services of the group company secretary who is responsible for ensuring that board procedures and applicable rules are observed. Directors may also obtain independent professional advice in respect of their duties to the board and to its committees at the Company's expense. The Company maintains liability insurance for its directors and officers.

Committees of the board

The audit and risk and remuneration committees of the board are composed of independent non-executive directors. The terms of reference of the audit and risk, remuneration and nomination committees are available on the Group's website, www.icap.com. The minutes of the meetings of each of the committees are made available to all directors and the board receives an update from each committee chairman following committee meetings. Due to Hsieh Fu Hua's executive position as President of Temasek Holdings (Private) Limited the board agreed that he would not be appointed a member of any ICAP committee.

The following table sets out the number of committee meetings attended by committee members in office at 31 March 2011:

	Audit and risk committee	Remuneration committee	Nomination committee
Total number of meetings	8	4	8
Charles Gregson	–	–	8/8
Michael Spencer	–	–	6/8
Diane Schueneman	6/6	2/2	3/5
John Sievwright	8/8	4/4	5/6
Robert Standing	4/6	2/2	3/5

– indicates director is not a committee member

Independence of directors

All the non-executive directors are independent of management and considered by the board to be free from any business or other relationships which could interfere with the exercise of their independence.

In accordance with the Combined Code and the Company's articles of association, all directors appointed since the last annual general meeting are subject to re-appointment by shareholders at the first opportunity following their appointment. Directors who seek re-election by rotation under the Company's articles, will, in line with the recommendations of the UK Corporate Governance Code, stand for re-election at the forthcoming annual general meeting.

Senior independent director

Following the retirement of James McNulty in September 2010 the board is considering a successor to the post of senior independent director.

Conflicts of interest

A process has been established under the articles of association whereby actual and potential conflicts are identified and regularly reviewed. The board can authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. Such authority can be made only by independent directors (those who have no interest in the matter being considered). In making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company. Any appropriate authorisation is sought prior to the appointment of a new director or at the time if any new conflict arises. During the year the board considered that this procedure operated effectively.

Induction and continuing professional development

On joining, the non-executive directors are provided with a full and formal induction, comprehensive training and briefings, including an overview of the business, its operations, risk and regulatory matters, governance, finance and investor relations. During their term of office, all directors receive regular briefings on changes and developments in the Group's business and on any relevant legislative and regulatory changes.

Board evaluation

A board evaluation has usually been performed in the last quarter of any reporting year. Given the number of director changes in the period, the board considered that a full, externally facilitated board evaluation should take place later than usually scheduled to allow a more considered result.

Audit and risk committee

The following directors served on the committee during the year:

John Sievwright (chairman)
Diane Schueneman (appointed 14 July 2010)
Robert Standing (appointed 14 July 2010)

James McNulty (retired 30 September 2010) and William Nabarro (retired 14 July 2010) also served during the year.

The audit and risk committee members are all independent non-executive directors. The board is satisfied that the chairman of the audit and risk committee, and the committee collectively, have recent and relevant financial experience that enables the committee to function effectively and discharge its responsibilities.

During the year ended 31 March 2011, the committee met on eight occasions. The meetings may, by invitation, be attended by the Chairman, Group Chief Operating Officer, Group Finance Director, the global head of risk, the group head of compliance, the group financial controller, the group general counsel, Ernst & Young as internal auditor and representatives from the external auditors. The chairman of the audit and risk committee also maintains contact with those attendees throughout the year. Twice during the year, internal and external auditors were given an opportunity to meet with the committee members in private to raise any issues.

Role of the audit and risk committee

The audit and risk committee's main responsibilities are described in their terms of reference which are available on the Company's website, www.icap.com.

Activities

In addition to regular topics, the committee also discussed a number of additional matters including:

- → enhancements to group governance and compliance;
- → review of ICAAP document;
- → risk appetite framework;
- → integrated control framework;
- → compliance monitoring framework;
- → compliance, risk and internal audit charters;
- → non-audit fee policy;
- → review of Group policies and delegated authorities;
- → Bribery Act 2010; and
- → whistleblowing policy.

Evaluation of external auditors

During the financial year, the committee reviewed and approved the proposed audit fee and terms of engagement for the 2010/11 audit and recommended to the board that it proposes to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditors for 2011/12.

The committee also monitored the balance of audit and non-audit fees to ensure that the independence and objectivity of the external auditors is maintained. During the year, PricewaterhouseCoopers LLP was one of the main providers of external advice but their work was limited to specific areas and the services of other firms were used on an ongoing basis. Any proposed non-audit assignments, with fees in excess of £50,000, are subject to the committee chairman's prior approval and the subsequent approval of the committee.

Corporate governance
continued

As part of its consideration of the annual financial statements, the committee has reviewed and is satisfied that the auditors have remained independent of the Group during the financial year and continued to do so to the date of this report. The committee also received details from PricewaterhouseCoopers LLP of its own independence procedures and confirmation that, in its opinion, it remained independent throughout the year.

The assessment of the effectiveness of the external audit process for 2009/10 was undertaken following the completion of the 2009/10 audit. The results of this assessment were reviewed by the audit and risk committee in November 2010. The assessment of the effectiveness of the external audit process for 2010/11 will be undertaken in June 2011.

PricewaterhouseCoopers LLP, and its predecessor organisations, has been the Company's auditors since the Company was formed from the merger of Garban and Intercapital in 1999. The committee considers that the relationship with the external auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to require PricewaterhouseCoopers LLP to tender for the audit work although this is always kept under review. There are no contractual obligations restricting the Company's choice of external auditor.

Rotation of audit partner

The external auditors are required to rotate the lead audit partner responsible for the Group and subsidiary audits every five years. In certain circumstances it is permissible to extend that tenure by up to two years. The board believes that the directorship changes during the year combined with the increased regulatory scrutiny merit the continuity of the lead audit partner that this extension provides. PricewaterhouseCoopers LLP and the Company have agreed to extend the term of the lead audit partner for a sixth year, in line with the guidance as to how long an engagement partner may remain a client as set out in Ethical Standard 3 'Long association with the audit engagement', issued by the Audit Practices Board. There are specific provisions relating to the extension of tenure for listed companies with which the Company complies.

Remuneration committee

The remuneration report is set out on pages 53 to 60.

Nomination committee

The following directors served on the committee during the year:

Charles Gregson (appointed committee chairman on 14 July 2010)
Michael Spencer
Diane Schueneman (appointed 14 July 2010)
John Sievwright (appointed 14 May 2010)
Robert Standing (appointed 14 July 2010)

James McNulty (retired 30 September 2010) and William Nabarro (retired as a member and chairman of the committee on 14 July 2010) also served during the year.

During the year, the committee has undertaken a review of the succession plan and selection process for the new non-executive directors. The final selection decisions were approved by the board.

Executive committees

The Group's corporate governance framework is supported by three executive committees – the global executive management group, the global operating committee and the group risk and capital committee. Minutes of the meetings of the committees are circulated to the board.

Global Executive Management Group (GEMG)

The GEMG consists of the four executive directors and six members of senior management and acts as the main strategic and commercial development forum for the Group. Chaired by the Group Chief Executive Officer, the GEMG meets six times a year to review business operations, performance and changes to the regulatory environment. New business initiatives are reviewed and approved by the GEMG. The committee reports to the board.

Global operating committee (GOC)

The committee is chaired by the Group Chief Operating Officer and meets at least six times a year. The committee reviews and makes recommendations in relation to all matters affecting the controls and operations of the Group, including the implementation of strategic directives from the board and the GEMG, the establishment of new businesses, the integration of acquired businesses and the adequacy of processes around existing businesses in line with Group policies. The committee provides advice to the GEMG on operational issues and reports to the GEMG and the board.

Group risk and capital committee (GRACC)

This committee is chaired by the Group Finance Director and meets six times a year. The committee reviews the Group's risk exposures and ensures adherence to Group policies, particularly in relation to credit, market and operational risks, and reviews the Group's capital position and local regulatory compliance. The committee reports to the GOC and the audit and risk committee.

Relations and dialogue with shareholders

Collectively the board is accountable to the Company's shareholders and seeks to promote good relations and effective dialogue with its shareholders. The board receives regular reports on investor meetings of and reviews the movements on the share register at board meetings. The Company publishes its annual and half-year financial statements, together with the interim management statements, stock exchange announcements and analyst presentations via the investor relations section of its website, www.icap.com. In addition, there are regular meetings during the year with analysts and investors (subject to relevant regulatory constraints) to update them on developments in the Group's strategy and performance.
The Company's annual general meeting provides shareholders with an opportunity to ask questions of the directors on the Group's business. All directors attended the 2010 annual general meeting.

Accountability and audit

The directors' statement regarding their responsibility for preparing the Annual Report is set out in the directors' report on page 49 and the independent auditors' report regarding their reporting responsibility is detailed on page 61.

By order of the board

Deborah Abrehart
Group Company Secretary

18 May 2011

Remuneration report

Statement by the chairman of the remuneration committee

I am pleased to present the remuneration report which provides details of the remuneration policy and the remuneration for each of the executive directors for the year ended 31 March 2011.

The committee has responded to the continued focus by shareholders and regulators on remuneration issues by reviewing the Group's remuneration policy and ensuring that ICAP's approach to remuneration is appropriate to it being the largest interdealer broker and a leading provider of post trade risk and information services. As an interdealer broker, ICAP does not take outright position risk and the remuneration policy is aligned with its activities as:

- remuneration is earned on revenue that is certain. Due to the nature of ICAP's role as an intermediary, post trade service provider and information provider, Group revenue is in the form of (i) commissions for successful execution or processing of our customers' trades and (ii) fees for the provision of market data services. The conversion of commissions or fees invoiced into collected revenue is very rapid (typically within 60 days) and not contingent on the future performance of any underlying reference asset or transaction;
- ICAP employees cannot increase their remuneration simply by taking on more risk. ICAP's market and credit risk profile is substantially different from that of the large risk-taking banks, investment banks, hedge funds and insurance companies; and
- capital is not a constraining factor in the management and planning of our activities.

ICAP recognises that remuneration policy and practice has a key role to play in ensuring that its actual risks are effectively managed as well as in ensuring that all staff, both revenue producers and those in control functions, are effectively incentivised and rewarded.

ICAP's remuneration policy sets out to provide a framework which:

- provides appropriate incentives for all staff;
- promotes effective management of the risks to which the Group is exposed and alignment of the reward earned by the Group and its employees and management with the risk assumed by the Group and its employees;
- promotes equality and diversity;
- aligns the interests of shareholders, management and staff; and
- ensures that ICAP's remuneration practices meet the requirements of its regulators worldwide.

Activities

During the year, the committee met four times and considered:

- the regulatory and market developments and guidelines published in respect of remuneration practices and their impact on the Group's remuneration policy;
- the approval of the executive directors' objectives for the year ended 31 March 2011;
- the achievement of the executive directors' objectives for the year;
- the approval of the executive directors' performance bonus payments for the year ended 31 March 2011;
- awards under the Company's share and share option plans; and
- ad hoc matters including the approval of certain remuneration contracts.

Remuneration report

The following report provides information on the current remuneration policy and contains both audited and unaudited information. PricewaterhouseCoopers LLP, the Group's auditors, have audited the tables on pages 58 to 60.

Unaudited information

Remuneration committee, its terms of reference and advisers

The following independent non-executive directors served on the committee during the year:

Robert Standing (chairman) (appointed to committee on 14 July 2010 and as chairman on 30 September 2010)
Diane Schueneman (appointed 14 July 2010)
John Sievwright

James McNulty (retired as a member and chairman of the committee on 30 September 2010) and William Nabarro (retired 14 July 2010) also served during the year.

Details of the number of meetings and attendance during the year are set out in the table on page 51 and are hereby incorporated into this report.

The current terms of reference are published on the Company's website, www.icap.com.

Advice

Both Ashurst LLP and Deloitte LLP provided advice to the committee during the year.

Ashurst LLP also provided advice on a broad range of legal issues to the Group and Deloitte LLP provided tax and UK regulatory advice to the Group during the year ended 31 March 2011.

Remuneration policy

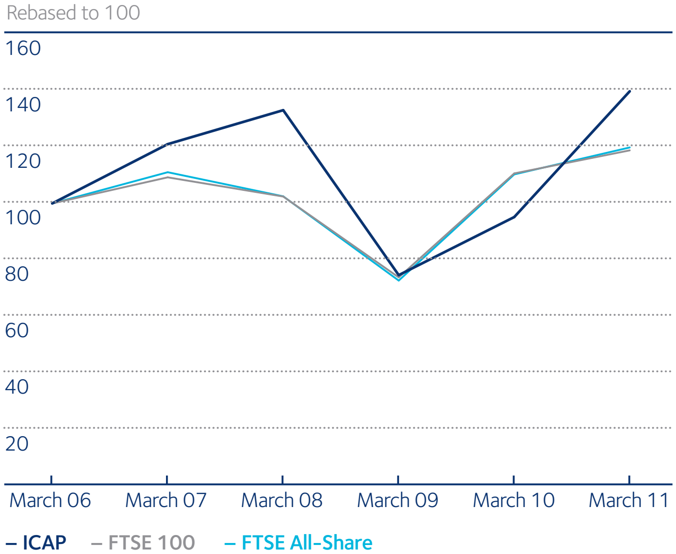
Principles

- ICAP's remuneration arrangements operate in accordance with appropriate regulatory codes and guidance in all jurisdictions in which it operates, particularly that of the FSA, and with reference to the nature, scale and particular characteristics of ICAP's business.
- ICAP's remuneration arrangements are consistent with and promote effective risk management, do not encourage risk taking in excess of ICAP's risk appetite, and take account of current and future risks in the setting of variable remuneration.
- ICAP's remuneration arrangements take into account the interests of shareholders, investors and other stakeholders and are consistent with, and support, ICAP's business strategy and corporate values. They are also consistent with ICAP's financial condition and future prospects and the need to maintain its capital base.
- ICAP's remuneration arrangements are structured so as to avoid conflicts of interest, both internally and those related to customers' interests.
- ICAP's remuneration arrangements take into account the need for consistency between funding and payment of bonuses and the timing and likelihood of ICAP receiving the revenue on which a bonus is based.
- ICAP's remuneration arrangements have regard to levels of remuneration in the market and ensure that the remuneration of staff in control functions, such as risk management, compliance, human resources and legal is adequate to attract and retain qualified and experienced staff, is in accordance with the achievement of objectives set for those staff, is determined independently of the businesses they oversee and has an appropriate mix of fixed and variable components.
- ICAP's remuneration arrangements ensure that variable remuneration is not paid through vehicles or by methods that facilitate the avoidance of any regulatory or other remuneration provisions which may apply to the Group.
- ICAP's remuneration arrangements ensure that ICAP's pension policy is in line with its business strategy, objectives, values and long-term interests.
- ICAP's remuneration arrangements ensure that employees and management who are in receipt of deferred equity-based compensation are not permitted to undertake personal hedging strategies or take out insurance contracts that undermine the risk alignment of their contracts.

Total shareholder return

The total shareholder return on a holding of the Company's ordinary shares compared with the FTSE 100 and the FTSE All-Share indices for the five financial years to 31 March 2011 is shown in the graph below. As a constituent of the FTSE 100 index since 30 June 2006, the Company considers these appropriate indices for comparison.

Performance graph – value of £100 invested
Five financial years ended 31 March 2011



Non-executive directors' fees

The fees payable to the non-executive directors are considered and approved by the executive directors and the Chairman of the board. With effect from 1 May 2010, following a review by Towers Watson, the remuneration for a non-executive director increased to £80,000 per annum. This reflected the increased time commitment and responsibility required.

John Sievwright, as chairman of the audit and risk committee, and Robert Standing, as chairman of the remuneration committee, received an additional £20,000 and £10,000 (pro rated for the appropriate period of service) per annum respectively for those roles.

As Chairman of the board, with effect from 1 May 2010, Charles Gregson received an annual fee of £250,000. He waived his entitlement to the additional fee of £5,000 for his role as chairman of the nomination committee.

Calculation of the executive directors' variable remuneration

The remuneration committee has adjusted the bonus pool for the year ended 31 March 2011 downwards as a result of the profit before tax, acquisition and disposal costs and exceptional items not reaching the required target of £363 million and considered the achievements of the executive directors against previously agreed specified objectives for the year ended 31 March 2011. While the agreed priorities and objectives had been substantially met, there were a number of objectives which are yet to be completed and the committee therefore used its discretion in agreeing a reduced total bonus pool of £15.8 million. This figure included £500,000 of unallocated bonus from the 2009/10 bonus pool.

Executive directors' variable remuneration is composed of three elements. The remuneration framework is designed to align two-thirds of each executive director's variable remuneration with the share performance of the Company, with each year's variable component being locked into the Company's shares for three years, its value varying in direct relation to the price of the Company's shares.

The bonus pool comprises

(i) a fixed percentage of the Group's profit before tax, acquisition and disposal costs and exceptional items and after all remuneration costs, subject to the achievement of a minimum level of profit for the year set by the remuneration committee at the beginning of the year; and

(ii) a smaller, variable percentage set by the remuneration committee to reflect, first, the progress made towards agreed specific priorities and objectives and, second, financial results outperforming the minimum level in the relevant year.

Of this pool, half is paid in cash. The executive directors are granted awards (the basic award) over that number of shares in the Company which can be acquired with the remainder of the bonus pool. Matching awards over the same number of shares as under the basic award are granted at the same time as the basic award. An award will usually be released after three years if the executive director to whom the particular award was made is still employed, has not disposed of his basic award and, for matching awards provided the performance condition is met.

The performance condition for the release of the matching awards granted under the BSMP for the year ended 31 March 2004 and subsequent years is that adjusted basic EPS must have grown by at least 9% over RPI over the three years from the date of grant.

The condition was selected to act as a mechanism to safeguard the progress that has been made in the performance of the Group and to underpin continuing forward movement in the Group's earnings.

There is no cap on the size of the bonus pool that can be generated as it directly reflects the financial performance of the Group. The committee considers that this is appropriate because the major part of the bonus pool is directly proportional to the financial performance of the Group and is consistent with remuneration practices in the financial services sector.

Bonus arrangements for year ended 31 March 2011

The bonus arrangements in effect for the executive directors' bonuses for the year ended 31 March 2011 were set down in the financial statements for the year ended 31 March 2010 and are as follows:

- so long as profit before tax, amortisation and impairment of intangibles arising on consolidation and exceptional items, is greater than £363 million at an exchange rate of $1.55 (and provided there is a year-on-year increase in adjusted basic EPS), the executive directors' bonus pool will be 3.35% of that profit;
- an additional amount of up to 1.65% of that profit may be payable as determined by the remuneration committee based on the actual financial performance for the year and progress made towards specified agreed priorities and objectives for the executive directors;
- if adjusted profit before tax, amortisation and impairment of intangibles arising on consolidation and exceptional items is below £363 million the amount of the executive directors' bonus pool will be at the discretion of the remuneration committee;
- the remuneration committee will retain the overriding discretion to make such changes to the bonus arrangements as it believes the circumstances warrant. Such changes may lead to either an increase or a decrease in the bonus pool; and
- the matching award will be released only if adjusted basic EPS has grown by at least 9% above RPI over the three financial years beginning with the financial year in which the matching award is granted. If this performance condition is not met at the end of the three years the matching award will lapse.

Bonus arrangements for year ending 31 March 2012

The arrangements for the year ending 31 March 2012 are as follows:

- so long as profit before tax, acquisition and disposal costs and exceptional items is greater than £380 million at an exchange rate of $1.60 (and provided there is a year-on-year increase in adjusted basic EPS), the executive directors' bonus pool will be 3.35% of that profit;
- an additional amount of up to 1.65% of that profit may be payable as determined by the remuneration committee based on the actual financial performance for the year and progress made towards specified agreed priorities and objectives for the executive directors;
- if adjusted profit before tax, acquisition and disposal costs and exceptional items is below £380 million the amount of the executive directors' bonus pool will be at the discretion of the remuneration committee;
- the remuneration committee will retain the overriding discretion to make such changes to the bonus arrangements as it believes the circumstances warrant. Such changes may lead to either an increase or a decrease in the bonus pool; and
- the matching award will be released only if adjusted basic EPS has grown by at least 9% above RPI over the three financial years beginning with the financial year in which the matching award is granted. If this performance condition is not met at the end of the three years the matching award will lapse.

Share schemes and long-term incentive arrangements

The Company has a number of share schemes which are described in detail in note 22 to the financial statements. Following the approval of the BSMP, executive directors no longer receive awards under any of the schemes with the exception of the sharesave scheme (SAYE) described in note 22.

No executive share options have been offered at a discount (save as permitted by paragraph 9.4.4 and 9.5.4 of the Listing Rules).

Group pension arrangements

The Group operates a number of pension schemes which are described more fully in note 23(c) to the financial statements.

Michael Spencer, Iain Torrens and Mark Yallop each received a company contribution to defined contribution pension scheme during the year of £18,000, £4,139 and £9,973 respectively. No company contribution was made on behalf of John Nixon.

Group compensation

During the year, the committee considers for approval a number of contracts for senior brokers and managers under the committee's terms of reference. This provides the committee with the appropriate information to ensure remuneration structures and levels within the Group are consistent with those of the executive directors.

The average compensation of an ICAP employee, including benefits, for the year ended 31 March 2011 was £190,038.

Directors' service contracts

The Company's policy is for executive directors to have service contracts with notice periods of no more than one year in line with the recommendations of the Combined Code and to provide a reasonable balance between the need to retain the services of key individuals and the need to limit the liabilities of the Company in the event of the termination of a contract. The contracts of Michael Spencer, John Nixon, Iain Torrens and Mark Yallop may be terminated by the Company with no notice, in which case the Company is obliged to make a payment of salary and contractual benefits (excluding any bonus) for 12 months.

No director received compensation for loss of office during the year.

The table below shows details of directors' service contracts:

	Date appointed director	Contract/letter of appointment date	Term	Expiry/review
Executive directors				
Michael Spencer	09.09.99	30.09.98 (as amended 22.07.99)	1 year	Rolling
John Nixon	15.05.08	31.12.02	1 year	Rolling
Iain Torrens	18.11.10	18.11.10	1 year	Rolling
Mark Yallop	13.07.05	23.05.05	1 year	Rolling
Non-executive directors				
Charles Gregson (Chairman)	06.08.98	19.01.11	No notice	01.11.12
Hsieh Fu Hua	01.01.11	13.01.11	3 months' notice on change of control	01.03.13
Diane Schueneman	14.07.10	21.06.10	3 months' notice on change of control	14.07.12
John Sievwright	15.07.09	15.06.09	3 months' notice on change of control	15.07.11
Robert Standing	14.07.10	21.06.10	3 months' notice on change of control	14.07.12
Former directors				
Matthew Lester	06.09.06	24.05.06	1 year	18.11.10
James McNulty	30.03.04	14.05.10	3 months' notice on change of control	30.09.10
William Nabarro	28.10.98	14.05.10	3 months' notice on change of control	14.07.10

Audited information
Directors' remuneration

The remuneration of the directors of the Company for the year ended 31 March 2011 was as follows:

	Note	Salaries/fees £	Benefits £	Bonus in lieu of dividend on the BSMP awards £	Cash bonus £	Amounts over which basic awards/promise will be granted under BSMP £	**Year ended 31 March 2011 Total £**	Year ended 31 March 2010 Total £
Executive directors								
Michael Spencer	4,5,7	360,000	3,984	955,635	3,150,000	3,150,000	**7,619,619**	4,028,934
John Nixon	4,5,6,7	321,337	75,121	32,587	2,250,000	2,250,000	**4,929,045**	3,567,217
Iain Torrens	4,5	82,788	1,379	–	250,000	250,000	**584,167**	–
Mark Yallop	5,7,8	225,000	4,213	199,554	4,500,000	–	**4,928,767**	2,898,743
Non-executive directors								
Charles Gregson (Chairman)		245,833	–	–	–	–	**245,833**	200,000
Hsieh Fu Hua		20,000	–	–	–	–	**20,000**	–
Diane Schueneman		57,096	–	–	–	–	**57,096**	–
John Sievwright		98,334	–	–	–	–	**98,334**	49,667
Robert Standing		62,096	–	–	–	–	**62,096**	–
Former directors								
Matthew Lester	5,7	158,333	2,337	53,181	625,000	–	**838,851**	1,318,925
James McNulty		43,334	–	–	–	–	**43,334**	70,000
William Nabarro		22,853	–	–	–	–	**22,853**	65,000
Total							**19,449,995**	12,198,486

Notes

1 There have been no increases in base salaries of executive directors during the year.

2 Bonus and other entitlements under the Company's incentive schemes are not pensionable.

3 The figures stated above exclude pension contributions to defined contribution schemes. These figures are shown in Group pension arrangements on page 56.

4 Executive directors will, in addition to the basic award/promise, be granted an equivalent matching award/promise under the BSMP. Matching awards/promises may, in normal circumstances, be exercised only if the director is still employed, has not disposed of his basic award/promise and the relevant performance condition has been met.

5 Benefits may include car allowance, premiums for private medical insurance, permanent health insurance, disability insurance and mobile telephone. In the case of John Nixon, a significant portion of his benefits comprises the Federal Insurance Contributions Act tax which is required to be paid by the Company on his behalf.

6 The elements of John Nixon's remuneration that are paid in dollars have been converted to pound sterling using the average exchange rate for the year of $1.5560/£ (2010 – $1.5852/£).

7 A bonus in lieu of dividend on the BSMP was received on the basic awards/promises granted in 2007, 2008, 2009 and 2010 and on the vested matching awards granted in 2007 which were unexercised during the year.

8 As Mark Yallop has decided to leave ICAP, the remuneration committee has agreed that his bonus will be paid in cash and that he will not receive a BSMP award for the year ended 31 March 2011.

Bonus Share Matching Plan (BSMP)

The BSMP was approved by shareholders at the annual general meeting held in 2003. An award (basic award) is granted to each executive director over the number of ordinary shares which can be acquired with one half of the bonus amount. Matching awards are granted at the same time as the basic awards and are exercisable at the end of three years provided the basic awards are still held and the executive director remains in employment and the relevant performance condition has been met. The exercise price for a basic award is £1 and the exercise price for a matching award is £1.

The table below sets out the outstanding awards, grants and exercises as part of the executive directors' variable remuneration.

	Notes	Options under the BSMP held at 1 April 2010	Grant date	Basic award options	Matching award options	Exercised	Value of exercise £m	**Total options under the BSMP held at 31 March 2011**
Michael Spencer	1,5		24.05.07	541,985	541,985	(1,083,970)	5.8	
	2,5,6		29.05.08	631,973	631,973	–	–	
	3,5		28.05.09	607,543	607,543	–	–	
	4	3,563,002	27.05.10	408,398	408,398	–	–	**3,295,828**
Mark Yallop	2,5,6		29.05.08	–	288,196	(288,196)	1.5	
	3,5		28.05.09	–	402,897	–	–	
	4	691,093	27.05.10	313,105	313,105	(313,105)	1.7	**716,002**
Former director								
Matthew Lester	2,9		29.05.08	–	98,810	–	–	
	3,9		28.05.09	–	140,694	–	–	
	4,9	239,504	27.05.10	136,133	136,133	–	–	**511,770**

No options lapsed during the year. All option figures shown as at 31 March 2011 remained unchanged as at 12 May 2011.

Notes

1 Performance year ended 31 March 2007; market price on date of grant – 523.8p; exercise period 19 May 2010 – 18 May 2015.

2 Performance year ended 31 March 2008; market price on date of grant – 610.0p; exercise period 18 May 2011 – 17 May 2016.

3 Performance year ended 31 March 2009; market price on date of grant – 394.5p. Exercise period commences on the day of the announcement of the Company's annual results for the financial year ending 31 March 2012 and will last for five years.

4 Performance year ended 31 March 2010; market price on date of grant – 391.7p. Exercise period commences on the day of the announcement of the Company's annual results for the financial year ending 31 March 2013 and will last for five years.

5 In March 2010, the vesting of basic awards for 2007, 2008 and 2009 was accelerated for UK tax resident participants; the vesting of the 2007 matching award was accelerated when the remuneration committee had agreed that the performance condition for the award had been met. The matching awards for 2008 and 2009 will become exercisable in accordance with the original terms but the participant must retain the balance of any exercised basic award (following any sale of shares to meet income tax and national insurance contributions) in order to exercise the equivalent matching award.

6 In March 2011, the vesting of the basic award for 2010 was accelerated for UK tax resident participants; the vesting of the 2008 matching award was accelerated when the remuneration committee had agreed that the performance condition for the award had been met.

7 John Nixon was given a promise on 28 May 2009 to receive 63,951 basic award shares and 63,951 matching award shares under the BSMP. The market price on 28 May 2009 was 394.5p. No promises have lapsed.

8 John Nixon was given a promise on 27 May 2010 to receive 68,066 basic award shares and 68,066 matching award shares under the BSMP. The market price on 27 May 2010 was 391.7p. No promises have lapsed.

9 The disclosure for former director Matthew Lester is up to and including the date of his resignation on 18 November 2010. The remuneration committee exercised its discretion at the time of his resignation in relation to the unvested matching awards granted in 2008, 2009 and 2010 so that 83.33%, 50% and 16.66% respectively of each of these awards will vest at the normal vesting dates, subject to the applicable performance condition being satisfied.

Company long-term incentive schemes

The interests of the directors in options over the Company's shares resulting from the UCSOP and the SAYE scheme are shown below at 31 March 2010 and 31 March 2011.

	Date of grant	Options held at 31 March 2010	Granted during period	Lapsed during period	**Options held at 31 March 2011**	Exercise period from	Exercise period to	Exercise price (p)
Michael Spencer								
SAYE	17.06.09	2,832	–	–	**2,832**	01.08.12	31.01.13	323.0
Iain Torrens								
SAYE	15.06.10	3,125[1]	3,125	–	**3,125**	01.08.13	31.01.14	288.0
John Nixon								
UCSOP	01.06.06	250,000	–	–	**250,000**	01.06.09	30.05.16	493.0
Mark Yallop								
UCSOP	01.07.05	1,000,000	–	–	**1,000,000**	01.07.08	30.06.15	297.0
Former director			–	–				
Matthew Lester								
SAYE	22.06.07	2,255	–	–	**2,255**[2]	01.08.10	31.01.11	419.0
UCSOP	07.09.06	333,000	–	–	**333,000**[2]	07.09.09	06.09.16	460.0

[1] At date of appointment.

[2] The disclosure for former director Matthew Lester is up to and including the date of his resignation on 18 November 2010.

No options were exercised during the year. All option figures shown as at 31 March 2011 remained unchanged as at 12 May 2011.

At the close of business on 31 March 2011 the market price of the Company's ordinary shares was 528.0p per share and during the year fluctuated in the range 341.6p – 570.5p per share.

This remuneration report is prepared in accordance with Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the Combined Code and will be put to shareholders for an advisory vote at the annual general meeting to be held on 13 July 2011.

By order of the board

Robert Standing
Chairman
Remuneration committee

18 May 2011

Independent auditors' report to the members of ICAP plc

We have audited the financial statements of ICAP plc for the year ended 31 March 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheet, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated and Company statement of cash flow, the accounting policies 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 EU and, as regards the 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, included in the directors' report, 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 the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2011 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement with respect to internal control and risk management systems and about share capital structures 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:

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited 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; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, included in the directors' report, in relation to going concern;
- the parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Christopher Jones
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 May 2011

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Consolidated income statement
Year ended 31 March 2011

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 11(c))* £m	Exceptional items (note 5) £m	Total £m
Continuing operations					
Revenue	1	1,741	–	–	1,741
Operating expenses	6	(1,387)	(88)	(3)	(1,478)
Other income	24	21	–	–	21
Operating profit	1	375	(88)	(3)	284
Finance income	9	5	–	–	5
Finance costs	9	(33)	–	(20)	(53)
Share of profit/(loss) of associates after tax	1	3	(6)	–	(3)
Profit before tax from continuing operations		350	(94)	(23)	233
Tax	4	(90)	32	8	(50)
Profit for the year from continuing operations		260	(62)	(15)	183
Profit for the year from discontinued operations	25(a)	–	–	4	4
Profit for the year		260	(62)	(11)	187
Attributable to:					
Owners of the Company		260	(62)	(11)	187
Non-controlling interests		–	–	–	–
		260	(62)	(11)	187
Earnings per ordinary share from continuing operations					
– basic	2(b)				28.1
– diluted	2(b)				27.6
Earnings per ordinary share from total operations					
– basic	2(a)				28.7
– diluted	2(a)				28.2

*See basis of preparation for change of definition to the column now entitled 'acquisition and disposal costs'.

Consolidated income statement
Year ended 31 March 2010

	Note	Before acquisition and disposal costs and exceptional items* £m	Acquisition and disposal costs (note 11(c))* £m	Exceptional items (note 5) £m	Total £m
Continuing operations					
Revenue	1	1,605	–	–	1,605
Operating expenses	6	(1,270)	(61)	(26)	(1,357)
Other income	24	19	–	–	19
Operating profit	1	354	(61)	(26)	267
Finance income	9	7	–	–	7
Finance costs	9	(33)	(2)	–	(35)
Share of profit of associates after tax	1	7	1	–	8
Profit before tax from continuing operations		335	(62)	(26)	247
Tax	4	(107)	20	4	(83)
Profit for the year from continuing operations		228	(42)	(22)	164
Loss for the year from discontinued operations	25(a)	(18)	–	(30)	(48)
Profit for the year		210	(42)	(52)	116
Attributable to:					
Owners of the Company		210	(42)	(52)	116
Non-controlling interests		–	–	–	–
		210	(42)	(52)	116
Earnings per ordinary share from continuing operations					
– basic	2(b)				25.5p
– diluted	2(b)				25.1p
Earnings per ordinary share from total operations					
– basic	2(a)				18.0p
– diluted	2(a)				17.7p

*The comparative results have been re-presented for the change in the definition of the column now entitled 'acquisition and disposal costs'. The net impact of this change has been to reallocate £2m from finance costs in the first column to 'acquisition and disposal costs' (see basis of preparation for details of change in definition).

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Consolidated statement of comprehensive income

	Note	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit for the year		**187**	116
Other comprehensive income from continuing operations			
Net movement on cash flow hedges	21(a)	**(2)**	44
Net exchange adjustments on investments in overseas subsidiaries		**(65)**	(41)
Revaluation gains in the year	21(a)	**6**	45
Associate investment transferred to equity on acquisition of subsidiary	15	**–**	(10)
Net current tax recognised in other comprehensive income	4	**(1)**	(5)
Net deferred tax recognised in other comprehensive income	4	**–**	(1)
Other comprehensive income for the year from continuing operations		**(62)**	32
Total comprehensive income for the year		**125**	148
Total comprehensive income attributable to:			
Owners of the Company		**125**	148
Non-controlling interests		**–**	–
		125	148

There is no other comprehensive income from discontinued operations.

Consolidated and Company balance sheet

	Note	Group As at 31 March 2011 £m	Group As at 31 March 2010 £m	Company As at 31 March 2011 £m	Company As at 31 March 2010 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	12(a)	**1,358**	1,489	**–**	–
Intangible assets arising from development expenditure	13	**63**	72	**–**	–
Property and equipment	14	**87**	68	**–**	–
Investment in subsidiaries	31(a)	**–**	–	**1,989**	1,989
Investment in joint ventures	31(b)	**–**	–	**1**	1
Investment in associates	15	**31**	30	**–**	–
Deferred tax assets	4	**17**	34	**–**	–
Trade and other receivables	17	**14**	35	**–**	–
Available-for-sale investments	16	**30**	27	**–**	–
		1,600	1,755	**1,990**	1,990
Current assets					
Trade and other receivables	17	**74,693**	60,101	**40**	36
Available-for-sale investments	16	**1**	1	**–**	–
Restricted funds	7(c)	**73**	81	**–**	–
Cash and cash equivalents	7(c)	**404**	423	**–**	–
		75,171	60,606	**40**	36
Total assets		**76,771**	62,361	**2,030**	2,026
Liabilities					
Current liabilities					
Trade and other payables	18	**(74,634)**	(60,098)	**(89)**	(660)
Borrowings	8(b)	**(183)**	(257)	**–**	(40)
Tax payable		**(119)**	(100)	**–**	–
Provisions	19	**(2)**	(36)	**–**	–
		(74,938)	(60,491)	**(89)**	(700)
Non-current liabilities					
Trade and other payables	18	**(29)**	(30)	**(140)**	(140)
Borrowings	8(a)	**(382)**	(395)	**–**	–
Deferred tax liabilities	4	**(117)**	(174)	**–**	–
Retirement benefit obligations	23(c)	**(1)**	(1)	**–**	–
Provisions	19	**(53)**	(55)	**–**	–
		(582)	(655)	**(140)**	(140)
Total liabilities		**(75,520)**	(61,146)	**(229)**	(840)
Net assets		**1,251**	1,215	**1,801**	1,186
Equity					
Capital and reserves					
Called up share capital	20(b)	**66**	66	**66**	66
Share premium account		**452**	425	**452**	425
Other reserves		**75**	71	**1**	1
Translation		**73**	138	**–**	–
Retained earnings		**565**	498	**1,282**	694
Equity attributable to owners of the Company		**1,231**	1,198	**1,801**	1,186
Non-controlling interests		**20**	17	**–**	–
Total equity		**1,251**	1,215	**1,801**	1,186

The financial statements on pages 64 to 133 were approved by the board on 18 May 2011 and signed on its behalf by:

Michael Spencer
Group Chief Executive Officer

Iain Torrens
Group Finance Director

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Other reserves (note 21(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 2009	65	398	(18)	179	501	1,125	15	1,140
Comprehensive income								
Profit for the year	–	–	–	–	116	116	–	116
Other comprehensive income								
Net movement on cash flow hedges	–	–	44	–	–	44	–	44
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	(41)	–	(41)	–	(41)
Revaluation gains realised in the year	–	–	45	–	–	45	–	45
Associate investment transferred to equity on acquisition of subsidiary	–	–	–	–	(10)	(10)	–	(10)
Net current tax recognised in other comprehensive income	–	–	–	–	(5)	(5)	–	(5)
Net deferred tax recognised in other comprehensive income	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	–	89	(41)	100	148	–	148
Own shares acquired for employee trusts	–	–	–	–	(1)	(1)	–	(1)
Ordinary shares issued (note 20(b))	–	8	–	–	–	8	–	8
Share-based payments in the year (note 22)	–	–	–	–	10	10	–	10
Other movements in non-controlling interests	–	–	–	–	–	–	2	2
Dividends paid in the year (note 3)	1	19	–	–	(112)	(92)	–	(92)
Balance at 31 March 2010	66	425	71	138	498	1,198	17	1,215
Comprehensive income								
Profit for the year	**–**	**–**	**–**	**–**	**187**	**187**	**–**	**187**
Other comprehensive income								
Net movement on cash flow hedges	**–**	**–**	**(2)**	**–**	**–**	**(2)**	**–**	**(2)**
Net exchange adjustments on investments in overseas subsidiaries	**–**	**–**	**–**	**(65)**	**–**	**(65)**	**–**	**(65)**
Unrealised revaluation gains in the year	**–**	**–**	**6**	**–**	**–**	**6**	**–**	**6**
Net current tax recognised in other comprehensive income	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Total comprehensive income for the year	**–**	**–**	**4**	**(65)**	**186**	**125**	**–**	**125**
Own shares acquired for employee trusts	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Ordinary shares issued (note 20(b))	**–**	**2**	**–**	**–**	**–**	**2**	**–**	**2**
Share-based payments in the year (note 22)	**–**	**–**	**–**	**–**	**8**	**8**	**–**	**8**
Other movements in non-controlling interests	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**3**	**–**
Dividends paid in the year (note 3)	**–**	**25**	**–**	**–**	**(115)**	**(90)**	**–**	**(90)**
Net Treasury Shares acquired in the year (note 20(e))	**–**	**–**	**–**	**–**	**(8)**	**(8)**	**–**	**(8)**
Balance at 31 March 2011	**66**	**452**	**75**	**73**	**565**	**1,231**	**20**	**1,251**

Company statement of changes in equity

	Share capital (note 20(b)) £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total £m
As at 1 April 2009	65	398	1	807	1,271
Loss for the year	–	–	–	(1)	(1)
Total comprehensive income	–	–	–	(1)	(1)
Ordinary shares issued	–	8	–	–	8
Dividends paid in the year (note 3)	1	19	–	(112)	(92)
Balance as at 31 March 2010	66	425	1	694	1,186
Profit for the year	**–**	**–**	**–**	**711**	**711**
Total comprehensive income	**–**	**–**	**–**	**711**	**711**
Ordinary shares issued (note 20(b))	**–**	**2**	**–**	**–**	**2**
Dividends paid in the year (note 3)	**–**	**25**	**–**	**(115)**	**(90)**
Net Treasury Shares acquired in the year (note 20(e))	**–**	**–**	**–**	**(8)**	**(8)**
Balance as at 31 March 2011	**66**	**452**	**1**	**1,282**	**1,801**

Consolidated and Company statement of cash flow

		Group		Company	
	Note	**Year ended 31 March 2011 £m**	Year ended 31 March 2010 £m	**Year ended 31 March 2011 £m**	Year ended 31 March 2010 £m
Cash flows from operating activities	7(a)	**256**	275	**–**	–
Cash flows from investing activities					
Investments in subsidiaries		**–**	–	**–**	(34)
Dividends received from associates		**–**	7	**–**	–
Other equity dividends received		**2**	2	**–**	–
Payments to acquire property and equipment		**(45)**	(17)	**–**	–
Intangible development expenditure		**(24)**	(49)	**–**	–
Net (payments)/receipts on available-for-sale investments		**(1)**	14	**–**	–
Acquisition of interests in businesses net of cash acquired		**(27)**	(147)	**–**	–
Acquisition of associates and joint ventures		**(2)**	(2)	**–**	–
Net cash flows from investing activities		**(97)**	(192)	**–**	(34)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		**–**	–	**–**	3
Proceeds from exercise of share options		**2**	–	**2**	5
Proceeds from issues of ordinary shares to non-controlling interest		**1**	–	**–**	–
Dividends paid to owners of the Company		**(90)**	(92)	**(90)**	(92)
Payments to acquire Treasury Shares		**(8)**	–	**(8)**	–
Receipts/(payments) to acquire own shares for employee share trusts*		**4**	(2)	**–**	–
Loans to employee benefit trust to acquire new shares		**–**	–	**–**	(7)
Repayment of borrowings		**(377)**	(488)	**(40)**	–
Funds received from borrowing, net of fees		**305**	591	**–**	40
Net receipts from subsidiaries		**–**	–	**136**	85
Net cash flows from financing activities		**(163)**	9	**–**	34
FX adjustments		**(15)**	(8)	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(19)**	84	**–**	–
Cash and cash equivalents at beginning of the year	7(c)	**423**	339	**–**	–
Cash and cash equivalents at end of the year	7(c)	**404**	423	**–**	–

*Payments to acquire own shares for employee share trusts is shown net of £4m (2010 – £5m) of contributions received from participants in the trusts.

Basis of preparation

Preparation of financial statements

The financial statements have been prepared in accordance with IFRS adopted by the EU, IFRIC interpretations and with those parts of the Companies Act applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have also been prepared under the historical cost convention, as modified to include the fair value of certain financial instruments in accordance with IFRS. The financial statements are prepared in pound sterling, which is the functional currency of the Company and presented in millions.

The significant accounting policies adopted by the Group and Company are included within the notes to which they relate and are shaded in blue.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Management consider goodwill (note 12) and tax (note 4) to be the areas where increased judgement is required. This is discussed further in the notes relating to these areas. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Judgements, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This set of financial statements are the first in which the Group has presented the notes in an order that reflects management's view of the importance of information contained in the notes to the performance and position of the Group for the year ended 31 March 2011. Details of the order of notes can be found in the index on page 74 of the financial statements.

Presentation of the income statement

The Group maintains a columnar format for the presentation of its consolidated income statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before acquisition and disposal costs and exceptional items. This is the profit measure used to calculate adjusted EPS (note 2) and is considered to be the most appropriate as it better reflects the Group's underlying cash earnings. Profit before acquisition and disposal costs and exceptional items are reconciled to profit before tax on the face of the consolidated income statement.

For the financial year commencing 1 April 2010, and for future periods, the Group has redefined the column previously entitled 'amortisation and impairment of intangibles arising on consolidation' having considered the impact of the adoption of IFRS3 (revised) 'Business Combinations' (effective for the Group from 1 April 2010) to the consolidated income statement. This column has accordingly been renamed as 'acquisition and disposal costs' and will include: any re-measurement after initial recognition of deferred contingent consideration which has been classified as a liability; any gains or losses on the revaluation of previous interests; any gains or losses on the disposal of investments, associates or subsidiaries; and costs associated with a combination that do not constitute fees relating to the arrangement of financing. The column may also include items such as gains or losses on the settlement of pre-existing relationships with acquired businesses and the re-measurement of liabilities that are above the value of indemnification. To take into account the aforementioned changes the Group has also moved the impact of the unwind of the discounting of deferred contingent consideration into this column. Accordingly, the comparative consolidated income statement has been re-presented within the financial statements. For the year ending 31 March 2010 acquisition and disposal costs have increased by £2m from £40m to £42m. The column will continue to include the amortisation and impairment of intangible assets arising on consolidation. Each of the items reported under the acquisition and disposal column will be excluded from the calculation of adjusted basic EPS and adjusted diluted EPS (note 2). The Group believes this change will help to improve users of the financial statements understanding of the underlying results.

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Group's results. These are shown as 'exceptional items' on the face of the consolidated income statement together with any adjustments to prior period exceptional items.

On the face of the consolidated income statement, basic and diluted EPS from continuing operations have also been disclosed. This enables the Group to provide clarity of the EPS of the continuing core business. The prior period basic and adjusted EPS have been re-presented to reflect the change in definition of the column 'acquisition and disposal costs' resulting in an increase in the adjusted diluted EPS of 0.3p.

The Company has taken advantage of section 408 of the Companies Act not to present its own income statement and statement of comprehensive income.

Presentation of the balance sheet

As part of the Group's broking activities in matched principal and exchange traded markets, the Group is required to hold a mix of cash, cash equivalents and other securities with those institutions which provide it with clearing and settlement services. Balances represent deposits held with a clearer. The Group has traditionally accounted for the cash elements of these balances as cash and cash equivalents on the basis that the nature of the Group's business model, which does not involve it taking proprietary positions, does not put the balances at risk. However, following a review undertaken in 2010/11 it was determined that the balances could not be withdrawn on a same day basis and, as such, failed to meet the definition contained in IAS7 'Statement of Cash Flows' for cash and cash equivalents and it was therefore concluded that these balances should be separately identified on the face of the consolidated balance sheet and separately identified within the consolidated statement of cash flow under cash from operations. The impact of re-presenting the balance results in a decrease in cash of £81m in the prior year and increased restricted funds by the same amount. There is no impact to total current assets.

Basis of preparation
continued

Basis of consolidation

The Group's consolidated financial statements include the results and net assets of the Company, its subsidiaries and the Group's share of joint ventures and associates.

An entity is regarded as a subsidiary if the Group has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Group's activities.

The results of companies acquired during the year are included in the Group's results from the effective date of acquisition. The results of companies disposed of during the year are included up to the effective date of disposal.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies (the Company and its subsidiaries) are eliminated as part of the consolidation process. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A joint venture is an entity in which the Group has an interest and, in the opinion of the directors, exercises joint control over its operating and financial policies. An interest exists where an investment is held on a long-term basis for the purpose of securing a contribution to the Group's activities. Joint ventures are proportionately consolidated, whereby the Group's consolidated income statement and balance sheet include the Group's share of the income and assets on a line-by-line basis.

An associate is an entity in which the Group has an interest and, in the opinion of the directors, can exercise significant influence, but not control, over its operating and financial policies. An interest exists where an investment is held on a long-term basis for the purpose of securing a contribution to the Group's activities. Significant influence generally exists where the Group holds more than 20% and less than 50% of the shareholders' voting rights.

Associates are accounted for under the equity method whereby the Group's consolidated income statement includes its share of their profits and losses and the Group's consolidated balance sheet includes its share of their net assets.

Foreign currencies

In individual entities, transactions denominated in foreign currencies are recorded at the prior month closing exchange rate between the functional currency and the foreign currency. At each end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Exchange differences are recognised in the consolidated income statement, except for exchange differences arising on non-monetary assets and liabilities where these form part of the net investment of an overseas business or are designated as hedges of a net investment or cash flow and, therefore, the changes in value are recognised directly in other comprehensive income. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation, the results of businesses with non-pound sterling functional currencies are translated into the presentational currency of the Group at the average exchange rates for the period where these approximate to the rate at the date of the transactions. Assets and liabilities of overseas businesses are translated into the presentational currency of the Group at the exchange rate prevailing at the end of the reporting period. Exchange differences arising are recognised within other comprehensive income. Cumulative translation differences arising after the transition to IFRS are taken to the consolidated income statement on disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a non-pound sterling entity are treated as assets and liabilities of that entity and translated into the presentational currency of the Group at the period closing rate. Where applicable, the Group has elected to treat goodwill and fair value adjustments arising before the date of transition to IFRS as denominated in the presentational currency of the Group.

In the consolidated statement of cash flows, cash flows denominated in foreign currencies are translated into the presentational currency of the Group at the average exchange rate for the year or at the rate prevailing at the time of the transaction where more appropriate.

Recent accounting developments

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2010 and are considered relevant to the Group.

– IFRS3 (revised), 'Business Combinations' and consequential amendments to IAS27, 'Consolidated and Separate Financial Statements', IAS28, 'Investments in Associates', and IAS31, 'Interests in Joint Ventures'. These changes apply to the Group prospectively for business combinations enacted on or after 1 April 2010. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classed as debt subsequently remeasured through the consolidated income statement. 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. The Group expects that the impact on results will depend on the nature of transactions undertaken by the Group. Contingent deferred consideration payable arising from acquisitions enacted before 1 April 2010 will be remeasured in accordance with IFRS3 as movements to goodwill and not through the consolidated income statement as required by IFRS3 (revised).

- The amendments to IAS27 have also resulted in changes to the Group's accounting policies. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in the consolidated income statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to the consolidated income statement or directly to retained earnings. Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or date when significant influence was lost, became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets. The Group has applied the new policy prospectively to transactions occurring on or after 1 April 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

A number of other interpretations and amendments to existing standards have been made by the IASB and IFRIC but are not considered relevant to the Group's operations.

The following new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- Revised IAS24 'Related Party Disclosures' was issued in November 2009 and is required to be applied for accounting periods on or after 1 January 2011. It supersedes IAS24 'Related Party Disclosures' issued in 2003. The impact of the adoption of the standard will result in minor changes to the disclosure.
- IFRS9 'Financial Instruments' addresses clarification and measurement of financial assets, as the first phase of the replacement of IAS39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning after 1 January 2013, subject to EU endorsement. The impact on the Group's financial statements of the future adoption of the standard is still under review.

Financial risk management

The Group operates internationally and is exposed to a variety of financial risks including currency, interest rate, market price, liquidity and credit.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by using derivative instruments to lower funding costs, alter interest rate exposures arising as a result of mismatches between assets and liabilities or to achieve greater certainty of future costs. The use of derivatives forms part of the Group's overall risk management framework as determined by the board through the GRACC.

The Group's funding and exposure to interest rate and FX rate risk are managed by the Group's treasury function in accordance with a policy framework approved by the GRACC. The framework lays out the Group's appetite for risk and the steps to be taken to manage these risks. The GRACC receives bi-monthly reports on the activities of the treasury function and is also responsible for approving significant transactions such as new financing arrangements or changes to the Group's hedging strategy. The GRACC sets and monitors treasury's counterparty limits in conjunction with the risk team.

The Group's exposure to market price risk arises mainly through counterparties to matched principal and exchange traded transactions failing to fulfil their obligations or through trade mismatches and other errors. In matched principal transactions, the Group acts as an intermediary by serving as counterparty for identified buyers and sellers in matching, in whole or in part, reciprocal back-to-back trades. In order to facilitate customer transactions and provide liquidity, the Group may participate in certain marketplaces by posting quotations. On occasion, the act of posting quotations in pursuit of customer orders can result in the Group becoming principal to unmatched trades. In exchange traded transactions, the Group executes the trade as principal and then novates the contract to its client. A failure by the client to accept the trade would result in the Group becoming exposed to market price risk.

The market price risk the Group faces in these situations is restricted to short-term price movements in the underlying instrument temporarily held by the Group and movements in FX rates. Any such market price risk arising is identified, monitored and reported to senior management on a daily basis and to the GRACC. Policies and procedures are in place to reduce the likelihood of such trade mismatches and, in the event that they arise, the Group's policy is to liquidate or hedge and liquidate these principal positions as soon as reasonably practicable.

The Company is not exposed to market price risk as it holds no listed investments, and has no trading activity.

Details of the exposure and ways in which the Group and Company manages currency and interest rate risk are disclosed in note 10, liquidity risk in note 8 and credit risk in note 17.

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1 Segmental information

The Group has determined its operating segments based on the management information reviewed on a regular basis by the Company's board. The Group considers the executive members of the Company's board to be the Chief Operating Decision Maker (CODM).

The CODM currently considers the business to consist of core and new business elements, although it expects the new business segment to be incorporated into core businesses next year. The core business consists of regional voice broking businesses in EMEA, the Americas and Asia Pacific, a global electronic broking business active in fixed income interest rate derivatives and FX markets and a global post trade risk and information business. Each of these five business areas are managed and reviewed by the CODM on a stand-alone basis and, as such, are considered segments. In addition, the CODM separately manages and reviews a portfolio of new business initiatives, currently comprising new voice broking businesses, which were either acquired or started during the course of the past two financial years. The Group reviews the composition of the operating segments at the beginning of each fiscal year to determine whether they remain appropriate. Any changes would result in restatement of the figures reported in the prior year for comparative purposes.

Revenue comprises commission from the Group's core voice broking business, brokerage or access fees from its electronic broking business and fees from the provision of post trade risk and information.

Core voice broking

Matched principal and stock lending business

Certain Group companies are involved in a non-advisory capacity as principals in the matched purchase and sale of securities and other financial instruments between our customers. Revenue is generated from the difference between the purchase and sale proceeds and is recognised in full at the time of the commitment by our customers to sell and purchase the security or financial instrument. The revenue generated by the stock lending business is not material to the Group.

Agency business (name give-up transactions)

The Group acts in a non-advisory capacity to match buyers and sellers of financial instruments and raises invoices for the service provided. The Group does not act as principal in name give-up transactions and only receives and transmits orders between counterparties. Revenue is stated net of rebates and discounts, value added tax and other sales taxes and is recognised in full on the date of the trade. Amounts receivable at the year end are reported as other trade receivables within trade and other receivables (note 17).

For the shipbroking business, the Group acts in a non-advisory capacity to match buyers and sellers of services and recognises revenue, net of rebates and discounts, value added tax and other sales taxes when the Group has a contractual entitlement to commission, normally the point at which there is a completion of contractual terms between the principals of a transaction. Amounts receivable at the year end are reported as other trade receivables within trade and other receivables (note 17).

Execution on exchange business

The Group also acts as a broker of exchange listed products, where the Group executes customer orders as principal and then novates the trade to the underlying customers' respective clearing broker for settlement. Revenue is generated from either the difference between the purchase and sale proceeds or by invoice, depending on the product, market and agreements in place with the customer and is recognised on the trade date.

Electronic broking

The Group acts as a broker for FX, interest rate derivatives, fixed income products and CDS through the Group's electronic platforms. Revenue is generated from brokerage fees which are dependent on the customer's global coverage and average trading volumes. The Group also charges fees to use the electronic trading platform for access to liquidity in the FX or precious metal markets.

Post trade risk and information

The Group receives fees from the sale of financial information and provision of post trade risk and information to third parties. These are stated net of value added tax, rebates and other sales taxes and recognised in revenue on an accruals basis to match the provision of the service. Amounts receivable at the year end are reported as other trade receivables within trade and other receivables (note 17).

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continued

1 Segmental information continued

Reorganisation of portfolio

The new businesses segment principally consists of Brazil, intellectual property, base metals and UK and Asia financial futures. For the period commencing 1 April 2010, Link and ICAP Shipping have been moved out of the new business segment as they are no longer new to the Group. Link has been split between each of the three core voice segments. ICAP Shipping is now included within EMEA voice broking. Comparatives have been re-presented to show the impact. Each of the operating segments of the Group is managed on a day-to-day basis by one or more members of the GEMG, which consists of both members of the board and other senior management. The management of new businesses is dependent on which core area the business will eventually become part of. TriOptima, acquired on 24 March 2010, is included within post trade risk and information and not as a new business, as the Group held a minority interest prior to the acquisition and has had a significant influence over the business since inception.

As a result of the decreasing number of new businesses set up or established over the past two financial years, it is planned to discontinue the new businesses segment for the year ending 31 March 2012 and instead to combine the initiatives into the segment operated by the appropriate member of the GEMG. The decision to no longer report the new businesses segment reflects management's decision 12 months ago to focus on organic expansion and developing partnerships with customers. This has resulted in a low level of new business initiatives which do not otherwise meet the criteria to be reported under the core segments. No longer presenting new businesses separately will result in the other segments initially showing lower margins while businesses such as Brazil move towards operational maturity.

The Group continues to disclose an operating segment for the voice broking business in Asia Pacific even though this segment does not meet the quantitative thresholds to be mandatory under IFRS8 'Operating Segments'. This is to reflect the importance of the Asia Pacific region to the Group and the way the segment is managed.

	Year ended 31 March 2011						
	Core voice broking						
	EMEA £m	Americas £m	Asia Pacific £m	Electronic broking £m	Post trade risk and information £m	New businesses £m	Total £m
Continuing operations							
Revenue	578	471	134	302	184	72	1,741
Operating profit before acquisition and disposal costs and exceptional items	114	83	(3)	123	79	(21)	375
Reconciliation to the consolidated income statement:							
Acquisition and disposal costs							(88)
Exceptional items							(3)
Operating profit							284
Finance income							5
Finance costs							(53)
Share of loss of associates after tax							(3)
Profit before tax from continuing operations							233
Tax							(50)
Profit for the year from continuing operations							183
Profit after tax from discontinued operations							4
Profit for the year							187

1 Segmental information continued

Details of total gross debt and total cash reviewed by the CODM can be found in notes 8(c) and 7(c) respectively.

	Year ended 31 March 2010						
	Core voice broking						
	EMEA £m	Americas £m	Asia Pacific £m	Electronic broking £m	Post trade risk and information £m	New businesses £m	Total £m
Continuing operations							
Revenue	570	460	127	252	142	54	1,605
Operating profit before acquisition and disposal costs and exceptional items	119	83	7	100	69	(24)	354
Reconciliation to the consolidated income statement:							
Acquisition and disposal costs							(61)
Exceptional items							(26)
Operating profit							267
Finance income							7
Finance costs							(35)
Share of profit of associates after tax							8
Profit before tax from continuing operations							247
Tax							(83)
Profit for the year from continuing operations							164
Loss after tax from discontinued operations							(48)
Profit for the year							116

Revenue earned by product type from continuing operations is disclosed below:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Rates	**695**	630
FX	**321**	292
Commodities	**213**	175
Emerging markets	**191**	141
Credit	**185**	204
Equities	**136**	163
Total revenue	**1,741**	1,605

The Group did not earn more than 10% of its total revenue from any individual customer.

The Group earned revenue of £602m (2010 – £581m) and £637m (2010 – £594m) from entities in the UK and US respectively. The remainder of £502m (2010 – £430m) came from various entities from outside the UK and US.

The amortisation and impairment arising from development expenditure recognised by the Group on a segment basis is as follows: core voice broking EMEA £7m (2010 – £6m), core voice broking the Americas £15m (2010 – £13m), core voice broking Asia Pacific £nil (2010 – £nil), electronic broking £3m (2010 – £1m), post trade risk and information £4m (2010 – £2m) and new businesses £nil (2010 – £1m).

The depreciation of property and equipment recognised by the Group on a segment basis is as follows: core voice broking EMEA £10m (2010 – £7m), core voice broking the Americas £9m (2010 – £8m), core voice broking Asia Pacific £2m (2010 – £2m), electronic broking £2m (2010 – £3m), post trade risk and information £1m (2010 – £1m) and new businesses £1m (2010 – £1m).

2 Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. The Group also calculates adjusted EPS from the adjusted profit which is defined as profit from operations before the effect of acquisition and disposal costs and exceptional items. The Group believes that this is the most appropriate measurement since it better reflects the business's underlying cash earnings.

The Group is required to disclose basic and diluted EPS on the face of the consolidated income statement and has further analysed this to show the adjusted EPS for continuing operations.

The weighted average number of ordinary shares in issue excludes the weighted average number of shares held as Treasury Shares of 4m (2010 – 2m) and those owned by employee share trusts relating to employee share schemes on which dividends have been waived, being 6m shares (2010 – 9m).

The Group has also disclosed the impact of discontinued operations on the basic, diluted and adjusted EPS.

(a) EPS relating to the Group's total operations

	Year ended 31 March 2011			Year ended 31 March 2010		
Basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic	187	652	28.7	116	643	18.0
Dilutive effect of share options	–	10	(0.5)	–	11	(0.3)
Diluted basic	187	662	28.2	116	654	17.7

	Year ended 31 March 2011			Year ended 31 March 2010*		
Adjusted basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic	187	652	28.7	116	643	18.0
Acquisition and disposal costs	62	–	9.5	42	–	6.5
Exceptional items net of tax (note 5)	11	–	1.7	52	–	8.1
Adjusted basic	260	652	39.9	210	643	32.6
Dilutive effect of share options	–	10	(0.6)	–	11	(0.5)
Adjusted diluted	260	662	39.3	210	654	32.1

*Adjusted basic and diluted EPS have been re-presented to reflect the change in definition of the column 'acquisition and disposal costs' in the consolidated income statement.

2 Earnings per share continued

(b) EPS relating to the Group's continuing operations

Basic and diluted	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2010 Earnings £m	Shares millions	Earnings per share pence
Basic	183	652	28.1	164	643	25.5
Dilutive effect of share options	–	10	(0.5)	–	11	(0.4)
Diluted basic	183	662	27.6	164	654	25.1

Adjusted basic and diluted	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2010* Earnings £m	Shares millions	Earnings per share pence
Basic	183	652	28.1	164	643	25.5
Acquisition and disposal costs	62	–	9.5	42	–	6.5
Exceptional items net of tax (note 5)	15	–	2.3	22	–	3.4
Adjusted basic	260	652	39.9	228	643	35.4
Dilutive effect of share options	–	10	(0.6)	–	11	(0.5)
Adjusted diluted	260	662	39.3	228	654	34.9

*Adjusted basic and diluted EPS have been re-presented to reflect the change in definition of the column 'acquisition and disposal costs' in the consolidated income statement.

(c) EPS relating to the Group's discontinued operations

Basic and diluted	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2010 Earnings £m	Shares millions	Earnings per share pence
Basic	4	652	0.6	(48)	643	(7.5)
Dilutive effect of share options	–	10	–	–	11	0.1
Diluted basic	4	662	0.6	(48)	654	(7.4)

Adjusted basic and diluted	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2010 Earnings £m	Shares millions	Earnings per share pence
Basic	4	652	0.6	(48)	643	(7.5)
Exceptional items net of tax (note 5)	(4)	–	(0.6)	30	–	4.7
Adjusted basic	–	652	–	(18)	643	(2.8)
Dilutive effect of share options	–	10	–	–	11	–
Adjusted diluted	–	662	–	(18)	654	(2.8)

Notes to the financial statements
continued

3 Dividends payable

The Company recognises the final dividend payable only when it has been approved by the shareholders of the Company in a general meeting. The interim dividend is recognised when the amount due has been paid.

Amounts recognised as distributions to equity holders in the year:	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Final dividend for the year ended 31 March 2010 of 12.44p per ordinary share (2009 – 12.35p)	81	79
Interim dividend for the year ended 31 March 2011 of 5.27p per ordinary share (2010 – 5.11p)	34	33
Total dividend recognised in year	**115**	112

The final dividend for the year ended 31 March 2010 was satisfied with a cash payment of £56m and a scrip dividend of 6,267,039 ICAP ordinary shares issued at £3.985 (value £25m).

The directors have proposed a final dividend of 14.68p per share for the year ended 31 March 2011. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £96m.

No scrip dividend alternative was offered in relation to the interim dividend for the year ended 31 March 2011.

The right to receive dividends has been waived in respect of the shares held in employee share trusts and no dividend is payable on Treasury Shares.

4 Tax

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is also included in other comprehensive income or directly within equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted by the end of the reporting period.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures, associates and intangibles arising on consolidation, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made in respect of any further tax liability that would arise on the distribution of retained earnings of overseas joint ventures and associates.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Significant judgement is required in determining the Group's income tax liabilities. In arriving at the current and deferred tax liability the Group has taken account of tax issues that are subject to ongoing discussions with the relevant tax authorities. Calculations of these liabilities have been based on management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the period in which such determination is made.

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4 Tax continued

Tax charged to the consolidated income statement in the year

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Current tax		
– current year	111	98
– double tax relief	(1)	(1)
– adjustment to prior years	(26)	(5)
	84	92
Deferred tax		
– deferred tax on origination and reversal of timing differences	(33)	(9)
– deferred tax impact of changes in tax rates	(1)	–
	(34)	(9)
Total tax charged to consolidated income statement – continuing operations	50	83
Tax charge/(credited) to the consolidated income statement for discontinued operations can be analysed as follows:		
Tax credit on discontinued operations, excluding exceptional items	–	(7)
Tax charge/(credited) on exceptional items – discontinued operations	2	(11)
Total tax charge/(credited) to the consolidated income statement – discontinued operations	2	(18)
Total tax charged to the consolidated income statement	52	65
Tax charged to the consolidated income statement for continuing operations can be analysed as follows:		
Total tax charged to the consolidated income statement – continuing operations	50	83
Tax credit on acquisition and disposal costs	32	20
Tax credit on exceptional items – continuing operations	8	4
Tax on profit before acquisition and disposal costs and exceptional items	90	107

The Group's share of profit of associates in the consolidated income statement is shown net of tax of £2m (2010 – £3m).

The Group's effective tax rate is reduced by 6% to 26% (2010 – 32%), due to a one-off settlement reached with tax authorities.

4 Tax continued

Tax charged/(credited) to equity in the year

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Current tax credit on share-based payments	(3)	(9)
Current tax charge on exchange adjustments	2	2
Current tax charge on hedging instruments	2	12
Net current tax on items recognised in equity	**1**	5
Deferred tax charge on share-based payments	–	1
Net deferred tax on items recognised in equity	**–**	1

The Group's tax charge was lower than the UK statutory rate and can be reconciled as follows:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit before tax from continuing operations	**233**	247
Tax on profit at the standard rate of Corporation Tax in the UK of 28% (2010 – 28%)	65	69
Expenses not deductible for tax purposes	14	12
Adjustments to deferred tax in respect of prior years	(9)	(1)
Adjustments in respect of foreign tax rates	7	10
Adjustments to current tax in respect of prior years	(26)	(5)
Adjustments in respect of associates	(1)	(2)
Tax charge from continuing operations	**50**	83

Previously unrecognised losses with a tax value of £1m (2010 – £1m) have been utilised against German profits in the year.

In addition to the changes in rates of Corporation Tax that were announced in the Finance Act 2010 which saw the main rate of Corporation Tax reduced to 27% from 1 April 2011, a number of further changes to the UK Corporation Tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of Corporation Tax to 26% from 1 April 2011. As a result of this change, the Group's deferred tax liability has been reduced by £2m.

Legislation to reduce the main rate of Corporation Tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by a further 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and are not included in the tax charge for the period. The reduction to 23% is not expected to have a material impact on the deferred tax balances.

4 Tax continued

Deferred tax – Group

The movement in deferred tax balances is as follows:

	Goodwill £m	Intangible assets arising on consolidation £m	Employee-related items £m	Deferred income and accrued expenses £m	Losses carried forward £m	Other £m	Total £m
Net balances at 31 March 2009	(11)	(139)	18	8	8	(8)	(124)
Tax (charge)/credit	(23)	19	(1)	2	(6)	18	9
Acquisition	–	(31)	–	–	–	–	(31)
Reserves	(1)	–	–	–	–	–	(1)
FX	(1)	7	(1)	2	–	–	7
	(36)	(144)	16	12	2	10	(140)
Deferred tax assets at 31 March 2010	7	–	28	18	2	10	65
Deferred tax liabilities at 31 March 2010	(43)	(144)	(12)	(6)	–	–	(205)
Net balances at 31 March 2010	(36)	(144)	16	12	2	10	(140)
Tax (charge)/credit	**(8)**	**32**	**4**	**(5)**	**8**	**3**	**34**
Reserves	**–**	**–**	**4**	**1**	**–**	**(5)**	**–**
FX	**2**	**5**	**–**	**(1)**	**–**	**–**	**6**
	(42)	**(107)**	**24**	**7**	**10**	**8**	**(100)**
Deferred tax assets at 31 March 2011	**13**	**1**	**44**	**10**	**10**	**21**	**99**
Deferred tax liabilities at 31 March 2011	**(55)**	**(108)**	**(20)**	**(3)**	**–**	**(13)**	**(199)**
Net balances as at 31 March 2011	**(42)**	**(107)**	**24**	**7**	**10**	**8**	**(100)**

Deferred tax balances after offset of balances within countries

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Deferred tax assets	**17**	34
Deferred tax liabilities	**(117)**	(174)
Net balances	**(100)**	(140)

Deferred tax assets of £5m have been reinstated in respect of German losses remaining unutilised at the year end.

Deferred tax assets of £8m (2010 – £6m) have not been recognised in respect of certain trading losses because it is not probable that future profit will be available against which the Group can utilise the benefits.

The principal movement in deferred tax relates to the ongoing release of the deferred tax liability on the amortisation of intangibles arising on consolidation.

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5 Exceptional items

Exceptional items are significant items of a non-recurring nature and considered material in both size and nature. These are disclosed separately to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally gains and losses on disposal of investments and other large gains and losses not attributable to the normal course of the Group's activities. These are shown as 'exceptional items' on the face of the consolidated income statement.

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Exceptional items – continuing businesses		
Total exceptional items before tax – continuing business	**(23)**	(26)
Tax	**8**	4
Total exceptional items after tax – continuing businesses	**(15)**	(22)
Exceptional items – discontinued business		
Total exceptional items before tax – discontinued business	**6**	(41)
Tax	**(2)**	11
Total exceptional items after tax – discontinued business	**4**	(30)

For the year ended 31 March 2011, the Group recognised an exceptional pre-tax charge in its continuing business of £23m in respect of the recoverability of the loans made to a number of associates active in non-core agency voice markets (£20m) and SEC settlement-related costs (£3m). During the twelve months to 31 March 2010, the Group recognised a pre-tax exceptional charge of £26 million in respect of settling the SEC matter (£21m) and the continuing cash equities business (£5m).

A post-tax credit of £4m relating to a reversal of a prior year exceptional charge (2010 – £nil) was also recognised for the year ended 31 March 2011. For the 12 months to 31 March 2010, the Group recognised a post-tax exceptional charge of £30m in respect of the closure of its European and Asia Pacific full service agency cash equities businesses.

6 Operating expenses

Profit before tax from continuing operations is stated after charging:	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Employee costs (note 23(a))	**1,001**	950
Information technology costs	**163**	141
Amortisation and impairment of intangible assets arising on consolidation	**84**	61
Professional and legal fees (including auditors' remuneration)	**20**	20
Amortisation and impairment of intangible assets arising from development expenditure	**29**	23
Depreciation of property and equipment	**25**	22
Governance costs*	**13**	8
Clearing and settlement fees	**19**	18
Operating lease rentals – minimum lease payments	**23**	23
Exchange adjustments	**6**	7
Other**	**95**	84
Total	**1,478**	1,357
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**0.4**	0.5
Fees payable to the Company's auditor for other services:		
– for the audit of the Company's subsidiaries	**3.2**	2.6
– regulatory	**1.4**	0.3
– tax services	**0.7**	0.5
– corporate finance services	**0.1**	0.2
– other	**0.3**	0.1
	6.1	4.2

*Governance costs include fees associated with risk, compliance, internal audit and legal.

**Other includes exceptional costs (note 5) of £3m (2010 – £26m).

Contractual arrangements

The Group places reliance on a number of key suppliers to carry out its business and has procedures to ensure that purchasing decisions balance cost against other factors including service quality, global reach and resilience.

The success of ICAP's core voice broking business is reliant on its ability to attract and retain highly qualified staff. Staff costs represent approximately 68% of total costs. A number of legal arrangements, including rolling-term contracts and non-compete arrangements, are employed to mitigate the risk of key staff being lost to competitors.

Information technology costs which represent approximately 11% of total costs are key to the delivery of both voice and electronic products. The Group seeks to ensure that its systems have full redundancy and are capable of operating from business continuity sites.

The balance of costs represent premises, governance, clearing and other costs. These represent 21% of total costs.

The settlement of matched principal and exchange traded businesses requires access to clearing houses either directly or through third party providers of clearing and settlement services. In North America the Group is a member of the FICC and NSCC through which it clears US Treasury products, agency, mortgage and equity trades for its customer base. In Europe and Asia Pacific, with the exception of base metal clearing on LCH.Clearnet, the majority of the Group's clearing activities are outsourced to third parties where ICAP seeks to partner with one of the leading clearing providers in each market.

7 Cash

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

The Group holds money, and occasionally financial instruments, on behalf of customers (client monies) in accordance with local regulatory rules. Since the Group is not beneficially entitled to these amounts, they are excluded from the consolidated balance sheet along with the corresponding liabilities to customers.

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

(a) Reconciliation of Group profit before tax to net cash flow from operating activities

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
Profit before tax from continuing operations	233	247
Profit/(loss) before tax from discontinued operations (note 25(a))	6	(66)
Discontinued operations exceptional item (note 5)	(6)	41
Operating exceptional items	23	26
Share of operating profits of associates after tax	(3)	(7)
Amortisation and impairment of intangible assets arising on consolidation	84	61
Amortisation and impairment of intangible assets arising from development expenditure	29	23
Depreciation of property and equipment	25	22
Other amortisation and impairments	10	4
Share-based payments	8	10
Net finance expense	28	28
Operating cash flows before movements in working capital	437	389
(Increase)/decrease in trade and other receivables	(66)	26
Decrease/(increase) in restricted funds	6	(1)
Decrease in trade and other payables	(14)	(53)
Net receipts in respect of financial assets held at fair value	–	4
Cash generated by operations before exceptional items	363	365
Operating exceptional items paid	(21)	(21)
Cash generated by operations	342	344
Interest received	3	3
Interest paid	(30)	(17)
Tax paid	(59)	(55)
Net cash flow from operating activities	256	275

The movement in trade and other receivables and trade and other payables excludes the impact of the gross-up of matched principal trades as permitted by IAS7 'Statement of Cash Flows'. The gross-up has no impact on the cash flow or net assets of the Group. The cash flow movement in trade and other receivables includes the net movement on matched principal transactions and deposits for securities borrowed/loaned.
The movement for the year ended 31 March 2011, after accounting for acquisitions, is an outflow of £18m (2010 inflow of £20m).

For details of the cash flow related to discontinued operations see note 25(b).

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7 Cash continued

(b) Net debt

Net debt comprises cash and cash equivalents less other debt.

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Gross debt (note 8(c))	(565)	(652)
Cash and cash equivalents	404	423
Net debt	**(161)**	(229)

(c) Total cash

The Group has traditionally accounted for the cash elements of balances held with those institutions that provide it with clearing and settlement services as cash and cash equivalents on the basis that the nature of the Group's business model, which does not involve it taking proprietary positions, does not put the balances at risk. However, following a review undertaken in 2010/11 it was determined that the balances could not be withdrawn on a same-day basis and, as such, failed to meet the definition contained in IAS7 'Statement of Cash Flows' for cash and cash equivalents and it was therefore concluded that these balances should be separately identified on the face of the balance sheet and separately identified within the cash flow statement under cash from operations. The impact of this re-presentation is discussed within the basis of preparation section of the financial statements.

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Cash and cash equivalents	404	423
Restricted funds	73	81
Total cash	**477**	504

(d) Client money

At 31 March 2011 the Group held client money of £35m (2010 – £34m). This amount, together with the corresponding liabilities to customers, is not included in the Group's consolidated balance sheet.

8 Borrowings

Long-term borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. At subsequent reporting dates long-term borrowings are held at amortised cost using the effective interest rate method, with changes in value recognised through the consolidated income statement. Transaction costs are recognised in the consolidated income statement over the period of the borrowings using the effective interest rate method.

(a) Long-term borrowings

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
As at 1 April	**395**	270
New long-term borrowings	**–**	257
Issue costs capitalised	**–**	(3)
Amortisation of issue costs	**–**	1
Repaid in the year	**–**	(135)
Exchange adjustment	**(9)**	3
Fair value hedging adjustment	**(4)**	2
As at 31 March	**382**	395
Analysis of long-term borrowings		
Subordinated loan notes repayable 2015	**120**	127
Five year senior notes	**262**	268
As at 31 March	**382**	395

The Group has in issue $193m of guaranteed subordinated loan notes repayable in 2015 paying a coupon of LIBOR plus 1.95%.

The Group also has in issue €300m of five-year senior notes (the 'Notes') repayable in July 2014 with a coupon of 7.5%. The Notes were issued at a price of €99.496, and are shown net of both this discount and fees of £1m (2010 – £2m) directly attributable to the issue. The carrying value of the Notes of £263m (2010 – £270m) includes a fair value hedging adjustment to decrease the carrying value by £2m (2010 – £2m increase) relating to the mark-to-market of the interest portion of the notes.

To enable the Group to manage the translational exposure which arises as a result of the Notes being denominated in euros and to meet its risk management objective of minimising both interest cost and the impact of interest volatility on its consolidated income statement, the Group entered into a number of cross-currency swaps to convert its obligations over the life of the Notes from euros to pound sterling. €100m of the Notes have been swapped from a fixed euro-denominated coupon of 7.5% to a fixed pound sterling denominated coupon of 8.58% and the remaining €200m from a fixed euro-denominated coupon of 7.5% to a floating pound sterling denominated coupon of six month LIBOR plus 4.92%. The fixed to fixed swaps have been accounted for as a cash flow hedge and at 31 March 2011 have a fair market value of £1m liability (2010 – £2m asset). These swaps offset the effect of FX on the Notes, which resulted in a £nil charge (2010 – £nil) being recognised in the consolidated income statement and £2m charge (2010 – £3m charge) in other comprehensive income during the year. The fixed to floating swaps have been treated as a fair value hedge, have a fair market value of £5m (2010 – £11m) at 31 March 2011 and resulted in a £6m charge (2010 – £11m gain) being recognised in the consolidated income statement during the year. The impact on the consolidated income statement relating to the fair value movement on the Notes is a £6m credit (2010 – £9m charge).

The fair value of the long-term borrowings is not materially different from their book values.

There are no long-term external borrowings in the Company.

8 Borrowings continued

(b) Short-term borrowings

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m	Company as at 31 March 2011 £m	Company as at 31 March 2010 £m
Revolving credit facility – net of fees	183	217	–	–
European Commercial Paper	–	40	–	40
	183	257	–	40

On 7 May 2010, the Group refinanced its £473m three-year unsecured revolving credit facility (RCF) and $94m swingline with a new $880m revolving credit facility incorporating an up to $200m swingline facility, with a maturity date of 31 May 2013. The drawings under the revolving credit facility as at 31 March 2011 of £183m (2010 – £217m) are net of capitalised fees of £4m (2010 – £nil). To take advantage of lower short-term interest rates, the amounts drawn as at 31 March 2011 were for a one-week period and have been included within short-term borrowings. The facility carries a floating interest rate at LIBOR plus 2% with an additional 0.50% payable dependent on the debt to earnings ratio. The weighted average effective interest rate for the year was 2.2% (2010 – 1.0%).

The Group continues to issue commercial paper under its £500m European Commercial Paper (ECP) programme, providing a diverse source of finance for the Group's working capital and margin requirements. During the year there was regular issuance, however, at 31 March 2011 the Group had none in issue (2010 – €45m (£40m)). The weighted average effective interest rate was 0.9% (2010 – 1.0%).

Bank overdrafts are for short-term funding and are repayable on demand, and are generally being repaid within a very short time period. There were £nil overdrafts at 31 March 2011 (2010 – £nil).

The Group's bank facilities contain a number of customary financial and operational covenants. The Group remained in compliance with the terms of these covenants throughout the year ended 31 March 2011.

Under the terms of the Group's bank financings, the Company is required to remain as the ultimate holding company in the Group. A change in ownership of the Company could result in the Group's three-year unsecured revolving credit facility becoming repayable.

The fair value of the short-term borrowings is not materially different from their book values.

(c) Liquidity risk management

Group

Through the GRACC, the board regularly reviews the liquidity demands of the Group. The objective is to ensure that each entity has access to appropriate forms of liquidity to meet their forecast regulatory, commercial and settlement requirements. The GRACC also ensures that the Group, in totality, has sufficient headroom to provide constant access, even in periods of market turmoil, to an appropriate level of cash, other forms of marketable securities and committed funding lines to enable it to finance its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms. Maturity analysis of financial liablilities excluding borrowings are included in note 18.

At 31 March 2011, the Group had gross debt of £565m (2010 – £652m) and cash and cash equivalents of £404m (2010 – £423m) (see note 7(b)). It is the Group's policy to only hold cash necessary to meet local regulatory, commercial, settlement and short-term working capital requirements and for excess cash to be used to reduce gross debt. Cash has decreased from 31 March 2010 due to repayment of borrowings during the year and payment of interest on the Notes.

The Group invests its cash balances in a range of capital protected instruments including money market deposits, AAA liquidity funds and government bonds with the objective of optimising the return, while having regard to security, liquidity and counterparty risk. With the exception of some small, local cash management balances, surplus cash is invested with strong investment grade institutions which have an equivalent credit rating of A or better and are marked-to-market at the end of each reporting period. Counterparty limits applied are reviewed by the GRACC in conjunction with the risk function.

Although the Group does not undertake proprietary trading, it is subject to a combination of margin and collateral requirements of the clearing houses or financial institutions which provide ICAP with access to the clearing houses. The most significant margin requirements arise in the US where, as part of its broking business, it provides clearing services to customers and is required to deposit margin with the FICC and NSCC. During the year to 31 March 2011, these deposits averaged $33m. Cash held at clearing houses, or a financial institution providing ICAP with access to a CCP, is now separately disclosed as restricted funds (see note 7). The deposits are met through a combination of internal cash resources and the $200m swingline facility. The Group has no other material margin requirements on a routine basis.

To provide protection against unexpected events, the Group has traditionally maintained minimum core liquidity, in the form of cash and undrawn debt facilities, of £150m ($250m). The headroom remained undrawn throughout the year. At 31 March 2011, the Group had committed headroom under its core credit facilities of £362m (2010 – £318m).

Notes to the financial statements
continued

8 Borrowings continued

Committed facilities

	Group as at 31 March 2011 £m Drawn	Group as at 31 March 2011 £m Undrawn*	Group as at 31 March 2010 £m Drawn	Group as at 31 March 2010 £m Undrawn*
Less than one year	**183**	**–**	257	–
Between one and two years	**–**	**–**	–	318
Between two and five years	**382**	**362**	395	–
	565	**362**	652	318

*The undrawn balance has been classified based on the maturity date of the facility.

As at 31 March 2011, the Group's long-term issuer default rating on senior debt was BBB+ by Fitch and Baa2 by Moody's. There has been no change in ratings since 31 March 2010.

Company
The Company seeks to ensure that it has constant access to an appropriate level of cash and funding to enable it to fund its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms.

If the Company has any cash, it is loaned intra-group for further investment. All of the Company's financial liabilities are payable within three months, with the exception of a subordinated loan owed to a subsidiary of £140m which has a maturity date of 26 March 2014.

9 Net finance expense

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Finance income:		
Interest receivable and similar income		
Bank deposits	**3**	2
Other interest receivable	**–**	1
	3	3
Other finance income		
Fair value (loss)/gain on derivative financial instruments (note 8(a))	**(6)**	11
Fair value gain/(loss) of hedged item (note 8(a))	**6**	(9)
Dividends received on equity investments	**2**	2
	2	4
Total finance income	**5**	7
Finance costs:		
Interest payable and similar charges		
Bank loans and overdrafts	**(33)**	(28)
	(33)	(28)
Other finance costs		
Impairment of loans to associates (note 5)	**(20)**	(5)
Unwinding of the discount on deferred contingent consideration	**–**	(2)
	(20)	(7)
Total finance costs	**(53)**	(35)
Net finance expense	**(48)**	(28)

Details of interest rate risk management are disclosed within note 10, currency and interest rate risk management.

10 Currency and interest rate risk management

The Group uses various financial instruments as hedges to reduce exposure to FX and interest rate movements. These can include forward FX contracts, currency options and cross currency swaps. All derivative financial instruments are initially recognised on the balance sheet at their fair value, adjusted for transaction costs. Where derivative financial instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in the consolidated income statement, along with transaction costs. Where they do qualify, gains and losses are recognised according to the nature of the hedge relationship and the item being hedged. Hedges are either classified as fair value hedges, cash flow hedges or net investment hedges.

The fair values of the Group's derivative financial instruments are determined using appropriate valuation techniques from observable data, including discounted cash flow analysis, as no active markets with quoted prices exists for the instruments held by the Group.

The method of recognising the movements in the fair value of a derivative depends on whether an instrument has been designated as a hedging instrument and, if so, the nature of the exposure being hedged. To qualify for hedge accounting, the terms of the hedge must be documented clearly at inception and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is tested throughout the life of the hedge and, if at any point it is concluded that the relationship can no longer be expected to remain highly effective in achieving its objective, the hedge relationship is terminated.

Fair value hedges: derivative financial instruments are classified as fair value hedges when they hedge an exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk that could affect the consolidated income statement. The hedging instrument is recorded at fair value on the balance sheet, with changes in fair value being taken through the consolidated income statement. Where the hedged item is measured at cost, and for periods in which the hedge is shown to be effective, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the consolidated income statement. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement.

Cash flow hedges: derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to changes in cash flows attributable to a particular asset or liability or a highly probable forecast transaction. Gains or losses on designated cash flow hedges are recognised directly in other comprehensive income, to the extent that they are determined to be effective. Any remaining ineffective portion of the gain or loss is recognised immediately in the consolidated income statement. On recognition of the hedged asset or liability, any gains or losses relating to the hedging instrument that had previously been recognised directly in other comprehensive income are included in the initial measurement of the fair value of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there and is recognised in the consolidated income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred immediately to the consolidated income statement.

Net investment hedges: changes in the value of foreign denominated investments due to currency movements are recognised directly in other comprehensive income. The accounting treatment for a net investment hedging instrument, whether it is a derivative financial instrument or a recognised asset or liability on the balance sheet, is consistent with the aforementioned treatment for a cash flow hedge. Gains and losses accumulated in other comprehensive income are included in the consolidated income statement on the ultimate disposal of the foreign denominated investment. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement.

(a) Currency risk management

Group

The Group presents its consolidated financial statements in pound sterling and conducts business in a number of other currencies, principally the dollar and euro. Consequently the Group is exposed to FX risk due to exchange rate movements which affect the Group's transactional revenue and the translation of the earnings and net assets of its non-pound sterling operations.

(i) Transactional exposures

The Group's policy is for subsidiaries with pound sterling functional currency to hedge their main transactional exposures, which are the dollar and the euro, through a combination of forward FX contracts and options for up to two years forward. A maximum of 100% of the forecast exposure is hedged for the first 12 months, 75% for the following six months and 25% thereafter. The Group's other transactional exposures are monitored and, where deemed appropriate, hedged for a period of 12 months forward.

The Group has contracts in place, designated as cash flow hedges under IAS39 where appropriate, covering approximately 89% of its forecast dollar transactional exposure for the year to 31 March 2012 at $1.60/£. Approximately 80% of the Group's euro exposure has been hedged for the year to 31 March 2012 at €1.16/£.

10 Currency and interest rate risk management continued

(ii) Balance sheet translational exposures

The Group is exposed to balance sheet translational exposures at the local entity level where the local consolidated balance sheet may contain monetary assets or liabilities denominated in a currency other than the entity's functional currency. It is the Group's policy to hedge up to 100% of these exposures using a mix of foreign currency swaps and forward FX contracts and these are designated as hedges under IAS39 where appropriate.

Balance sheet translational exposures also arise on consolidation as a result of the retranslation of the balance sheet of the Group's non-pound sterling operations, principally dollar and euro, into pound sterling, the Group's presentational currency. The Group's general policy is not to actively manage these exposures, as active management using instruments with a shorter tenor than the underlying net asset can give rise to a net cash outflow. However, from time to time it will use forward FX contracts, cross currency swaps or non-pound sterling denominated borrowings to mitigate this exposure. During the financial year ended 31 March 2011, the Group designated the subordinated loan notes, the dollar drawings on the revolving credit facility (RCF) and an element of forward FX contracts swapping dollar receipts from drawing on the RCF into euros used to settle maturing ECP issuances, as a hedging instrument against the underlying dollar exposure. As at 31 March 2011 this exposure was $1.4bn (2010 – $1.6bn) including intangible assets arising on consolidation, but before $0.4bn of hedging (2010 – $0.2bn).

As at 31 March 2011, with respect to pound sterling, the dollar depreciated by 5% and the euro depreciated by 1%. In accordance with IAS21 'The Effects of Changes in Foreign Exchange Rates', the resulting translational exchange difference is included within the £65m exchange loss taken directly to retained earnings, as disclosed in the consolidated statement of comprehensive income. The Group does not have foreign operations whose functional currency are considered hyperinflationary and would therefore require adjusting to state all items in the measuring unit current at the reporting date.

The table below shows the actual impact on the Group's 2011 results of the movement during the year of the dollar and euro exchange rates in terms of transactional and translational exposure.

	Dollar £m	Euro £m	Total £m
Operating profit	14	16	30
Equity	59	4	63

(iii) Earnings translation exposures

The Group does not hedge the translation of those profits or losses earned by its non-pound sterling operations. For the year ended 31 March 2011, with respect to pound sterling, the average dollar exchange rate appreciated by 2% and the average euro exchange rate depreciated by 4%.

The table below shows the anticipated impact on the Group's 2012 results of a 10 cent strengthening in the dollar and euro in terms of transactional and translational exposure.

	Dollar £m	Euro £m	Total £m
Operating profit	24	19	43
Equity	52	3	56

The principal exchange rates which affect the Group, expressed in currency per pound sterling, are shown below:

	Closing rate as at 31 March 2011	Closing rate as at 31 March 2010	Average rate year ended 31 March 2011	Average rate year ended 31 March 2010
Dollar	1.60	1.52	1.56	1.59
Euro	1.13	1.12	1.17	1.13
Yen	132.85	141.74	133.10	147.35

10 Currency and interest rate risk management continued

(iv) Derivative financial instruments

It is the Group's policy to hedge a proportion of its transactional dollar and euro exposures with forward FX contracts. Where these are designated and documented as hedging instruments in the context of IAS39 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in other comprehensive income and transferred to the consolidated income statement on recognition of the underlying item being hedged.

	As at 31 March 2011		As at 31 March 2010	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	**2**	**(5)**	2	(4)
Cross currency swaps – cash flow hedges	**–**	**(1)**	2	–
Cross currency swaps – fair value hedges	**5**	**–**	11	–
Other	**–**	**–**	5	(2)
	7	**(6)**	20	(6)

Cross currency swaps relate to hedging the interest rate and FX risks of the Group for the €300m of five-year senior notes (note 8(a)).

No amounts (2010 – £nil) were recognised in the consolidated income statement in the year as a result of ineffective hedges.

Company

(i) Transactional exposures

The Company has an immaterial exposure to transactional exposure.

(ii) Balance sheet translational exposures

The Company is exposed to balance sheet translational exposures where the balance sheet contains assets or liabilities denominated in a currency other than pound sterling. While it is the Group's policy to hedge up to 100% of these exposures at Group level, at Company level these exposures can affect the Company's profit after tax.

At 31 March 2011, the Company had no financial assets or liabilities denominated in foreign currencies (2010 – £40m euro liability).

The Company estimates that a 10 cent movement in the euro/pound sterling exchange rate would result in a translational impact of £nil (2010 – £3m) on the profit after tax of the Company.

(b) Interest rate risk management

Group

The Group has an exposure to fluctuations in interest rates on both its cash positions and borrowings which it manages through a combination of pound sterling and dollar debt drawn on fixed and floating rate terms. The Group's objective is to minimise interest cost and the impact of interest volatility on the Group's consolidated income statement. In addition to debt, the Group's treasury policies also permit the use of derivatives including interest rate swaps, interest rate options, forward rate agreements and cross currency swaps to meet these objectives.

At 31 March 2011, after taking into account cross currency and FX swaps of the euro denominated five-year senior notes, the Group had £113m of cash, £175m of floating rate debt and £88m of fixed rate debt denominated in pound sterling, £227m of cash and £307m of floating rate debt denominated in dollars (or currencies closely related to the dollar) and £137m of cash denominated in other currencies. A 100 basis-points parallel movement in pound sterling LIBOR and LIBID rates would impact profit after tax and other comprehensive income by £nil with a similar movement in dollar rates impacting profit after tax and other comprehensive income by £1m. In the event that LIBOR and LIBID rates diverge, each 100 basis-points movement (i.e. 50 basis-points movement in each) in pound sterling and dollar rates would impact profit after tax and other comprehensive income by £2m and £3m respectively.

The details of the interest rate bearing financial liabilities are disclosed in note 8.

Notes to the financial statements
continued

10 Currency and interest rate risk management continued

Company
Interest rate profile

The Company is exposed to interest rate movements as a result of issuance under its commercial paper programme and loan from subsidiary of £140m. It is estimated that the impact of a 100 basis-points movement in interest rates would not have a significant impact on the profit after tax of the Company.

Financial assets

The Company is owed £40m (2010 – £36m) of non-interest bearing balances at the year end.

Financial liabilities

The Company owes £84m (2010 – £800m) of non-interest bearing loans to subsidiaries and during the year the terms of the £140m subordinated loan were amended to charge interest at three month GBP LIBOR plus 2%. The ECP liability of £nil (2010 – £40m) is carried at a floating rate. The accruals balance of £5m (2010 – £nil) is non-interest bearing.

11 Acquisitions of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the costs of the acquisition are less than the fair value of the net assets acquired, the difference is recognised directly in the consolidated income statement. When the Group increases its investment in an entity resulting in an associate becoming a subsidiary, the intangibles related to the acquisition are valued and the element of those not previously recognised as a share of net assets are recorded as revaluation gains realised in the year in other comprehensive income. A change of ownership that does not result in a loss of control is classified as an equity transaction, with the difference between the amount by which the non-controlling interest is recorded and the fair value of the consideration received recognised directly in equity. The impact of adopting IFRS3 (revised) 'Business Combinations' on the Group is discussed in the basis of preparation section of the financial statements.

Where the Group has issued a put option over shares held by a non-controlling interest, the Group derecognises the non-controlling interests and instead recognises a contingent deferred consideration liability for the estimated amount likely to be paid to the non-controlling interest on exercise of those options. The residual amount, representing the difference between any consideration paid/payable and the non-controlling interests share of net assets, is recognised in equity. Movements in the estimated liability after initial recognition are recognised within the consolidated income statement. Where the Group has a call option over shares held by a non-controlling interest, the Group continues to recognise the non-controlling interest until it is certain that the option will be called. At that point the accounting treatment is the same as for a put option.

(a) Acquisitions in the year
During the year the Group did not make any significant acquisitions.

(b) Contingent deferred consideration in respect of acquisitions
A number of acquisitions made by the Group are satisfied in part by contingent deferred consideration. The Group has re-estimated the amounts due where necessary, with any corresponding adjustments being made to goodwill.

Included within contingent deferred consideration are amounts which are exercisable at certain dates in the future on put options written over shares held by non-controlling interests where the Group considers it highly likely that these options will be exercised.

	Year ended 31 March 2011			
	Link £m	Arkhe £m	Other £m	Total £m
Contingent deferred consideration outstanding as at 1 April 2010	13	1	5	19
Cash consideration paid in the year	(14)	–	–	(14)
Re-estimation of provisions which arose on acquisition	3	(1)	–	2
Adjustments to goodwill during the year	(2)	–	–	(2)
Contingent deferred consideration outstanding as at 31 March 2011	–	–	5	5

11 Acquisitions of subsidiaries continued

(b) Contingent deferred consideration in respect of acquisitions continued

	Year ended 31 March 2010					
	Link £m	ICAP Shipping £m	ICAP Equities £m	Arkhe £m	Other £m	Total £m
Contingent deferred consideration outstanding as at 1 April 2009	25	8	13	–	2	48
Acquisitions in the year	–	–	–	5	6	11
Cash consideration paid in the year	(14)	(1)	(1)	–	–	(16)
Unwinding of discount	1	–	–	1	–	2
Re-estimation of provisions which arose on acquisition	9	–	–	–	–	9
Adjustments to goodwill during the year	(8)	(7)	(12)	(5)	(3)	(35)
Contingent deferred consideration outstanding as at 31 March 2010	13	–	–	1	5	19

Link

On 25 May 2010 the final payment of £20m in respect of the Link acquisition was made for £14m settling contingent deferred consideration and £6m paid into escrow to cover potential employee liabilities. No further payments are to be made relating to this acquisition.

TriOptima

On 24 March 2010, the Group acquired the remaining 61.78% of the share capital of TriOptima AB for an initial cash consideration of Swedish krona (SEK) 1,288m (£119m), inclusive of a deferred consideration payment of £7m. The remaining £7m was paid on 10 May 2010 following approval of TriOptima's 2009 financial statements. Contingent deferred consideration is payable, in two tranches, following approval of the TriOptima 2010 and 2012 financial statements and is contingent on the business achieving a minimum pre-tax profit margin and revenue target. The Group has set stretching revenue and profit targets for the business. Based on the results for the year no payment fell due under the first earn-out and management still believes that it is appropriate to continue to recognise £nil contingent deferred consideration at 31 March 2011 (2010 – £nil).

(c) Acquisition and disposal costs before tax

Acquisition and disposal costs before tax comprises:	**Year ended 31 March 2011 £m**	Year ended 31 March 2010 £m
Amortisation and impairment of intangibles recognised on consolidation	**(84)**	(61)
Impairment of available-for-sale assets	**(4)**	–
Impact on operating profit	**(88)**	(61)
Unwinding of deferred consideration	**–**	(2)
Associates	**(6)**	1
Acquisition and disposal costs before tax	**(94)**	(62)

Notes to the financial statements
continued

12 Intangible assets arising on consolidation

Intangible assets arising on consolidation include goodwill and other separately identifiable intangible assets such as customer relationships, brands and customer contracts that arose on business combinations since 1 April 2004. The amortisation and any impairment is included in the consolidated income statement within the column 'acquisition and disposal costs'. It is anticipated that intangible assets arising on the acquisition of voice broking businesses have a finite life. The Group reviews the performance of the businesses and reassesses the likely period over which the acquired intangible asset is likely to continue to generate cash flows that exceed the recoverable amount. As a result some businesses will have no impairment in a particular year while others will.

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the cost of the acquisition in excess of the fair value of the Group's share of the net assets acquired. Fair values are determined based on an assessment of the value of the individual assets and liabilities acquired, including reference to market prices, discounting expected future cash flows to present value or using replacement cost as appropriate.

Where the Group makes an acquisition and the balances are reported as provisional at the year end, the Group has a measurement period of up to 12 months from the date of acquisition to finalise the provisional amounts where new information becomes available about facts and circumstances that existed at the balance sheet date, which could impact the value of goodwill and intangible assets arising on consolidation. The measurement period ends as soon as the information required is received.

Goodwill is initially recognised at cost and is subsequently held at cost less any provision for impairment. Goodwill is not subject to amortisation but is tested annually for impairment.

Goodwill acquired since 2004 is held in the currency of the underlying assets of the business and is revalued at the closing rate at each reporting period end. Goodwill acquired before 2004 is held in pound sterling and is not revalued. Goodwill acquired prior to 1998 was immediately eliminated against reserves and was not reinstated on transition to IFRS. Goodwill held on the consolidated balance sheet on transition to IFRS in 2004 has been recognised at its book value at the date of transition and is no longer amortised but is tested annually for impairment.

Goodwill arising on the acquisition of subsidiaries and joint ventures is shown within non-current assets. Goodwill arising on the acquisition of associates is included within their carrying value.

On disposal of a subsidiary, joint venture or associate, the attributable goodwill is included in the calculation of the profit or loss on disposal, except for goodwill written off to reserves prior to 1998, which remains eliminated.

(ii) Separately identifiable intangible assets

The Group has recognised separately identified intangible assets on acquisitions where appropriate. These generally include customer contracts and customer relationships. Intangible assets acquired by the Group are stated initially at fair value and adjusted subsequently for amortisation and any impairment. Amortisation and impairment of intangibles arising on consolidation are recognised in the second column of the consolidated income statement. Where an impairment has taken place, the asset is reviewed annually for any reversal of the impairment. Any reversals of impairment are credited to the consolidated income statement. All intangible assets have a finite life.

Amortisation of separately identifiable intangible assets is charged to the consolidated income statement on a straight-line basis over their estimated useful lives as follows:

Customer relationships	2 – 10 years
Customer contracts	Period of contract
Other intangible assets	Period of contract

A deferred tax liability is recognised against the asset where the amortisation is non-tax deductible. The liability unwinds over the same period as the asset is amortised.

(iii) Impairment

Goodwill is not amortised but is tested for impairment at least annually. Goodwill and other intangible assets arising on consolidation are allocated to a cash generating unit (CGU) at acquisition. A CGU is the smallest segment on which it is practicable to report, each of which represents one of the Group's businesses. The recoverable amount of a CGU is determined based on value-in-use calculations. The Group uses a five-year impairment model as required under IAS36 'Impairment of Assets' unless a shorter or longer period is justified. These calculations use cash flow projections which extend forward to perpetuity using a terminal value calculation and which take account of the approved budget for the coming year and the following two-year approved strategy. Cash flows for years four and five rely on estimates of growth factors determined by the business. The Group applies a suitable discount factor to the future cash flows based on its pre-tax weighted average cost of capital. Growth rates are applied conservatively and do not exceed the expected growth in the local economy after the fifth year or for businesses which operate on a global scale, the global GDP. Where the carrying value of the asset exceeds its value-in-use, an impairment charge is recognised immediately in the consolidated income statement, and the asset is impaired to its value-in-use. For goodwill, impairment charges previously recognised are not reversed and impaired intangible assets are reviewed annually for reversal of previously recognised impairment.

This calculation requires the exercise of significant judgement by management; if the estimates made prove to be incorrect or performance does not meet expectations which affect the amount and timing of future cash flows, goodwill and intangible assets may become impaired in future periods.

12 Intangible assets arising on consolidation continued

(a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2010	**1,073**	**633**	**1,706**
Adjustments relating to contingent deferred consideration (note 11(b))	**(2)**	**–**	**(2)**
Exchange adjustments	**(33)**	**(12)**	**(45)**
As at 31 March 2011	**1,038**	**621**	**1,659**
Amortisation and impairment			
As at 1 April 2010	**36**	**181**	**217**
Amortisation charge for the year	**–**	**73**	**73**
Impairment in the year	**9**	**2**	**11**
As at 31 March 2011	**45**	**256**	**301**
Net book value			
As at 31 March 2011	**993**	**365**	**1,358**
Cost			
As at 1 April 2009	1,035	525	1,560
Additions	89	82	171
Transfer of goodwill from associates	2	–	2
Revaluation of intangibles	12	45	57
Adjustments relating to contingent deferred consideration (note 11(b))	(35)	–	(35)
Exchange adjustments	(30)	(19)	(49)
As at 31 March 2010	1,073	633	1,706
Amortisation and impairment			
As at 1 April 2009	31	125	156
Amortisation charge for the year	–	51	51
Impairment in the year	5	5	10
As at 31 March 2010	36	181	217
Net book value			
As at 31 March 2010	1,037	452	1,489

12 Intangible assets arising on consolidation continued

(b) Impairment testing of intangible assets arising on consolidation

Analysis of intangible assets

	Business segment	Year of acquisition	As at 31 March 2011 Goodwill £m	Other £m	Net book value £m
Exco's acquisition of Intercapital	EMEA voice broking	1998	23	–	23
ICAP Energy LLC	Americas voice broking	2002	18	–	18
First Brokers	Americas voice broking	2002	8	–	8
Acquired Asian Businesses*	Asia Pacific voice broking	2002	12	–	12
BrokerTec	Electronic broking	2003	146	–	146
United Energy**	Americas voice broking	2005	14	–	14
EBS	Electronic broking	2006	316	135	451
Reset	Post trade risk and information	2006	131	–	131
Traiana	Post trade risk and information	2007	95	51	146
ICAP Shipping	EMEA voice broking	2007/08	28	2	30
Link	EMEA, Americas and Asia Pacific voice broking	2009	81	77	158
Arkhe	New businesses	2010	31	6	37
Ocean Tomo	New businesses	2010	5	1	6
TriOptima	Post trade risk and information	2010	64	92	156
Others	Various	Various	21	1	22
Total			**993**	**365**	**1,358**

*The acquisition from Nittan Capital of its voice broking interests in Asia (Nittan Capital (Hong Kong) Ltd, Nittan AP (Singapore) Pte Ltd, Noranda Investments Pte Ltd, NextGen Holding Co Ltd and certain subsidiaries including ICAP-AP (Thailand) Co. Ltd).

**Includes the acquisition of United Fuels International Inc., United Crude Oil Inc., United Domestic Crude Oil Inc., United Power Inc., and United Energy Inc.

Goodwill

The value-in-use calculations are sensitive to changes in assumptions used in cash flow projections and, in particular, long-term growth rates. To determine the cash flows a five-year model (base model) as required under IAS36 'Impairment of Assets' was prepared for each business. The base model takes into account the business's current view based on the three-year budget and strategy. The strategy takes into account both the strategic actions of the business and impacts associated with its external environment, such as regulatory reform. Estimates of growth factors determined by the business were used to determine cash flows related to years four and five. Where circumstances justify looking beyond the five-year cycle, as with Arkhe and ICAP Shipping in which the factors are subsequently discussed, a ten-year model was used encompassing the same principles as the five-year model. The cash flows after year three, or year five where applicable, were extrapolated into the future using a rate consistent with the long-term growth factors relating to the business and economy in which the business operates to determine the terminal value. Management has also considered performance of the business in the current year against the budget and assumptions used in the prior year impairment model. Where results have varied management has prepared an analysis to validate resulting differences. Where applicable, management has also looked to external support in the form of either independent valuations or market activity reports to validate assumptions used in the models. On finalisation of the impairment testing for all intangible assets, the Group has concluded that there is sufficient headroom of the businesses within the voice broking, electronic and post trade investments and, with the exception of First Brokers and various small businesses, no impairment is required. While Link, Traiana and Arkhe, each being comparatively recent acquisitions, have a relatively low level of headroom, a sensitivity analysis has been performed to assess the impact of a 1% increase in the discount rate, a 1% decrease in the long-term growth rate and a 5% decrease in annual cash flows. The conclusion of which is that any such change would not be individually greater than £15m.

12 Intangible assets arising on consolidation continued

(b) Impairment testing of intangible assets arising on consolidation continued

Cost of capital

An increase in ICAP's share price together with an increase in market risk premium has resulted in a slight increase in the Group's long-term pre-tax weighted average cost of capital (WACC) from 9% to 10%. The Group has reviewed the computation of the WACC and, based on a change in tax assumptions related to the cost of equity, the Group has seen the WACC increase by a further 2%. For the voice business in Asia Pacific, principally Singapore, and businesses outside the core interdealer broker franchise, such as ICAP Shipping, Traiana and Ocean Tomo, management has added a premium to reflect local country risk based on the differential between local sovereign debt rates and the prevailing rates in the UK or the risk associated with the smaller scale of these businesses. The discount rates used for impairment testing are disclosed below.

Growth rates

The valuations use cash-flows based on detailed financial budgets and strategy prepared by management covering a three-year period. For businesses where a five-year model has been created for the Group's value-in-use calculations, a long-term growth rate into perpetuity has been determined as either:

i) the nominal gross domestic product (GDP) rates for the country of operation;

ii) the global nominal rates for operations which operate in multiple countries; or

iii) the long-term growth rate as estimated by management.

For businesses which are cyclical in nature (e.g. ICAP Shipping) or are still in a growth phase, the data plan is extended for an additional five years for the Group's value-in-use calculations. A long-term growth rate has been determined based on external data related to particular businesses and factored in as part of the terminal growth rate that has then been applied in year 10.

The pre-tax discount rates and long-term growth rates used for impairment testing are as follows:

	Pre-tax discount rate %		Long-term growth rates %	
	2011	2010	**2011**	2010
Exco's acquisition of Intercapital	**12**	9	**2**	2
ICAP Energy LLC	**12**	9	**–**	2
First Brokers	**12**	9	**–**	–
Acquired Asian Businesses*	**14**	10	**4**	–
BrokerTec	**12**	9	**2**	2
United Energy*	**12**	9	**–**	2
EBS	**12**	9	**1**	1
Reset	**12**	9	**2**	–
Traiana	**14**	11/20	**5**	–
ICAP Shipping	**14**	11	**3**	2
Link	**12**	9	**3**	2
Arkhe	**19**	18	**5**	4
Ocean Tomo	**14**	10	**2**	2
TriOptima	**12**	n/a	**3**	n/a
Others	**12**	9	**2–4**	1–2

*See definitions on page 98.

12 Intangible assets arising on consolidation continued

(b) Impairment testing of intangible assets arising on consolidation continued

Link

The Link business encountered challenging market conditions in 2010 as global market volumes decreased and the business saw average brokerage rates fall by 20% to 30% across all regions from continued commission compression. Link saw the biggest impact in revenue over the summer months with revenue down in all product areas. The business has seen a recovery in the US and the UK markets since October 2010, with the trend expected to continue and reflected in the 2011/12 budget. The market in Asia Pacific continues to be depressed due to severe price competition and aggressive hiring by peers. The Link business has, however, managed to successfully maintain or increase market share and, with the recent contract extension of key brokers, puts the business in a strong position to benefit from increased confidence in the market.

The base case model assumes revenue growth of 7% during the next fiscal year, 11% for the following two years and a more conservative assumption of GDP growth rate of 3% has been applied thereafter. The base case, in line with the three-year strategy, has been prepared by each of the local regions (EMEA, the Americas and Asia Pacific) and therefore takes into account specific rates of recovery with Asia Pacific expected to make a slower recovery than EMEA and the Amercias. Under these assumptions no impairment is required.

While performance has been lower than expected, Link continues to maintain its leadership position in the equity derivative markets and, as markets recover and dealer volumes increase, we expect Link will gain further market share as smaller players leave the market and volumes concentrate around the leading brokers. All of these factors give us confidence that the business will be able to return to pre-crisis levels.

Traiana

Traiana is the leading provider of post trade services and connectivity to the FX and other markets and is a highly valued asset in ICAP's portfolio. Since the date of acquisition, we have continued to invest in growing the business and diversifying the platform in order to allow it to serve a wider universe of potential customers and markets, in particular high frequency trading, futures and equities.

Traiana's Trading Relationship Management (TRM) and Harmony platforms are embedded into its customers' systems and represent a key component of the way in which these organisations manage the work flow for the settlement of FX and as such, once installed, tend to provide a relatively stable and growing source of revenue.

Traiana has continued to expand its offering to both the buy and sell-sides, has added its first customers outside FX, in equities and futures (E&F), and has launched in equity derivatives. The Harmony Network is now processing on average $700bn of FX transactions daily. Traiana trades profitably and generates positive cash flows, not withstanding high levels of investment in new products.

Management considers Traiana to be ideally positioned to further leverage the large and growing post trade opportunity and to continue to be a key beneficiary of market trends and changes in the regulatory landscape. The model includes a small company premium of 2%. Based on the above assumptions the recoverable amount of the CGU exceeds its carrying value.

The above differs to the impairment model prepared in 2010 which modelled the anticipated performance of the Harmony, TRM, CLSAS and E&F products on a bottom-up basis for the five years to 2015. Cash flows were split between the more mature businesses, namely TRM and Harmony (including CLSAS) and the developing E&F businesses, with a discount rate of 11% applied to the former and 20% to the latter reflecting the difficulties inherent in forecasting new product revenues.

Arkhe

Since its acquisition Arkhe has been integrated into our existing, and growing, Brazilian business.

There continues to be significant investment in infrastructure in order to support the long-term objective of being the leading broker in Brazil. We have increased our market share and now rank in the top ten in each of our key markets including number eight for Homebroker and number ten for Bovespa. We continue to onboard new customers, although this can take from six to nine months which has delayed growth trajectory. Upward pressures on its cost base continues as a result of macroeconomic factors. The business reported a loss during 2010/11 with a smaller loss predicted in the upcoming year.

The model for the base case scenario assumes a conservative revenue growth and an ability to leverage our infrastructure with only further modest investment to meet higher volumes. The model takes into account the competitive landscape and economic growth and assumes that the Homebroker business has higher incremental margins, as an electronic platform, than the institutional voice broking business. The model also considers that the voice business will increase its margin over the next ten years as the market adopts a hybrid Direct Market Access (DMA)/Voice model.

ICAP has used a ten-year impairment model which we believe better reflects the underlying growth prospects of Brazil, in particular the growing middle class and creation of an investor class, the nature of the business and the significant investment needed to set up the infrastructure of the business. The model assumes growth rates vary during the ten-year cycle from 3% to 8%. The cash flows have then been discounted at a 7% premium over the Group's WACC reflecting country risk (5%) and the smaller scale of the business (2%). Under these assumptions no impairment is required.

We expect this market to continue to be challenging, with strong competition from other players and duplicate expenses as the market continues to migrate to a larger percentage of its volume being executed through a DMA solution. However, management remains convinced that over the long term the Group's investment in Brazil will generate significant returns and, under the assumption discussed above, the recoverable amount of the CGU is greater than its carrying value, which has been corroborated through the recent sales of similar businesses.

12 Intangible assets arising on consolidation continued

(b) Impairment testing of intangible assets arising on consolidation continued

TriOptima

On 24 March 2010 the Group acquired the remaining shares of TriOptima for an initial cash consideration of SEK 1,288m (£119m) and has recognised no contingent deferred consideration for the future performance of the business. A goodwill balance of €71m (£64m) and other intangible assets relating to customer relationships, trademarks and software of €130m (£116m) were recognised on acquisition. The customer relationships and software are being amortised over a five-year period. This is the first year an impairment test has been performed.

TriOptima is a supplier of post trade risk management services serving IRS, CDS and commodity markets. TriOptima is an established market leader within its field and is well respected by both the sell side and buy-side community.

Prior to the acquisition, triReduce, TriOptima's portfolio compression tool, grew rapidly fuelled by customer growth and an industry-wide focus on conserving capital and reducing operational and credit risk. There was also increased take up of triResolve, the industry standard portfolio reconciliation technology which offers customers counterparty exposure management.

Since acquisition the business has faced a challenging operating environment as the regulatory pressures on customers has been focused on maximising submissions to clearing rather than optimising portfolios through compression. As TriOptima is currently the only player in the IRS compression space, longer dated swaps not compressed in 2010 will still be available for compression in future years and, as such, the current year reduction in revenue is principally a timing delay rather than a loss of revenue, assuming no significant future change in the competitive landscape. The most recent drafts of regulation/legislation have referenced both clearing and compression as important tools. This will encourage the return of volumes in compression and the take up of the service by new customers being encouraged to participate in compression by their regulators.

Increased revenue is predicted in the financial year to March 2012 as management promotes increased focus on the use of compression within the derivative industry as a whole and to individual customers in particular. Management of the business has been restructured and aligned with selling triReduce and triResolve products and, as a result, management expects to see a change in customer mix. The model includes a small company premium of 2%. Based on the above assumptions the recoverable amount of the CGU exceeds its carrying value.

ICAP Shipping

Over the course of the past four years the Group has acquired a number of ship broking businesses which have been integrated to create a global platform operating across tankers (wet) and dry chartering, sale and purchase and derivative freight forward agreement.

The performance of the shipping industry is influenced by a combination of factors including global trade volumes, which are a function of world GDP and imbalances in the world fleet. As a general rule, the business is deeply cyclical in nature and typically exhibits trading peaks and troughs every three to four years, as such a ten-year model was prepared for the business. This business is no exception to the general rule and therefore we have seen our profits in 2008 convert into modest losses in 2009 through 2011 as the industry suffered from a combination of over capacity and lower global trade.

Recent activity has seen the transaction volumes climb as the industry has seen an expansion of fleet capacity. Rates have continued to improve since the credit crisis, however dry and wet freight rates are still significantly below the peak seen a few years ago. It is expected that freight rates will continue to remain depressed this year but recover through 2012 and 2013 but not to the levels previously seen. Predicting the exact shape of the future cycles is difficult and will depend on a wide range of macro factors including when the Organisation for Economic Co-operation and Development (OECD) countries trade recovers, appetite in China and importantly India to import raw materials and transport energy by sea increases.

As a result of these uncertainties we have adopted a conservative approach to forecasting the base case. The model assumes that the dry and wet markets return to peak levels in 2014/15; these rates are expected to be 25% and 50% for dry and wet, respectively, of the rates seen in 2008. The resulting cash flows are based on a ten-year model and have been discounted using a rate of 14% which includes a 2% premium to reflect the higher level of cyclicality inherent in the shipping business. A long-term growth rate has been factored in as part of the terminal growth rate that has been applied in year ten. This results in a recoverable amount in excess of the carrying value of the CGU and consequently no impairment.

First Brokers

As noted in prior years, First Brokers is dependent on a few key brokers. The business is expected to see a decline in projected cash flows as a result of these broker's most recent contracts being effective for a short period of time with no guarantee they will remain in the business following the completion of their contracts . As a result, the Group has booked an impairment in the year of £4m (2010 – £4m). The result of the impairment test would not be materially different if reasonable changes in key assumptions were applied.

Others

The Group has a total of £5m of goodwill assets denominated in pound sterling and US dollars in which a full impairment has been taken on smaller businesses where they are no longer separately identifiable from other parts of the business or the businesses are currently underperforming and there is uncertainty as to whether these businesses will continue to operate (2010 – £1m).

Separately identifiable intangible assets

Due to the loss of certain ICAP Shipping customers a write-off of £1m (2010 – £nil) for customer relationships was taken during the year.

13 Intangible fixed assets arising from development expenditure

Development expenditure on software is recognised as an intangible asset in accordance with the provisions of IAS38 'Intangible Assets'. Capitalised expenditure is recognised initially at fair value and is presented subsequently at cost less accumulated amortisation and provisions for impairment. Amortisation of these assets is charged to the consolidated income statement on a straight-line basis over the expected useful economic life of the asset of three to five years. The Group reviews the useful economic lives of these assets on a regular basis.

Amortisation and impairment of intangible assets arising from development expenditure is charged within operating expenses in profit before acquisition and disposal costs and exceptional items. Amortisation is charged against assets from the date at which the asset becomes available for use.

Group	Intangible assets arising from software development expenditure £m
Cost	
As at 1 April 2010	**182**
Additions	**24**
Disposals	**(1)**
Exchange adjustments	**(8)**
As at 31 March 2011	**197**
Accumulated amortisation and impairment	
As at 1 April 2010	**110**
Amortisation charge for the year	**25**
Impairment in the year	**4**
Exchange adjustments	**(5)**
As at 31 March 2011	**134**
Net book value	
As at 31 March 2011	**63**
Cost	
At 1 April 2009	145
Additions	49
Disposals	(6)
Exchange adjustments	(6)
As at 31 March 2010	182
Accumulated amortisation and impairment	
As at 1 April 2009	91
Amortisation charge for the year	21
Impairment in the year	2
Disposals	(1)
Exchange adjustments	(3)
As at 31 March 2010	110
Net book value	
As at 31 March 2010	72

14 Property and equipment

Property and equipment is recognised initially at cost including the original purchase price of the asset and the costs attributable to bringing the asset to its intended use. Property and equipment is presented subsequently at initial cost less accumulated depreciation and any provisions for impairment in its value. It is depreciated on a straight-line basis over its expected useful economic life as follows:

Short leasehold property improvements	Period of lease
Furniture, fixtures and equipment	3 – 5 years
Motor vehicles	3 – 4 years

The Group reviews its depreciation rates regularly to take account of any changes in circumstances. These rates are determined on consideration of factors such as the expected rate of technological development and anticipated usage levels.

When a leasehold property becomes surplus to the Group's foreseeable business requirements, a provision is made on a discounted basis for the expected future net cost of the property.

Gains and losses on disposals are determined by comparing proceeds with the asset carrying amount and are included in the consolidated income statement.

Group	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Motor vehicles £m	Total £m
Cost				
As at 1 April 2010	23	209	1	233
Additions	7	38	–	45
Disposals	(2)	(15)	–	(17)
Exchange adjustments	–	(6)	–	(6)
As at 31 March 2011	28	226	1	255
Accumulated depreciation				
As at 1 April 2010	11	153	1	165
Charge for the year	2	23	–	25
Disposals	(2)	(16)	–	(18)
Exchange adjustments	–	(4)	–	(4)
As at 31 March 2011	11	156	1	168
Net book value				
As at 31 March 2011	17	70	–	87

No assets are held under finance leases. Short leasehold property improvements includes £3m (2010 – £3m) of property held as freehold.

14 Property and equipment continued

Group	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Motor vehicles £m	Total £m
Cost				
As at 1 April 2009	20	206	1	227
Additions on acquisition of subsidiaries	–	1	–	1
Additions	3	15	–	18
Disposals	–	(8)	–	(8)
Exchange adjustments	–	(5)	–	(5)
As at 31 March 2010	23	209	1	233
Accumulated depreciation				
As at 1 April 2009	9	140	1	150
Charge for the year	2	20	–	22
Disposals	–	(7)	–	(7)
As at 31 March 2010	11	153	1	165
Net book value				
As at 31 March 2010	12	56	–	68

15 Investment in associates

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
Cost		
As at 1 April	**40**	44
Additions	**2**	3
Transfer from available-for-sale investments (note 16)	**–**	1
Share of profit for the year	**3**	7
Dividends received	**–**	(7)
Other movements	**(5)**	(1)
Transfer to other comprehensive income	**–**	(10)
Transfer to goodwill	**–**	(2)
Exchange adjustments	**(2)**	5
As at 31 March	**38**	40
Amortisation and impairment		
As at 1 April	**10**	6
Amortisation charge for the year	**1**	4
Other movements	**(4)**	–
As at 31 March	**7**	10
Net book value		
As at 31 March	**31**	30

15 Investment in associates continued

Summary financial information for associates

The Group's share of associates' assets, liabilities and profit is given below:

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Assets	17	18
Liabilities	(5)	(9)
Net assets	12	9
Goodwill and intangible assets arising on consolidation	19	19
Prior year profits not recognised	–	2
Net investment in associates	**31**	30

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
Revenue	16	35
Operating expenses	(11)	(25)
Operating profit	5	10
Net finance income	–	–
Profit before tax	5	10
Tax	(2)	(3)
Share of profit of associates after tax	**3**	7

Details of the Group's associates are listed in note 31(c).

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16 Available-for-sale investments

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

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
As at 1 April	28	41
Additions	1	1
Transfer to associates (note 15)	–	(1)
Disposals	–	(15)
Impairment	(4)	–
Revaluation in the year recognised in other comprehensive income	6	–
Exchange adjustments	–	2
As at 31 March	**31**	28
Non-current		
– listed	2	1
– unlisted	28	26
	30	27
Current		
– listed	1	1
	1	1
Total	**31**	28
Available-for-sale investments include the following:		
Listed securities		
Equities listed in the US	2	1
Equities listed in the rest of the world	1	1
Total listed securities	**3**	2
Unlisted securities		
Cash related instruments	1	2
Equity investments	26	22
Other	1	2
Total unlisted securities	**28**	26
Total	**31**	28

16 Available-for-sale investments continued

Available-for-sale investments are denominated in the following currencies:

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
As at 31 March 2011	**5**	**7**	**9**	**7**	**3**	**31**
As at 31 March 2010	9	3	12	1	3	28

The fair value of unlisted securities cannot be measured reliably and therefore the valuation is based on cost less any provision for impairment.

The Group owns 40.0% of the ordinary share capital of KAF-Astley & Pearce Sdn Bhd, a voice broking company based in Malaysia. This investment is not regarded as an associate as the Group does not exert significant influence on the investment, and it is included within unlisted investments.

17 Trade and other receivables

Trade receivables are recognised initially at fair value less any provision for recoverability. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'operating expenses'. When a trade receivable is determined to be uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the consolidated income statement.

Loans and receivables are non-derivative financial instruments which have a fixed or easily determinable value. They are recognised at cost, less any provisions for impairment in their value.

Fair value through profit or loss assets are designated as such where they meet the conditions of IAS39 'Financial Instruments: Recognition and Measurement'. They are recognised initially at fair value and any subsequent changes in fair value are recognised directly in the consolidated income statement. These assets are usually held for short-term gain, or are financial instruments not designated as hedges. The accounting policy for fair value hedges is included in note 10.

Matched principal transactions are those where the Group acts in a non-advisory capacity as principal in the commitment to purchase and sell securities and other financial instruments through two or more transactions between our customers. Such trades have no contractual settlement date and are complete only when all sides of the transaction are settled, and therefore an aged analysis of matched principal trade receivables is not appropriate. Substantially all matched principal receivables and payables settle within a short period of time, usually within three days of the trade date. All amounts due to and payable by counterparties in respect of matched principal business are shown gross as matched principal trade receivables and matched principal trade payables (note 18), except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously. If, during the course of trading (e.g. as a result of an error), any unmatched trades remain outstanding, the asset or liability is held within matched principal trade receivables or payables as appropriate and fair valued through the consolidated income statement until the trade is completed.

Deposits paid for securities borrowed represents the cash paid as collateral in a stock lending transaction. The Group acts as an intermediary between our customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due to and receivable are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned (note 18).

The accounting policy for derivative financial instruments is included in the interest rate and currency risk management section (note 10).

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

17 Trade and other receivables continued

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m	Company as at 31 March 2011 £m	Company as at 31 March 2010 £m
Non-current receivables				
Derivative financial instruments	5	17	–	–
Other receivables	9	18	–	–
Total	14	35	–	–
Current receivables				
Matched principal trade receivables	73,465	58,632	–	–
Deposits paid for securities borrowed	760	1,034	–	–
Other trade receivables	239	209	–	–
Impairment of other trade receivables	(5)	(4)	–	–
Financial assets held at fair value through profit or loss	–	1	–	–
Derivative financial instruments	2	3	–	–
Amounts owed by subsidiaries (note 29)	–	–	37	36
Amounts owed by associates (note 29)	6	20	–	–
Other receivables	100	113	3	–
Prepayments	126	93	–	–
	74,693	60,101	40	36

As at 31 March 2011 the fair value of trade and other receivables is not materially different from their book values.

(a) Credit risk management

Group

The Group is exposed to credit risk in the event of non-performance by counterparties in respect of its agency, matched principal, exchange traded and corporate treasury operations.

The risk in respect of the agency, post trade risk and information businesses is limited to the collection of agency commission and transaction fees and is managed proactively by the Group's credit control function. The exposure to credit loss is limited to the carrying value of the receivable. Concentration is limited since the customer base is both large and unrelated. No significant concentrations of risk existed at any time during the year.

The matched principal business involves the Group acting as a counterparty on trades which may involve one or more financial instruments and/or counterparties. The Group manages its credit risk in respect of these transactions by having policies and procedures in place to ensure that the risks inherent in all trades are matched and that appropriate credit limits have been set and are monitored at entity, company and country level to restrict the exposure to potential loss, transacting on a delivery versus payment basis and settling the majority of trades through a central counterparty.

The credit risk on core cash and cash equivalents and derivative financial instruments is limited by the Group's policy of requiring its corporate treasury transactions to be undertaken with financial institutions which have been approved by the GRACC and which are investment grade rated or better by one or more recognised credit rating agencies. There were no significant concentrations of risk at the year end.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's gross counterparty risk did not exceed 22% of Group capital at any time during the year. After taking into account the probability of default of counterparties, the equivalent usage of capital was less than 1% of Group capital.

At least 85% of the Group's counterparty risk is with institutions which have an internal rating of nine or higher, corresponding to an external credit rating of investment grade or better (BBB–). The remaining counterparties are closely monitored and have strict trading limits.

17 Trade and other receivables continued

(a) Credit risk management continued

Group continued

The maximum exposure to credit risk for the Group is represented by the total fair value of the financial assets plus other off-balance sheet items as disclosed below:

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Financial assets of the Group	75,078	60,533
Guarantees given to counterparties	191	197
	75,269	60,730

Company

The Company is exposed to credit risk in the event of non-performance by counterparties. This risk is considered minimal as all counterparties are Group companies and the risk of non-payment is viewed as low.

(b) Impairment of trade and other receivables

Other trade receivables represent amounts receivable in respect of agency business and information services. As at 31 March 2011, the following trade and receivables were past their normal settlement date but had not been impaired:

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Less than 30 days overdue	79	48
Over 30 days, but less than 90 days overdue	37	8
Over 90 days overdue	12	4
	128	60

The impairment provision is based on historical data for the trade receivables of the Group and represents the expected reduction in the amount receivable as a result of invoicing errors and other disputes and specific provisions for doubtful debts.

	Group year ended 31 March 2011 £m	Group year ended 31 March 2010 £m
As at 1 April	4	4
Charged to the consolidated income statement in the year	1	1
Released to the consolidated income statement in the year	–	(1)
As at 31 March	5	4

Notes to the financial statements
continued

17 Trade and other receivables continued

(c) Trade receivables by currency

The table below shows the concentration of the Group's trade receivables by currency:

As at 31 March 2011

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
	Trade receivables					
Matched principal trade receivables	4,732	56,067	9,031	2,335	1,300	73,465
Deposits paid for securities borrowed	–	755	–	–	5	760
Other trade receivables (net)	47	123	26	5	33	234
	4,779	56,945	9,057	2,340	1,338	74,459

As at 31 March 2010

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
	Trade receivables					
Matched principal trade receivables	3,317	42,772	6,112	5,071	1,360	58,632
Deposits paid for securities borrowed	–	1,034	–	–	–	1,034
Other trade receivables (net)	40	115	31	4	15	205
	3,357	43,921	6,143	5,075	1,375	59,871

18 Trade and other payables

Accounts payable are recognised initially at fair value based on the amounts exchanged.

The accounting policies for matched principal transactions and collateralised stock lending are included within the trade and other receivables note (note 17).

Details of the accounting policy relating to derivative financial instruments is included within the interest rate and currency risk management section (note 10).

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m	**Company as at 31 March 2011 £m**	Company as at 31 March 2010 £m
Current payables				
Matched principal trade payables	**73,454**	58,626	**–**	–
Deposits received for securities loaned	**747**	1,034	**–**	–
Other trade payables	**7**	4	**–**	–
Amounts owed to subsidiaries	**–**	–	**84**	660
Amounts owed to associates	**6**	2	**–**	–
Derivative financial instruments	**5**	6	**–**	–
Accruals	**329**	339	**5**	–
Other tax and social security	**42**	25	**–**	–
Deferred income	**1**	14	**–**	–
Other payables	**42**	28	**–**	–
Deferred consideration	**1**	7	**–**	–
Contingent deferred consideration (note 11(b))	**–**	13	**–**	–
	74,634	60,098	**89**	660
Non-current payables				
Accruals	**14**	24	**–**	–
Contingent deferred consideration (note 11(b))	**5**	6	**–**	–
Amounts owed to subsidiaries	**–**	–	**140**	140
Derivative financial instruments	**1**	–	**–**	–
Deferred income	**6**	–	**–**	–
Other payables	**3**	–	**–**	–
Total	**29**	30	**140**	140

As at 31 March 2011 the fair value of trade and other payables is not materially different from their book values.

18 Trade and other payables continued

Maturity of trade and other payables and provisions

The table below shows the maturity profile of the Group's financial liabilities included within trade and other payables and provisions based on the contractual amount payable on the date of repayment:

Maturity of trade and other payables and provisions as at 31 March 2011

Group	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Matched principal trade payables	73,444	7	3	–	73,454
Deposits received for securities loaned	747	–	–	–	747
Other trade payables	7	–	–	–	7
Derivative financial instruments	1	4	1	–	6
Amounts owed to associates	6	–	–	–	6
Other payables	32	10	–	–	42
Contingent deferred consideration	1	–	4	–	5
Deferred consideration	1	–	–	–	1
Accruals	253	76	14	–	343
Provisions	–	3	–	3	6
	74,492	100	22	3	74,617

Maturity of trade and other payables and provisions as at 31 March 2010

Group	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Matched principal trade payables	58,626	–	–	–	58,626
Deposits received for securities loaned	1,034	–	–	–	1,034
Other trade payables	4	–	–	–	4
Derivative financial instruments	3	3	–	–	6
Amounts owed to associates	2	–	–	–	2
Other payables	25	–	–	–	25
Contingent deferred consideration	–	13	6	–	19
Deferred consideration	7	–	–	–	7
Accruals	243	95	25	–	363
Provisions	–	28	4	–	32
	59,944	139	35	–	60,118

The total financial liabilities payable is higher than the amount recognised in trade and other payables as the gross amounts payable have been disclosed, rather than the net present value used in determining trade and other payables.

Company

The current portion of trade and other payables of £89m (2010 – £660m) are all due within 90 days. The non-current balance owed of £140m (2010 – £140m) is due between one to five years.

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19 Provisions

A provision is recognised where there is a present obligation, either legal or constructive, as a result of a past event for which it is probable there will be a transfer of economic benefits to settle the obligation.

Property provisions are recognised where office space is surplus to requirements at the cost of fulfilling the lease obligations less any expected rental income from sub-letting the property. The provision is discounted when such discount is material.

Group	Property £m	Holiday pay £m	Legal £m	Other £m	Total £m
As at 1 April 2010	4	5	53	29	91
Amounts charged against provisions	–	–	(4)	(15)	(19)
Amounts reclassified to accruals	–	(5)	–	–	(5)
Released to the consolidated income statement	(1)	–	(6)	(7)	(14)
Exchange adjustment	–	–	2	–	2
As at 31 March 2011	3	–	45	7	55

Group	Property £m	Holiday pay £m	Legal £m	Other £m	Total £m
As at 1 April 2009	7	5	–	10	22
Amounts recognised on the acquisition of subsidiaries	1	–	46	–	47
Amounts charged against provisions	(2)	–	–	–	(2)
Recognised in the consolidated income statement	1	–	–	23	24
Released to the consolidated income statement	(2)	–	–	(4)	(6)
Exchange adjustment	(1)	–	7	–	6
As at 31 March 2010	4	5	53	29	91

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Included in current liabilities	2	36
Included in non-current liabilities	53	55
	55	91

Property provisions outstanding at 31 March 2011 relate to property dilapidations in London that are not expected to be fully utilised until 2017.

Legal provisions represent amounts for certain claims brought against subsidiaries of the Group in relation to certain tax matters. The provisions were those that have been acquired by the Group on the acquisition of subsidiary undertakings. At the present time the timing of any payment is uncertain and the matter is reviewed by the Group on a regular basis. In the directors' opinion, after taking legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 March 2011.

Other provisions include obligations for certain employee-related costs, including those related to the discontinuance of the European and Asia Pacific full service agency cash equities businesses (as set out in note 5) and pension arrangements in the Group which are expected to be discharged over the next two years.

The maturity analysis of provisions is included within note 18.

Notes to the financial statements
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20 Share capital

Ordinary shares are recognised in equity as share capital at their nominal value. The difference between consideration received and the nominal value is recognised in the share premium account.

Company shares held in trust in connection with the Group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the Company's shares are disclosed as changes in consolidated shareholders' equity. The assets and liabilities of the trusts are consolidated in full into the Group's consolidated financial statements.

Treasury Shares are recognised in equity and are measured at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and original cost being taken to retained earnings.

(a) Authorised share capital of the Company

	As at 31 March 2011		As at 31 March 2010	
	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
Equity share capital				
Ordinary shares of 10p each	**1,100**	**110**	1,100	110
	1,100	**110**	1,100	110

(b) Issued share capital

	Year ended 31 March 2011		Year ended 31 March 2010	
Allotted, called up and fully paid	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
As at 1 April	**657**	**66**	650	65
Issued during the year	**7**	**–**	7	1
As at 31 March	**664**	**66**	657	66

During the year 896,745 (2010 – 2,074,617) ordinary shares were issued following the exercise of options held under employee share schemes for a consideration of £2m (2010 – £5m). 6,267,039 (2010 – 4,567,807) ordinary shares have been issued during the year for the purpose of a scrip dividend for which there were notional proceeds. In 2010, 692,226 ordinary shares were issued for the acquisition of Ocean Tomo for consideration of £3m.

The number of ordinary shares in issue at 31 March 2011 was 664,268,260 (2010 – 657,104,476) with 4,028,154 (2010 – 2,034,739) held as Treasury Shares and 4,684,896 (2010 – 6,527,547) held in employee share trusts. The cost of Treasury Shares is deducted from retained earnings. The cost of shares held in employee share trusts is loaned to the trusts by the Company and is treated as other receivables.

(c) Potential issues of share capital

Certain employees hold options over the Company's shares, which are potentially issuable as follows:

				Number of shares millions	
Year of grant	Weighted average exercise price pence	Exercise period from	Exercise period to	As at 31 March 2011	As at 31 March 2010
2002	175.6	31/05/2004	08/01/2012	**0.5**	0.7
2003	188.5	31/05/2005	19/01/2013	**0.1**	0.1
2004	270.0	31/08/2006	26/11/2013	**0.4**	0.6
2005	239.6	28/08/2007	08/12/2014	**0.1**	0.3
2006	297.0	01/07/2008	30/06/2015	**1.0**	1.0
2007	486.0	01/06/2009	06/09/2016	**1.3**	1.6
2008	419.0	01/08/2010	31/01/2011	**–**	0.1
2009	556.8	01/08/2011	21/05/2018	**–**	0.1
2010	323.0	01/08/2012	31/03/2013	**1.2**	2.5
2011	288.0	01/08/2013	31/03/2014	**1.6**	–
Total potential issues of share capital				**6.2**	7.0

Shares that have been issued but are held in employee share trusts for employee share awards are not included in the above. Full details of share option schemes are given in note 22.

20 Share capital continued

(d) Shares held in trust for employee share schemes

The Company has established employee share trusts in respect of the Senior Executive Equity Participation Plan (SEEPP), the Bonus Share Matching Plan (BSMP), the Traiana Plan and the Long Term Incentive Plan (LTIP) (note 22) which are funded by the Company and have the power to acquire shares in the open market to meet the Company's future obligations under these schemes. As at 31 March 2011, these trusts owned 4,684,896 ordinary shares in the Company (2010 – 6,527,547) with a market value of £25m (2010 – £24m).

	Number of shares millions	
	Year ended 31 March 2011	Year ended 31 March 2010
As at 1 April	**7**	15
Acquired during the year	**1**	2
Exercised by employees during the year	**(3)**	(10)
As at 31 March	**5**	7

(e) Treasury Shares

During the year the Company purchased 1,993,415 (2010 – none) of its own shares for £8m (2010 – £nil) to be held as Treasury Shares and re-issued no shares (2010 – none). As at 31 March 2011, the number of shares held as Treasury Shares was 4,028,154 (2010 – 2,034,739).

	Number of shares millions	
	Year ended 31 March 2011	Year ended 31 March 2010
As at 1 April	**2**	2
Acquired during the year	**2**	–
As at 31 March	**4**	2

(f) Capital management

ICAP is an international business which provides broking and post trade risk and information services in a wide range of products to professional counterparties. The business is subject to consolidated supervision by the FSA under the terms of the CRD.

ICAP benefits from a BIPRU Investment Firm waiver from the consolidated capital adequacy tests which has the effect of excluding goodwill from the capital computation and, in so doing, allows the Group to undertake acquisitions using debt rather than equity finance. The terms of the waiver, which runs until the end of March 2012, limits the Group's ability to incur market risk and, in effect, prohibits the Group from undertaking proprietary trading activities. Subsequent to the year end, the FSA approved the Group's application to renew its waiver from investment firm consolidation until 7 April 2016.

The Group's Pillar 1 regulatory capital headroom represents the difference between the capital resources of the Company, on a stand-alone basis, and the regulatory capital requirements of the Group calculated, in accordance with the requirements of the waiver, on an aggregate basis. Following receipt by the Company of a number of intercompany dividends during the year, Pillar 1 headroom increased from £0.5bn to more than £1bn. We expect the headroom to be relatively stable due to the low amount of market and credit risk in the Group but may fluctuate due to timing of dividends.

CRD requires ICAP, under Pillar 2, to evaluate the risks facing the business and to determine whether the Pillar 1 capital is sufficient to cover any expected losses at both a Group and individual legal entity level. The Group has developed a scenario-based model which utilises data provided by the business to assess the economic capital required to cover the expected risks and is in the process of refining this model to enable the allocation of expected losses to individual entities. As at 31 March 2011, the Group had sufficient Pillar 1 capital to cover the identified risks at a group level and, based on its preliminary allocation of losses to individual legal entities, expects to have to increase the Pillar 1 share capital in certain regulated subsidiaries by approximately £100m during the forthcoming year with such increase being financed from existing financial resources. The analysis of economic capital is documented in the Group's ICAAP which is required by the FSA, regularly updated and formally approved by the board annually.

Notes to the financial statements
continued

20 Share capital continued

(f) Capital management continued
The Group manages its capital to ensure that entities in the Group meet their local regulatory requirements, while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings (note 8), cash and cash equivalents (note 7(b)) and equity, including share capital (note 20), share premium, other reserves (note 21(a)) and retained earnings. Following a review, cash held with clearing providers was determined not to meet the definition of cash and cash equivalents and was reclassified to restricted cash (note 7(d)). At 31 March 2011, the Group's net debt was £161m (2010 – £229m) (note 7(c)).

The GRACC reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the committee to the board, the Group balances its overall capital structure through the payment of dividends, new share issues and share buybacks, as well as taking on new debt or refinancing existing debt.

A number of the Group's trading companies are subject to regulation in the jurisdiction in which they operate, principally by the FSA in the UK and the SEC/FINRA in the US. All such companies have complied with their regulatory capital requirements throughout the year. The regulatory environment continues to change and, while it will impact how the markets work and who operates them, the Group does not expect, based on draft rules, a material change to result in its capital structure.

In general, higher levels of market volatility result in increased demand for the Group's brokerage and post trade risk and information services. From a regulatory capital perspective, however, the impact is significantly dampened by the fact that much of this incremental business occurs in markets which operate on a name give-up basis or are cleared through a central counterparty. Therefore, we would expect any increase in activity to have a limited impact on the Group's capital resource requirement and, as such, absent a material acquisition, loss of the waiver or a change in the basis of computation, existing capital resources are viewed as sufficient to both operate and grow the business.

21 Reserves

(a) Analysis of consolidated other reserves

Group	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m*	Total other reserves £m
As at 1 April 2010	**28**	**1**	**(3)**	**45**	**71**
(Loss)/gain unrealised in the year	–	–	(2)	6	4
As at 31 March 2011	**28**	**1**	**(5)**	**51**	**75**

* Revaluation gains recognised during the year of £6m relate to available-for-sale.

Group	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2009	28	1	(47)	–	(18)
Revaluation of intangible assets arising on consolidation (note 15)	–	–	–	45	45
Unrealised gains in the year	–	–	24	–	24
Revaluation gains realised in the year	–	–	20	–	20
As at 31 March 2010	28	1	(3)	45	71

The merger reserve was created on the merger of Garban and Intercapital in 1999 and also includes goodwill arising before 1 January 1998 written off to reserves. This amount remains eliminated.

The capital redemption reserve was created as a result of shares cancelled in 1998 and 2005. The revaluation reserve represents revaluations of available-for-sale investments and intangible assets. The hedging reserve arises as a result of recognising the fair value of derivative financial instruments designated as hedging instruments on the balance sheet.

The cost of shares held by employee share trusts of £37m (2010 – £36m) and Treasury Shares £15m (2010 – £7m) has been deducted from retained earnings. The share-based payment reserve of £38m (2010 – £30m) has been included in retained earnings.

(b) Company reserves
The Company has retained earnings of £1,282m of which £342m is not distributable.

22 Share awards

Employee share schemes

The Group awards share options and other share-based payments as part of employee incentive schemes. The Group has applied IFRS2 'Share-based payments' for all such awards granted since 7 November 2002. The fair value of services acquired is measured by the fair value of the shares or share options awarded at the time of granting and are charged to staff costs over the period the service is received on a straight-line basis. A corresponding amount has been recognised in equity.

The fair value of share options awarded is calculated using the Black-Scholes option pricing model and takes into account various parameters, including the exercise price, current share price, risk free rate of return and the volatility of ICAP's share price. The expected lives used in the fair value calculations are adjusted for the estimated effect of non-transferability and exercise restrictions.

A cancellation of a share award by the Group or an employee is treated consistently, resulting in an acceleration of the remaining charge within the consolidated income statement in the year of cancellation.

The total charge to the consolidated income statement in respect of employee share options in the year was £8m (2010 – £10m).

The fair value of options granted during the year was £5m (2010 – £9m).

At the close of business on 31 March 2011, the market price of the Company's ordinary shares was 528.00p (2010 – 373.80p) per share and during the year fluctuated in the range 341.60p and 570.50p per share.

Options outstanding over the Company's ordinary shares under the Company's employee share schemes were as follows:

	As at 1 April 2010 millions	Weighted average exercise price pence	Granted in year millions	Weighted average exercise price pence	Exercised in year millions	Lapsed in year millions	Weighted average exercise price pence	**As at 31 March 2011 millions**	**Weighted average exercise price pence**
UESOP	0.3	239.6	–	–	(0.2)	–	233.8	**0.1**	**233.8**
2007 SAYE	0.1	419.0	–	–	(0.1)	–	419.0	**–**	**–**
2008 SAYE	0.1	488.0	–	–	–	(0.1)	–	**–**	**–**
2009 SAYE	2.5	323.0	–	–	–	(1.3)	–	**1.2**	**323.0**
2010 SAYE	–	–	1.7	288.0	–	(0.1)	–	**1.6**	**288.0**
SEEPP UK	0.5	–	0.1	–	(0.1)	–	–	**0.5**	**–**
UCSOP	4.0	352.6	–	–	(0.6)	(0.1)	316.8	**3.3**	**355.5**
BSMP	5.3	–	1.9	–	(2.2)	(0.3)	–	**4.7**	**–**
Traiana Plan	0.5	139.0	–	–	(0.1)	–	102.1	**0.4**	**148.5**
LTIP	1.0	–	0.2	–	(0.4)	–	–	**0.8**	**–**
	14.3		3.9		(3.7)	(1.9)		**12.6**	

22 Share awards continued

Employee share schemes continued

	As at 1 April 2009 millions	Weighted average exercise price pence	Granted in year millions	Weighted average exercise price pence	Exercised in year millions	Lapsed in year millions	Weighted average exercise price pence	As at 31 March 2010 millions	Weighted average exercise price pence
UESOP	0.4	185.1	–	–	(0.1)	–	46.2	0.3	239.6
2006 SAYE	0.9	388.0	–	–	(0.9)	–	388.0	–	–
2007 SAYE	0.3	419.0	–	–	–	(0.2)	419.0	0.1	419.0
2008 SAYE	0.5	488.0	–	–	–	(0.4)	488.0	0.1	488.0
2009 SAYE	–	–	2.7	323.0	–	(0.2)	323.0	2.5	323.0
SEEPP UK	1.4	–	–	–	(0.9)	–	–	0.5	–
SEEPP US	0.2	31.0	–	–	(0.2)	–	29.3	–	–
UCSOP	5.1	304.9	–	–	(1.1)	–	125.4	4.0	352.6
BSMP	10.6	–	2.4	–	(7.7)	–	–	5.3	–
Traiana Plan	0.7	113.3	–	–	(0.2)	–	61.0	0.5	139.0
LTIP	0.9	–	0.5	–	(0.4)	–	–	1.0	–
	21.0		5.6		(11.5)	(0.8)		14.3	

The SEEPP UK and the BSMP awards/promises have a nominal exercise price of £1.00 for each basic award/promise and £1.00 for each matching award. Options granted under the SAYE are issued with a 20% discount on the market price as permitted by HMRC and those granted under the Traiana Plan were granted at the equivalent price to the original Traiana option. The awards under the LTIP have no exercise price.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Determining the value of a grant of equity instruments requires selecting an appropriate valuation model and estimating the required inputs to that model, including the expected life of the option, volatility and dividend yield and making assumptions about them. The following assumptions have been applied when calculating the fair value of the options granted in the year:

	Weighted average market price pence	Expected share volatility %	Weighted average dividend yield %	Average risk free rate %	Expected life years	Probability of achieving performance conditions %	Vesting period years
2010 SAYE	360.0	51	4.88	1.49	3.1	100	3
BSMP	366.0	51	–	–	4.0	90	3
LTIP	366.0	51	–	–	3.0	100	3

Estimated share volatility is a measure of the amount by which the Company's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the historic volatility of the share price over the past three years to the date of grant of the option.

On options where the employee receives a cash bonus in lieu of the dividend foregone the dividend yield is treated as nil and the fair value of the option is equal to the market value of the share.

22 Share awards continued

Employee share schemes continued

(i) BSMP

The BSMP is not approved by HMRC. The BSMP is a long-term incentive plan where executive directors of the Company are required to waive 50% of their cash bonus in return for rights over the number of shares that can be acquired with the foregone bonus (a basic award). Participants are also granted an award over an equal amount of additional shares (a matching award). These shares are transferred to the director if they remain in the Company's employment for three years and the Group meets certain performance criteria – currently growth in adjusted basic EPS in excess of growth in RPI by at least 9% over the three years from the date of grant. The performance criteria apply to all grants of matching awards since 1 April 2004. These options are all equity settled.

BSMP awards/promises were outstanding over 4,749,044 (2010 – 5,275,472) ordinary shares. These shares are exercisable between 2011 and 2018. A charge of £4m (2010 – £6m) has been taken to the consolidated income statement in respect of these options in the year, with the prior year including the impact of accelerating the vesting of the 2007 awards from May 2010 to March 2010.

(ii) Sharesave scheme (SAYE)

The Save-As-You-Earn (SAYE) scheme is approved by HMRC. The scheme enables directors and eligible employees to acquire options over ordinary shares of the Company at a discount of up to 20% of their market price using the proceeds of a related SAYE contract. All UK employees who have worked for the minimum qualifying period on an invitation date are eligible to join the scheme. Options granted under the SAYE scheme are not subject to performance conditions. These options are all equity settled.

SAYE options were outstanding over 1,192,441 (2010 – 2,695,315) ordinary shares for the 2007, 2008 and 2009 three-year grants at exercise prices ranging from 323.0p to 488.0p per share. Subject to the participants remaining in the employment of the Group and making 36 monthly contributions, these options will normally be exercisable in the immediate six months post completion of the vesting period which is between August and January each year. A charge of £2m (2010 – £2m) was made to the consolidated income statement in respect of these options in the year.

SAYE options were granted over 1,746,117 ordinary shares on 15 June 2010 for the 2010 three-year grant at an exercise price of 288.0p per share. Subject to the participants remaining in the employment of the Group and making 36 monthly contributions, these options will normally be exercisable between August 2013 and January 2014. A charge of £1m (2010 – £nil) was made to the consolidated income statement in respect of these options in the year. As at 31 March 2011, options over 1,656,680 shares remained outstanding (2010 – nil).

(iii) Other share schemes

Other includes a number of smaller share schemes unapproved by HMRC operated throughout the Group which comprises the SEEPP, Unapproved Share Option Plan (UESOP), Unapproved Company Share Option Plan (UCSOP), Traiana and LTIP plans. Vesting periods range between three to five years, with some of the schemes including vesting conditions linked to the performance of the Group. These options are exercisable between May 2004 and June 2018. A charge of £1m (2010 – £2m) was made to the consolidated income statement in respect of these schemes.

23 Employee information and expense

Payments to defined contribution schemes are recognised as an expense in the consolidated income statement as they fall due. Any difference between the payments and the charge is recognised as a short-term asset or liability.

For the Group's defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each end of the reporting period. The expected return on the scheme's assets and the interest arising on the pension scheme's liabilities is recognised in the consolidated income statement within finance income and finance costs. The pension scheme deficit recognised in the balance sheet represents the difference between the fair value of the assets of the plan and the present value of the defined benefit obligation at the end of the reporting period.

Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income, net of the deferred tax impact. The expected return on the scheme's assets reflects the estimate made by management of the long-term yields that will arise from the specific assets held within the pension scheme.

The valuation of the scheme is performed on an annual basis.

(a) Analysis of employee costs

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Continuing operations		
Salaries (including bonuses)	931	879
Social security costs	62	54
Share-based payments	2	10
Defined contribution pension costs	6	7
	1,001	950

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Discontinued operations		
Salaries (including bonuses)	–	27
Social security costs	–	3
	–	30

23 Employee information and expense continued

(b) Number of employees analysed by business segment
Continuing operations

	Average		Year end	
	Year ended 31 March 2011	Year ended 31 March 2010 re-presented*	**As at 31 March 2011**	As at 31 March 2010 re-presented*
Core voice broking:				
– EMEA	**1,491**	1,599	**1,496**	1,524
– Americas	**1,405**	1,270	**1,449**	1,287
– Asia Pacific	**721**	682	**713**	694
Electronic broking	**516**	494	**489**	504
Post trade risk and information	**421**	241	**437**	432
New businesses	**345**	249	**350**	298
	4,899	4,535	**4,934**	4,739

*The prior year figures have been re-presented to reflect the reorganisation of segments (see note 1) and the inclusion of TriOptima.

Discontinued operations

	Average		Year end	
	Year ended 31 March 2011	Year ended 31 March 2010	**As at 31 March 2011**	As at 31 March 2010
Discontinued cash equities business	**–**	105	**–**	116

Key management consists of the members of the GEMG. The executive directors' remuneration is disclosed separately in the remuneration report. The aggregate remuneration for key management includes amounts paid as variable bonuses. For the year ended 31 March 2011 this amounted to 71% (2010 – 61%) of the aggregate remuneration. Key management remuneration is wholly attributable to continuing operations.

Key management received £11m in the year (2010 – £33m) in aggregate gains on the exercise of share options.

Retirement benefits are accruing to five (2010 – five) members of the GEMG under defined contribution schemes and during the year key management received £0.1m (2010 – £0.1m) in post-retirement benefits.

(c) Retirement benefit obligations

The Group operates defined benefit pension schemes in the US, Germany and Indonesia that are closed to new entrants. In the case of the scheme operating in Germany, any future obligations that the Group may incur in respect of benefits accrued to members for past service are insured with local insurance companies. The schemes in Germany and Indonesia are not significant in the context of the Group.

The US scheme was closed to new entrants on 1 July 1996 and no benefits have accrued to the members of the scheme in respect of their service after that date. The scheme only provides for pension benefits and does not provide for post-employment medical benefits. For the purposes of determining the Group's pension cost, the scheme is valued on an annual basis by qualified independent actuaries. The most recent valuation was as at 1 January 2009 with an update as at 31 March 2011 in which the projected unit method was used. The Group expects to contribute £nil to its defined benefit pension scheme in the year ending 31 March 2012. Given the insignificant size of the pension plan no further disclosure has been provided.

The market value of the pension assets and liabilities of the scheme and the expected rate of return are as follows:

Group	**Long-term rate of return expected 31 March 2011 %**	**Value as at 31 March 2011 £m**	Long-term rate of return expected 31 March 2010 %	Value as at 31 March 2010 £m
Equities	**8.5**	**2**	8.5	2
Bonds	**6.0**	**5**	6.0	5
Cash and other assets	**1.0**	**–**	1.0	1
Total market value of scheme assets	**6.5**	**7**	6.0	8
Present value of scheme liabilities		**(8)**		(9)
Deficit in the scheme		**(1)**		(1)

24 Other income

Revenue grants received are credited to the consolidated income statement on an accruals basis over the period the related expenditure is charged.

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Income from government grants	16	14
Other income	5	5
Total other income	21	19

Income from government grants includes amounts relating to a BEIP grant receivable in the US from the state of New Jersey. Income from the grant is recognisable until 2012 and expected to be received by the Group by 2014. The Group is required to maintain its operations in the state of New Jersey until 2017 and the grant is based on the amount of employee tax paid over to the state authorities.

25 Discontinued operations

When the Group has disposed of, or intends to dispose of, a business component that represents a major line of business or geographic area of operations it classifies such operations as discontinued. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the consolidated income statement, separate from the other results of the Group.

The consolidated income statement and cash flows related to the European and Asia Pacific full service agency cash equities businesses are presented as discontinued operations following the decision of the Company's board on 22 March 2010 to close these operations.

Certain liabilities totalling £6m (2010 – £nil) provided for at 31 March 2010 have been released to the income statement during the year as they are no longer payable by the Group.

(a) Results of discontinued operations

An analysis of the results of discontinued operations presented within the consolidated income statement is as follows:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Revenue	–	24
Operating expenses	–	(49)
Tax	–	7
Loss after tax of discontinued operations before exceptional items	–	(18)
Exceptional items	6	(41)
Tax	(2)	11
Gain/(loss) after tax of discontinued operations	**4**	**(48)**

(b) Cash flows of discontinued operations

Operating cash flows relating to the discontinued operations of £18m (2010 – £5m) were incurred in the year.

26 Financial assets and liabilities

(a) Financial assets and liabilities

The carrying value less impairment of trade receivables and payables are assumed to approximate to their fair values due to their short-term nature.

As at 31 March 2011 and 2010, the fair values of financial assets are not materially different from their book values.

Classification of financial assets as at 31 March 2011

	Held for trading £m	Hedging instrument £m	Designated as fair value £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents	–	–	–	–	404	404
Restricted funds	–	–	–	–	73	73
Available-for-sale financial assets	–	–	–	31	–	31
Matched principal trade receivables	–	–	–	–	73,465	73,465
Deposits paid for securities borrowed	–	–	–	–	760	760
Other trade receivables (net)	–	–	–	–	234	234
Derivative financial instruments	–	7	–	–	–	7
Amounts owed by associates	–	–	–	–	6	6
Other receivables	–	–	–	–	98	98
	–	7	–	31	75,040	75,078

Classification of financial assets as at 31 March 2010

	Held for trading £m	Hedging instrument £m	Designated as fair value £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents	–	–	–	–	423	423
Restricted funds	–	–	–	–	81	81
Available-for-sale financial assets	–	–	–	28	–	28
Matched principal trade receivables	–	–	–	–	58,632	58,632
Deposits paid for securities borrowed	–	–	–	–	1,034	1,034
Other trade receivables (net)	–	–	–	–	205	205
Held at fair value through profit or loss	–	–	1	–	–	1
Derivative financial instruments	5	15	–	–	–	20
Amounts owed by associates	–	–	–	–	20	20
Other receivables	–	–	–	–	91	91
	5	15	1	28	60,486	60,535

26 Financial assets and liabilities continued

(a) Financial assets and liabilities continued

Financial assets can be reconciled to the balance sheet as follows:

	Group as at 31 March 2011 £m	Group as at 31 March 2010 £m
Trade and other receivables:		
– current receivables (note 17)	74,693	60,101
– non-current receivables (note 17)	14	35
Available-for-sale financial assets (note 16)	31	28
Restricted funds	73	81
Cash and cash equivalents (note 7(b))	404	423
Excluded:		
– non-financial other receivables	(11)	(40)
– prepayments	(126)	(93)
	75,078	60,535

Prepayments and certain items included within other receivables are not defined as financial assets under IAS39.

Assets classified as fair value through profit or loss in accordance with the accounting policy in note 17 have been analysed in note 26 as held for trading and designated as fair value.

As at 31 March 2011 and 31 March 2010, the fair values of financial liabilities are not materially different from their book values.

Classification of financial liabilities as at 31 March 2011

	Held for trading £m	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	–	73,454	73,454
Deposits received for securities loaned	–	–	747	747
Other trade payables	–	–	7	7
Derivative financial instruments	–	6	–	6
Amounts owed to associates	–	–	6	6
Other payables	–	–	42	42
Contingent deferred consideration	–	–	5	5
Deferred consideration	–	–	1	1
Accruals	–	–	343	343
Borrowings and overdrafts	–	–	565	565
Provisions	–	–	6	6
	–	6	75,176	75,182

26 Financial assets and liabilities continued

(a) Financial assets and liabilities continued

Classification of financial liabilities as at 31 March 2010

	Held for trading £m	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	–	58,626	58,626
Deposits received for securities loaned	–	–	1,034	1,034
Other trade payables	–	–	4	4
Derivative financial instruments	2	4	–	6
Amounts owed to associates	–	–	2	2
Other payables	–	–	25	25
Contingent deferred consideration	–	–	19	19
Deferred consideration	–	–	7	7
Accruals	–	–	363	363
Borrowings and overdrafts	–	–	652	652
Provisions	–	–	32	32
	2	4	60,764	60,770

Financial liabilities can be reconciled to the balance sheet as follows:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Trade and other payables:		
– current payables	**74,634**	60,098
– non-current payables	**29**	30
– borrowings and overdrafts (note 8)	**565**	652
– provisions (note 19)	**55**	91
Excluded:		
– non-financial other provisions	**(49)**	(59)
– non-financial other payables	**(3)**	(3)
– other tax and social security	**(42)**	(25)
– deferred income	**(7)**	(14)
	75,182	60,770

Taxes payable, deferred income and certain provisions are not classified as financial liabilities under IAS39.

26 Financial assets and liabilities continued

(b) Fair value estimation

The Group's assets and liabilities that are measured at fair value are financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments.

Instruments included in level 1 are traded in active markets and valued at quoted market prices available in open markets. The fair value of a financial instrument that is not traded in an active market is determined using a valuation technique, for example derivative financial instruments. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific items. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 March 2011.

	As at 31 March 2011			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale-investment	3	11	17	31
Derivative financial instruments	–	7	–	7
Total assets	3	18	17	38
Liabilities				
Derivative financial instruments	–	(6)	–	(6)
Total liabilities	–	(6)	–	(6)

	As at 31 March 2010			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale-investment	2	–	26	28
Financial assets at fair value through consolidated income statement	–	–	1	1
Derivative financial instruments	–	15	5	20
Total assets	2	15	32	49
Liabilities				
Derivative financial instruments	–	(6)	–	(6)
Total liabilities	–	(6)	–	(6)

At 31 March 2011 the Group determined that £9m of available-for-sale assets categorised as level 3 at 31 March 2010 met the criteria for categorisation as level 2 based on the type of information available to determine the value of the asset.

Other level 3 movements in the year comprised an impairment of £4m taken to operating profit in the consolidated income statement through the 'acquisition and disposal' column and the revaluation gain of £4m recognised in other comprehensive income.

Company

Financial assets and liabilities

All of the Company's financial assets are classified as loans and receivables and the financial liabilities are held at amortised cost. The fair value of these assets and liabilities is not materially different from their book values.

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27 Commitments

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term.

(a) Finance lease commitments

The Group has no commitments to future minimum lease payments under finance leases (2010 – £nil).

(b) Operating lease commitments

At the end of the financial year, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Within one year	**23**	19
Between one and five years	**81**	64
After five years	**34**	26
	138	109

No amounts were expected to be received under non-cancellable sub-leases as at 31 March 2011 (2010 – £nil).

Operating lease commitments relate to the rental of premises for office space in the UK, US and Asia Pacific, in the locations that the Group operates.

(c) Capital commitments

As at 31 March 2011, there was no capital expenditure contracted or provided for (2010 – £nil).

28 Contingent liabilities

Group

(a) From time to time the Group is engaged in litigation in relation to a variety of matters. It is not always possible to quantify the extent of any potential liabilities, but there are none currently expected to have a material adverse impact on the Group's consolidated results or net assets.

(b) In the normal course of business, certain Group companies enter into guarantees and indemnities to cover trading arrangements and/or the use of third party services or software.

Company

The Company has provided a subordinated guarantee to a subsidiary company in respect of the $193m subordinated loan notes repayable in 2015 which has a fair value of £nil as at 31 March 2011(2010– £nil).

Notes to the financial statements
continued

29 Related party transactions

Group
(a) IPGL
IPGL is a company controlled by Michael Spencer, the Group Chief Executive Officer of ICAP plc. A number of transactions take place between IPGL and its subsidiaries and the Group and these are detailed below.

IPGL
During the year, IPGL charged the Group £74,164 (2010 – £102,290) for the net amount of transactions between the two parties. This amount includes £63,186 (2010 – £119,170) paid by IPGL in respect of certain employees of the Group who provided services to IPGL and its subsidiary undertakings. All transactions are carried out on an arm's-length basis. As at 31 March 2011, IPGL owed the Group £64,480 (2010 – IPGL owed to Group £136,425).

Exotix Holdings Ltd (Exotix)
As part of the disposal of Exotix Holdings Limited to IPGL in 2007, the Group loaned employees of Exotix Limited (Exotix), (a subsidiary of Exotix Holdings Limited), £1.5m to enable them to purchase a shareholding. Interest of £10,231 has been charged on these loans at a fair market rate during the year. The Group collected revenue of £nil (2010 – £17.2m) on behalf of Exotix and recharged Exotix £252,799 (2010 – £122,758) as compensation for overheads and IT support and £30,000 for other services provided during the year. As at 31 March 2011, there was a balance due to Exotix from the Group of £2.2m (2010 – £0.8m). The Exotix Group holds £1.9m as collateral from Exotix on deposit.

City Index Ltd
In June 2008 the Group agreed to provide FXSolutions, a subsidiary company of City Index Ltd, with FX data from its EBS platform for $2m per annum. During the year the Group has charged FXSolutions £1.3m (2010 – £1.3m) for the provision of data. As at 31 March 2011 there was no balance outstanding with the Group.

(b) TFS-ICAP Limited, TFS-ICAP LLC, TFS-ICAP Singapore, TFS-ICAP Japan and TFS-ICAP Australia
The Group invoices and collects revenue on behalf of TFS-ICAP LLC. During the year, the Group invoiced and collected £5.6m (2010 – £3.5m) for which it did not receive a fee. During the year the Group recharged the various joint ventures a fee as compensation for overheads and IT support costs as follows: TFS-ICAP Limited – £1,033,483 (2010 – £224,297); TFS-ICAP LLC – £24,998 (2010 – £50,269); TFS-ICAP Singapore – £228,111 (2010 – £1.7m); TFS-ICAP Japan £84,939 (2010 – £nil); TFS-ICAP Australia – £nil (2010 – £nil). As at 31 March 2011 the outstanding balance from all the joint ventures to the Group was £1.5m (2010 – £1.1m).

(c) BSN Capital Partners Ltd
The Group provides BSN Capital Partners Limited (BSN), an associate undertaking, with office space and facility services. During the year, the Group charged BSN £63,828 (2010 – £141,766) for these services. The Group also has a preferred brokerage agreement with BSN and has recognised revenue of £4.5m (2010 – £8.8m) during the year. As at 31 March 2011 the outstanding balance was £20,249 (2010 – £7.8m).

(d) CFETS-ICAP
The Group provides CFETS-ICAP, a joint venture company based in China, with office space and facilities services. During the year, the Group charged the company £92,545 (2010 – £79,180) for these services. As at 31 March 2011 the outstanding balance was £111,032 (2010 – £186,221). The Group also invoiced and collected revenue of £299,453 for CFETS-ICAP in the year.

(e) Capital Shipbrokers Ltd
The Group collected revenue on behalf of Capital Shipbrokers Limited, an associate based in Hong Kong, of £2.0m (2010 – £1.5m). The Group also recharged Capital Shipbrokers Limited £275,340 (2010 – £185,242) for overheads. The total outstanding balances due from the Group was £1.0m (2010 – £409,539).

(f) FCB Harlow Butler Pty Ltd
The Group loaned some minority shareholders of FCB Harlow Butler Pty Ltd, a subsidiary company in South Africa, £629,558 in order to acquire 140,800 shares in the company from the Group. Interest of £26,588 (2010 – £35,179) was charged on the loan during the year. As at 31 March 2011, the outstanding balance due on the loan was £262,314 (2010 – £286,309).

29 Related party transactions continued

(g) Ticonderoga LLC
During 2011 the Group sold its investment after recognising an impairment of $16m (£10m) in Ticonderoga LLC, a wholly-owned subsidiary of Walker St Securities. The Group also wrote off funds lent to Ticonderoga LLC of $0.8m (£0.5m). The Group holds a $3m note receivable as at 31 March 2011.

(h) Amias Berman Holdings Pte Ltd (Amias Berman)
The Group disposed of its interest in Amias Berman during the year for £nil consideration and impaired £8.0m of loan balances. The Group will continue to provide Amias Berman with services until mid 2011 and at 31 March 2011 was owed £1.7m which is being repaid in line with the services agreement.

(i) CLS Aggregation Services LLC (CLSAS)
The Group recharged CLSAS, an associate company, $3.9m (£2.5m) (2010 $1.7m (£1.1m)) as compensation for technical services during the year. As at 31 March 2011 $4.0m (£2.6m) (2010 – $1.7m (£1.1m)) remained outstanding. The Group received $2.6m from CLSAS during the year.

Related party transactions are made on an arm's length basis.

Company
ICAP plc is the Group's ultimate parent company and is incorporated and domiciled in the UK.

During the year the Company entered into the following transactions with subsidiaries:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Management services expenses	**(1.8)**	(0.5)
Interest paid to related parties	**(8.0)**	–

Amounts owed to the Company from subsidiaries are disclosed in note 17 and amounts owed by the Company to subsidiaries are disclosed in note 18. In March 2009, the Company novated the Group's bank facilities to its immediate subsidiary ICAP Group Holdings plc (IGHP) and simplified its intra-Group lending and borrowing with its subsidiaries.

30 Events after the balance sheet date

On 8 April 2011, the FSA approved the Group's application to renew its waiver from investment firm consolidation for a further period of five years. Refer to note 20 for details on benefits of the waiver on capital.

31 Principal subsidiaries, joint ventures and associates

Investment in subsidiaries

An entity is regarded as a subsidiary if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Group's activities.

The Company recognises investments in subsidiaries initially at fair value, and subsequent changes in value as a result of impairment are recognised in the income statement.

(a) Investment in subsidiaries – Company

Cost and net book value

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Cost and net book value		
As at 1 April	**1,989**	1,955
Additions	**–**	67
Disposals	**–**	(33)
As at 31 March	**1,989**	1,989

The Company's immediate subsidiary companies are IGHP, Intercapital Limited and Garban Group Holdings Limited, all of which are incorporated in England and are 100% owned by the Company. All of the Company's other subsidiaries are indirectly owned. The Company's principal subsidiaries, their country of incorporation and the Group's ownership are listed below:

		% held
Argentina	ICAP Securities Argentina SA	100
	ICAP Capital Markets Argentina SA	60
Australia	ICAP Australia Pty Limited	100
	ICAP Brokers Pty Limited	100
	ICAP Futures (Australia) Pty Ltd	100
Bahrain	ICAP (Middle East) W.L.L.	49
Brazil	ICAP do Brasil Corretora de Títulose e Valores Mobiliários Ltda	100
China	ICAP (Hong Kong) Limited	100
	ICAP Shipping (Hong Kong) Limited	98
	Link Securities Hong Kong Limited	100
	ICAP Equities Asia Limited	100
Colombia	ICAP FX Colombia S.A.	94.2
	ICAP Securities Colombia S.A.	94.2
Denmark	ICAP Scandinavia Fondsmaeglerselskab A/S	100
England	EBS Dealing Resources International Limited	100
	Euclid Opportunities Limited	73
	Harlow (London) Limited	100
	ICAP Electronic Broking Limited	100
	ICAP Energy Limited	100
	ICAP Europe Limited	100
	ICAP Management Services Limited	100
	ICAP Securities Limited	100
	ICAP Shipping Derivatives Limited	98
	ICAP Shipping Limited	98
	ICAP Shipping Tanker Derivatives Limited	98
	ICAP Shipping Tankers Limited	98
	ICAP WCLK Limited	100

31 Principal subsidiaries, joint ventures and associates continued

(a) Investment in subsidiaries – Company continued

		% held
England (continued)	MyTreasury Limited	75
	The Link Asset and Securities Company Limited	100
	Traiana Limited	100
	ICAP America Investments Limited	100
	ICAP Group Holdings plc	100
	ICAP Holdings Limited	100
	ICAP Holdings (Asia Pacific) Limited	100
	ICAP Holdings (UK) Limited	100
	ICAP IEB Z Limited	100
	ReMatch Limited	71.5
	Trading Cross Connects UK Limited	64
	Traiana Limited	100
	TriOptima UK Limited	100
Germany	ICAP Deutschland GmbH	100
	ICAP Shipping (Germany) GmbH	98
Gibraltar	ICAP Shipping (Gibraltar) Limited	98
India	ICAP India Private Limited	51
Indonesia	PT ICAP Indonesia	85
Israel	Traiana Technologies Limited	100
	ICAP IEB Development Limited	100
Japan	EBS Dealing Resources Japan Limited	100
	ICAP Totan Securities Co Limited	60
	TriOptima Japan KK	100
Korea	ICAP Foreign Exchange Brokerage Limited	100
Luxembourg	Euclid Opportunities SA	73
Mexico	ICAP Referenciadora, S.A. de C.V.	100
Netherlands	ICAP Holdings (Nederland) BV	100
	ICAP Latin America Holdings BV	100
New Zealand	ICAP New Zealand Limited	80
Norway	ICAP Energy AS	100
Philippines	ICAP Philippines Inc	100
Poland	ICAP (Poland) Sp. Zo.o.	100
Singapore	ICAP AP (Singapore) Pte Limited	100
	ICAP Currency Options Pte Limited	100
	ICAP Energy Pte Limited	100
	ICAP Financial Products Pte Limited	100
	ICAP Management Services Pte Limited	100
	ICAP Shipping Singapore Pte Limited	98
	Reset Pte Limited	100
	TriOptima Asia Pacific Pte Limited	100
South Africa	FCB Harlow Butler (Pty) Limited	51
Sweden	TriOptima AB	100
Switzerland	EBS Service Co Limited	100

Notes to the financial statements
continued

31 Principal subsidiaries, joint ventures and associates continued

(a) Investment in subsidiaries – Company continued

		% held
United States	EBS Dealing Resources Inc	100
	First Brokers Securities LLC	100
	ICAP Capital Markets LLC	100
	ICAP Corporates LLC	100
	ICAP Electronic Broking LLC	100
	ICAP Energy LLC	100
	ICAP Futures LLC	100
	ICAP Information Services Inc.	100
	ICAP Ocean Tomo LLC	100
	ICAP Securities USA LLC	100
	ICAP Services North America LLC	100
	ICAP Shipping USA Inc	98
	ICAP United, Inc	100
	Link Brokers Derivatives Corporation	100
	Moving Pictures Film and Television LLC	100
	ReMatch Inc	71.5
	Trading Cross Connects US LLC	64
	Traiana Inc	100
	TriOptima North America LLC	100
	Wrightson ICAP LLC	100

The percentage held represents the percentage of issued ordinary share capital held (all classes) and also represents the voting rights of the Company. The Group also owns 100% of the non-voting preference share capital of ICAP India Private Limited.

TriOptima, and each of its subsidiaries, and ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda each have a 31 December year end. TriOptima is required to have a 31 December year end in order to determine any potential earn out payments required under the terms of the acquisition, and ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda is required to as part of local regulatory requirements. All other subsidiaries have a 31 March year end.

All companies operate in their country of incorporation, except ICAP Securities USA LLC and ICAP Futures LLC which also operate in the UK, ICAP Energy AS which also operates in the Netherlands and Spain, and EBS Dealing Resources International Limited which operates worldwide.

The principal activity of ICAP Information Services Inc and Wrightson ICAP LLC is the provision of financial information to third parties. All other subsidiaries are involved in voice broking, electronic broking, post trade or activities related to broking activity.

(b) Joint ventures – Group

The Group's principal joint ventures and their country of incorporation are listed below:

		% held	Principal activity
Australia	TFS-ICAP	25.0	Voice broking
China	Shanghai CFETS-ICAP International Money Broking Co Limited	33.0	Voice broking
England	TFS-ICAP Limited	22.5	Voice broking
Germany	TFS-ICAP GmbH	12.5	Voice broking
Japan	TFS-ICAP	25.0	Voice broking
Mexico	SIF ICAP, S.A. de C.V.	50.0	Voice broking
	BCIE – ICAP Capital Markets S.A. de C.V.	50.0	Voice broking
Singapore	TFS-ICAP	25.0	Voice broking
United States	TFS-ICAP LLC	22.5	Voice broking

All joint ventures have a 31 December year end.

31 Principal subsidiaries, joint ventures and associates continued

(b) Joint ventures – Group continued
Summary financial information of joint ventures

The Group's share of joint ventures' assets and liabilities included in the consolidated balance sheet and their results included in the consolidated income statement is given below:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Assets	16	16
Liabilities	(6)	(4)
Net assets	10	12
Goodwill included in the Group's balance sheet	1	1
Net investment in joint ventures	11	13

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Revenue	17	16
Administrative expenses	(12)	(13)
Profit before tax	5	3
Tax	(1)	(1)
Profit for the year	4	2
Attributable to		
Equity holders of the Company	4	2

The Company's joint venture is CFETS-ICAP, a moneybroking company in China, of which the Company owns 33%. The cost and net book value of the investment at 31 March 2011 is £1m (2010 – £1m).

(c) Associates – Group
The Group's principal associates and their country of incorporation are listed below:

		% held	Principal activity
England	BSN Capital Partners Limited	25.1	Voice broking
China	Capital Shipbrokers Limited	49.0	Voice broking
India	CTI Shipbrokers (India) Pvt Limited	29.4	Voice broking
Japan	Totan Capital Markets Co. Limited	28.1	Voice broking
Malaysia	Amanah Butler Malaysia Sdn Bhd	32.1	Voice broking
Singapore	Island Shipbrokers Pte Limited	22.1	Voice broking
United States	Blockcross Holdings LLC	20.0	Electronic trading
	CLS Aggregation Services LLC	49.0	Post trade risk

BSN Capital Partners Limited, CLS Aggregation Services LLC and Blockcross Holdings LLC have 31 December year ends and all other associates have a 31 March year end.

Information for shareholders

Information on ICAP plc (Company No 3611426) can be found on the Company's website, www.icap.com.

Financial calendar

2011	
18 May	Results for year ended 31 March 2011 announced
13 July	Annual general meeting, London
20 July	Ex-dividend date for final dividend
22 July	Record date for final dividend
19 August	Final dividend payment
November	Results for half year to 30 September 2011 announced
2012	
January	Ex-dividend date for interim dividend
January	Record date for interim dividend
February	Interim dividend payment
May	Results for year ending 31 March 2012 announced
July	Annual general meeting, London
August	Final dividend payment
November	Results for half year to 30 September 2012 announced

Registrar

Capita Registrars (Capita) maintains the ICAP share register. Their contact details are:

ICAP Share Register, Capita, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0565* or +44 800 280 2584, www.capitaregistrars.com.

Information about current holdings is available at www.icap-shares.com. Shareholders will need their investor code (account number) and postcode to view information on their own holding.

Frequent shareholder enquiries

Notifying the Company of a change of address

Shareholders should notify the Company's registrar by calling the ICAP shareholder helpline 0871 664 0565* or +44 800 280 2584, via the website www.icap-shares.com, or in writing, of any change. If shares are held in joint names, the notification must be signed by the first named shareholder.

Notifying the Company of a change of name

To ensure the details of a shareholding are correct, notification of a change of name should be made in writing to Capita. A copy of any marriage certificate or change of name deed should be provided as evidence of the name change.

Dividend payments directly into bank/building society accounts

Dividends for shareholders are paid through BACS and can be paid directly into a UK bank or building society account with the tax voucher sent direct to the shareholder's registered address. A dividend mandate form is available from Capita or from its website, www.icap-shares.com, under the forms and booklets section.

Scrip dividend

The scrip dividend alternative is not currently being offered in relation to ICAP plc dividends which will be satisfied in cash until further notice.

Transferring ICAP shares

Transferring shares to someone else requires the completion of a stock transfer form. These forms are available by calling the ICAP shareholder helpline 0871 664 0565* or +44 800 280 2584, or from the Capita website www.capitaregistrars.com

Lost ICAP share certificate(s)

Shareholders who have lost their share certificate(s) or have had their certificate(s) stolen should inform Capita immediately by calling the ICAP shareholder helpline, 0871 664 0565* or +44 800 280 2584.

Following the share split only the ICAP ordinary 10p share certificates are valid.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. Further information about ShareGift is available at www.sharegift.org or by telephone, 020 7930 3737.

Disability helpline

For shareholders with hearing difficulties a text phone number is available, 0871 664 0532* or +44 20 8639 2062.

Depositary for ICAP plc Level 1 ADR Program

The Company has a Level 1 American Depositary Receipt (ADR) program. The Bank of New York Mellon Corporation acts as the depositary bank for the program. ICAP's ADRs trade on the OTC market under the symbol 'IAPLY' and its CUSIP number is 450936109. Each ADR represents two ordinary shares.

*Calls to this number are charged at 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday.

Definitions

In this Annual Report the following words shall have the following meanings:

Arkhe	Arkhe Distribuidora De Titulose e Valores Mobiliarios SA has merged into ICAP do Brasil Corretora de Títulose e Valores Mobiliários Ltda
Baltic Dry Index	Daily index which tracks worldwide international shipping prices of various dry bulk cargoes
BEIP grant	Business Employment Incentive Program, a grant run by the New Jersey Economic Development Authority
BrokerTec	see ICAP Electronic Broking below
BSMP	The ICAP 2003 Bonus Share Matching Plan
CDS	Credit Default Swaps
CFETS-ICAP	Shanghai CFETS-ICAP International Money Broking Co. Limited
CFTC	Commodity Futures Trading Commission
CLSAS	CLS Aggregation Services LLC, a joint venture between Traiana Inc and CLS Group
Combined Code	the Combined Code on Corporate Governance (2008 version)
Companies Act	Companies Act 2006
Company or ICAP	ICAP plc (formerly Garban-Intercapital plc and Garban plc)
CRD	Capital Requirements Directive
Demerger	the demerger of Garban from United on 17 November 1998
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, a federal statute in the US
dollar or $	unless otherwise specified all references to dollars or $ symbol are to the currency of the US
EBS	EBS Group Limited and its subsidiaries
EMEA	Europe, the Middle East and Africa
EMIR	European Market Infrastructure Regulation
EPS	Earnings per share
EU	European Union
Exco	Exco plc, which changed its name to Intercapital plc on 26 October 1998
Exco/Intercapital merger	the acquisition of the Intercapital companies by Exco on 26 October 1998
Exotix or Exotix business	Exotix Holdings Limited and its subsidiaries

Definitions
continued

FICC	Fixed Income Clearing Corporation
FINRA	Financial Industry Regulatory Authority
First Brokers	First Brokers Securities Inc
Fitch	Fitch Ratings Limited
FRC	Financial Reporting Council
FSA	Financial Services Authority
FTSE 100	index comprised of the 100 largest companies listed on the London Stock Exchange in terms of their market capitalisation
FTSE All-Share	the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap Indices
FX	foreign exchange
Garban	Garban plc
Garban Trust	Garban Employee Share Ownership Trust
GEMG	global executive management group
GOC	global operating committee
GRACC	group risk and capital committee
Group	the Company and its subsidiary undertakings
HMRC	Her Majesty's Revenue & Customs
ICAAP	Internal Capital Adequacy Assessment Process
ICAP Electronic Broking	the businesses of ICAP Electronic Broking LLC (formerly BrokerTec USA LLC) and ICAP Electronic Broking Limited (formerly BrokerTec Europe Limited)
ICAP shares	ICAP plc ordinary shares of 10p each
ICAP Shipping	ICAP Shipping Limited (formerly ICAP Hyde & Company Limited) and related companies
ICAP Trust	ICAP Employee Share Trust
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INFBV	INCAP Finance BV
Intercapital	Intercapital Limited (formerly Intercapital plc)
Intercapital companies	those companies acquired from IPGL at the time of their merger with Exco in October 1998
IPGL	IPGL Limited
ISDA	International Swaps and Derivatives Association
ISMA	International Securities Market Association
LIBID	London Interbank Bid Rate
LIBOR	London Interbank Offered Rate
Link	the businesses of The Link Asset and Securities Company Limited, Link Securities Hong Kong Limited and Link Brokers Derivatives Corporation
Merger	the merger of Garban and Intercapital on 9 September 1999
MiFID	Markets in Financial Investments Directive
Moody's	Moody's Investors Services
NSCC	National Securities Clearing Corporation
OTC	over-the-counter
OTF	organised trading facility
Pillar 1	the minimum capital requirements firms will be required to meet for credit, market and operational risk under the Basel Accord
Pillar 2	a supervisory review process
ReMatch	ReMatch Holdings Limited and its subsidiaries
Reset	Reset Holdings Private Limited and its subsidiaries
RPI	Retail Price Index
SEC	Securities and Exchange Commission
Share split	at an extraordinary general meeting held on 4 February 2004 shareholders approved a five for one share subdivision which divided the Group's ordinary shares of 50p each into five ordinary shares of 10p each. The subdivision was effective from 9 February 2004.
SEF	swap execution facility, a type of organised trading venue in the US
Traiana	Traiana Inc and subsidiaries
Treasury Shares	shares as defined by the Companies Acquisition of Own Shares (Treasury Shares) Regulations 2003 which came into force on 1 December 2003
TriOptima	TriOptima AB and its subsidiaries

In this document, according to context, the expressions ICAP and the Group are also used to mean the ICAP plc group as a whole, or ICAP plc and/or its relevant subsidiaries. The business of ICAP plc is solely that of a holding company. ICAP plc itself conducts no broking or other activities.

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