ICAP

Connecting the world's financial markets

2012 Annual Report

www.icap.com

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

Contents

ICAP in 10

The following pages provide a 10 point overview of our business, strategy, performance and governance.

Financial summary

1

	2012 £m	2011 £m	Variance %
Continuing operations			
Revenue	1,681	1,741	(3)
Operating profit[1]	372	375	(1)
Profit before tax[1]	354	350	1
Profit before tax statutory[2]	217	233	(7)
	pence	pence	Variance %
Dividend per share	22.0	19.95	10
Earnings per share total operations			
Basic	21.1	28.7	(26)
Adjusted basic	40.1	39.9	1
Earnings per share continuing operations			
Adjusted basic[1]	40.1	39.9	1
	2012 £m	2011 £m	Variance %
Total operations			
Net assets	1,210	1,251	(3)
Free cash flow	268	189	41
Net debt	(82)	(161)	49

1 From continuing operations before acquisition and disposal costs and exceptional items.
2 From continuing operations, total statutory profit before tax for the year including acquisition and disposal costs of £137 million.
3 Net cash flow from operating activities adjusted for capital expenditure, dividends received from associates and investments and cash from operations relating to non-controlling interests.
4 Cash and cash equivalents less long-term and short-term borrowings.

Key highlights

– Group revenue from continuing operations fell to £1,681 million, a 3% decrease. Profit before tax[1] of £354 million was up 1%.

– Electronic broking revenue of £301 million produced an operating profit[1] of £127 million.

– Post trade risk and information revenue rose to £208 million and produced an operating profit[1] of £91 million.

– Electronic, post trade risk and information contributed 59% of operating profit[1].

– The Group's operating profit[1] margin remained at 22%.

– EPS (basic) reduced from 28.7p to 21.1p; EPS (adjusted basic) increased by 1% to 40.1p.

– Free cash flow[3] of £268 million (2011 – £189 million). Net debt[4] reduced to £82 million (2011 – £161 million) after paying £135 million in dividends.

– The directors recommend a final dividend of 16.00p per ICAP share, which will be paid on 20 July 2012. The full-year dividend will be 22.00p compared with 19.95p per share in 2010/11, an increase of 2.05p.

2 Our segments

Voice

Market participants can use ICAP's broking service to assess trading availability and successfully execute trades. Our voice brokers locate and identify potential trading interest and in so doing create liquidity and facilitate the price discovery process. This is particularly important in markets where there are a wide range of potential transaction types and the number of parties willing to enter certain transactions at any moment may be limited. Customers range from investment banks in our fixed income products to end-user corporates and industrials in commodities.

Our services
We offer voice broking services for a wide range of asset classes including rates, FX, commodities, emerging markets, credit and equities. For each of these asset classes, ICAP has hybrid capability. ICAP defines hybrid broking as providing customers with the choice to enter prices and execute trades electronically, directly via one of ICAP's electronic trading systems and/or to engage with a broker to identify and help negotiate trades.

Strategy
ICAP's voice strategy is to extend its hybrid capabilities, to invest in growth markets and seize opportunities as they arise, to expand market share in products where we are not the leader, and to maintain our market share where we are the leader.

Electronic

Markets that are more liquid and have a high degree of consistent buying and selling interest are most efficiently traded on electronic broking platforms. These automated platforms allow users to execute large volumes of deals, quickly and easily. We offer a number of electronic broking platforms, the largest of which are the EBS platform for FX currencies and the BrokerTec platform for G7 public debt securities. Customers range from investment banks, to corporate treasurers, to high-frequency traders.

Our services
We offer pure electronic trading in the FX and fixed income markets including US and European government debt securities, US and EU repos, interest rate swaps, credit and a money market platform for corporate treasury investors.

Strategy
ICAP's strategy is to grow its global electronic business both through increasing volumes of existing products and by developing new markets.

Post trade risk and information

Our post trade risk and information services help users of financial products to reduce operational risk and overall reduce system-wide risks. This increases the efficiency of trading, reduces costs and thereby creates new trading opportunities which in turn benefits ICAP. Our information business empowers customers to make trading decisions with OTC market information across key asset classes. More than 500 customers use our post trade risk services and more than 3,000 market participants use our information services.

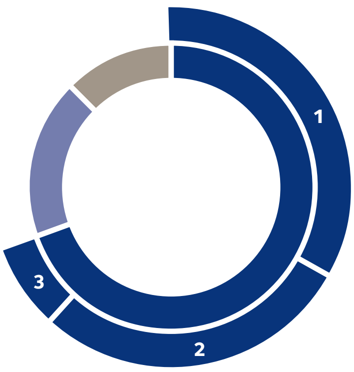
Our services
The post trade risk and information business comprises:
- the portfolio risk services businesses, Reset, ReMatch and TriOptima which identify, remove, neutralise and reconcile risk within portfolios of derivatives transactions;
- the transaction processing business, Traiana;
- the information and data sales businesses.

Strategy
ICAP aims to continue to develop its post trade risk and information business by providing innovative services that enable its customers to reduce costs and risk as well as increase efficiency, return on capital and capacity to process trades.

Our diversified business

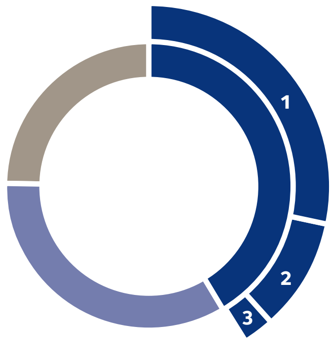
3

Revenue by segment



	(£m)
Voice	**1,172**
1. EMEA	566
2. The Americas	478
3. Asia Pacific	128
Electronic	**301**
Post trade risk and information	**208**
Total	**1,681**

Operating profit split

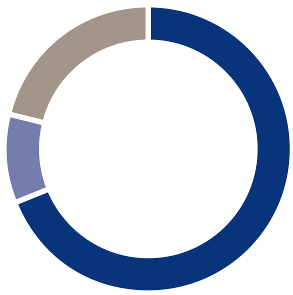


	(£m)
Voice	**154**
1. EMEA	106
2. The Americas	42
3. Asia Pacific	6
Electronic	**127**
Post trade risk and information	**91**
Total	**372**

Revenue by asset class

	(£m)
Rates	**681**
FX	**343**
Commodities	**203**
Emerging markets	**167**
Credit	**154**
Equities	**133**
Total	**1,681**

Diversified revenue

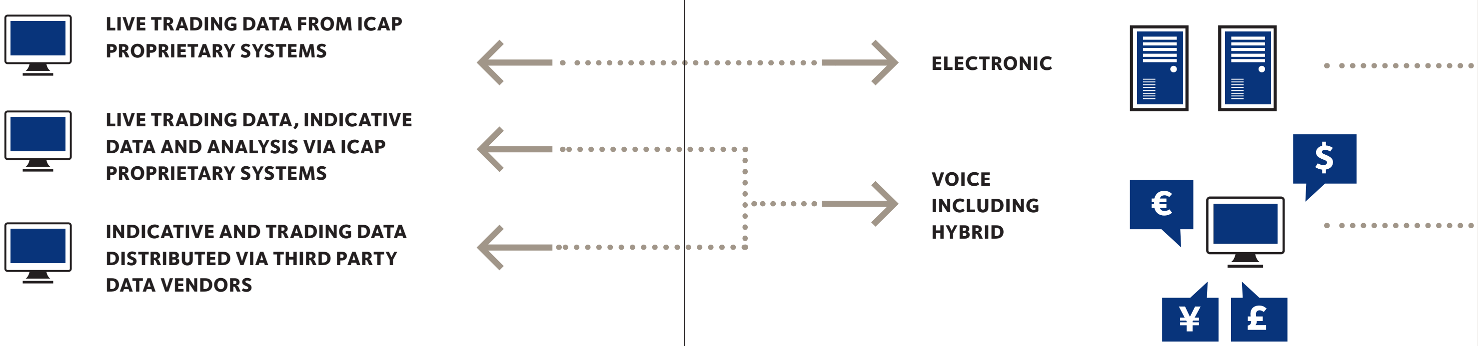


	(%)
Bank execution	**69**
Total subscription	**10**
Non-bank execution	**21**

4 What we do

Market information

Trade execution

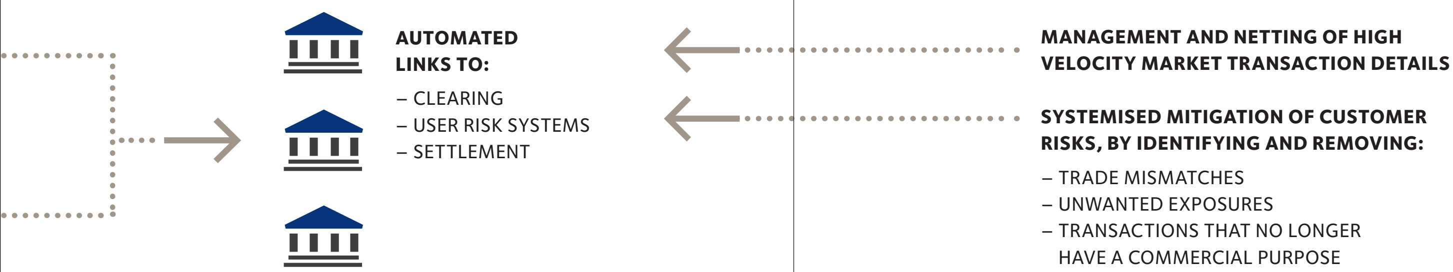


Transparency
Market participants access trading and indicative data to inform their trading decisions, assess market levels and activity. ICAP displays live and indicative data and provides price transparency to users of its systems by aggregating bids and offers and indications of trading interest. ICAP sells real-time and historical data, direct and via data vendors, and provides market commentary.

Execution
ICAP provides market participants with the ability to trade on a purely electronic basis, typically in the most liquid assets, with direct access to ICAP's matching engines and central "order book". For less liquid or "episodic" markets, participants can trade via one of ICAP's electronic systems and/or speak with an ICAP broker who will identify trading interest and availability from among other markets participants. ICAP also acts as an executing broker for exchange products.

Automated links to other parts of market infrastructure

Portfolio risk reduction and messaging



Automated links
ICAP automates links from its electronic, hybrid, voice broking and post trade systems to send trade information to clearing houses, customer risk and position keeping systems and settlement venues.

Risk reduction and messaging
The Traiana service automates links from any high speed execution system, not just ICAP's. ICAP also operates a series of services through TriOptima, Reset and ReMatch that enable users of derivatives and bonds to mitigate unwanted risks in their trading portfolios.

5 How we create value

Help create more transparent and efficient markets

We provide accurate, timely price information across global markets and seek to promote transparency in "episodic" markets by displaying indications of interest.

29m

Average daily updates to 96,000 instruments

Access to global pools of buyers and sellers helps create liquid markets and greater transparency.

$1.4tr

Average daily volumes traded via our systems

Maintain an entrepreneurial edge

We invest in technology and integration with user and market infrastructure to build and maintain our market leading positions.

13%

Revenue invested in technology in 2012

We have the appetite to innovate and to develop new products and services. The i-Swap platform won the **OTC Trading Platform of the Year** award in the Risk Awards 2012, recognising best practice in the risk management and derivatives markets.

Risk Awards 2012

Reduce risk for users and the financial system as a whole

We automate links to clearing and help reduce systemic risk and remove legacy transactions from the financial system.

$170tr

Interest rate swaps eliminated since 2008

$60tr

Credit default swaps eliminated since 2008

Opportunities and risks

6

Opportunities

The wholesale financial markets continue to evolve. We have invested ahead of our competitors, positioning our business to take advantage of forthcoming market and regulatory developments. We intend to:

- seize the opportunities created by regulatory change;
- leverage the competitive advantage of our voice, hybrid and electronic business model, providing market participants with a choice of execution methods; and
- capitalise on the significant investment we have made in our networks and post trade risk-reduction businesses.

Our risk profile

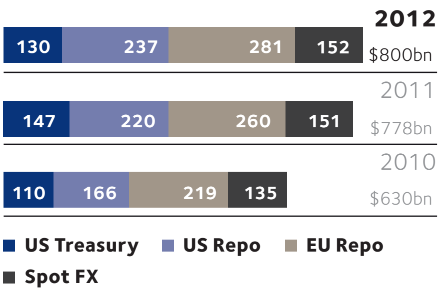
ICAP is an interdealer broker and provider of post trade risk mitigation, messaging and data services. Consequently we have a very different risk profile from that of a bank, investment bank, asset manager, insurance company or hedge fund. We are not required to commit material amounts of capital in the conduct of our day-to-day business. The profit and cash flows of the business are driven by the level of activity of our customers and do not depend on the valuation of its assets and liabilities. ICAP does not have material exposures to market risk or long-duration credit risk.

Our principal risks

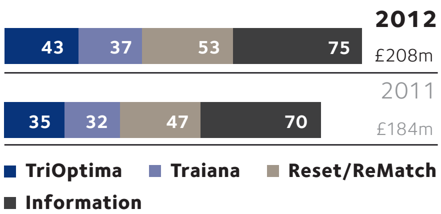
The board has identified three principal risk categories for the Group:

- **operational risk:** the risk of suffering a financial loss or reputational damage directly or indirectly from inadequate or failed internal processes, human error, systems failure or external events;
- **liquidity risk:** the risk that any part of the Group does not have sufficient financial resources available to enable it to meet its financial obligations as they fall due; and
- **strategic risk:** the risk of competition in the marketplace and of not identifying or delivering new initiatives through organic growth or acquisition to keep our services attractive and relevant.

Electronic average daily volumes ($bn)



Post trade risk and information revenue (£m)



7 Our strategy

ICAP

We aim to be the infrastructure provider to the world's wholesale financial markets, in both execution and post trade

ACHIEVED THROUGH DELIVERING

Broad, innovative service offering	Optimisation of people, systems and processes

WHICH LEADS TO

Superior shareholder returns	Leading market position

AS MEASURED THROUGH OUR KPIs

Measuring our progress

8

Our eight key performance indicators are the measures we use to monitor progress against our strategic objectives.

Broad, innovative service offering

Measuring the breadth and balance of our businesses and the quality of our earnings

Operating profit split (%)

Diversified revenue (%)

Optimisation of people, systems and processes

Measuring continued investment in efficiency of systems and people

Technology spend as % of revenue

13% ↑

Revenue per voice broker

£498k ↓

Superior shareholder returns

Ensuring a focus on delivery to our owners

Adjusted basic EPS

40.1p ↑

Conversion of profit to cash

103% ↑

Operating profit margin

22% →

Leading market position

A focus on remaining number one in the industry

Global market share

23%–25% →

9 Culture and people

Our values and culture guide the way we do business

There are four key qualities that define the culture of ICAP on which we focus in order to deliver our strategic and commercial goals:

Leadership – ICAP needs to deliver "best in industry" results, both financially and operationally. We need to be the standard setter for our industry across a broad range of measures, establishing the performance benchmarks that other companies use to judge themselves. To do this we need to foster and reward ambition in our employees and managers.

Integrity – ICAP aims to build and maintain a relationship of openness and trust with its customers, partners, investors and regulators. To do this the Company and its employees are expected to behave consistently and within standards of ethical and professional conduct at all times and these qualities need to be rewarded.

Entrepreneurship – ICAP needs to anticipate industry change, identify and assess new business opportunities, move at speed to capture these and manage the risks that inevitably arise in this process. To do this the Company needs to attract, motivate and retain creative people, manage itself and its infrastructure and processes in a way which fosters agility and controlled experimentation and foster an environment where employees charged with supporting the business are heard and valued.

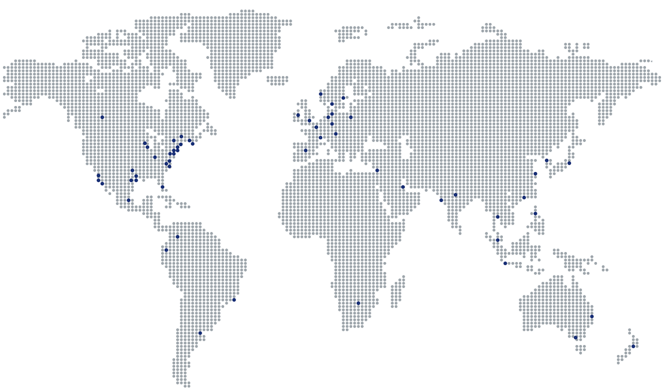
Respect for control – As a key part of global financial infrastructure, ICAP has to respect, and be seen to be respecting, both the spirit and the letter of the control, compliance and assurance environment within which the Group operates, worldwide.

Our people

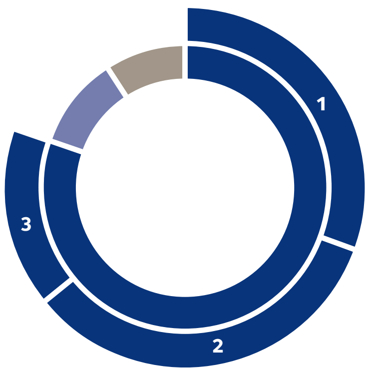
ICAP employs more than 5,100 people worldwide. Our ability to attract and retain the highest quality people is one of the key factors driving the success of our business. We are committed to providing an environment that is intellectually challenging, motivating and supportive.

Our award-winning graduate recruitment programme delivers a steady flow of talent into the business and our increasing investment in employees through training has been designed to ensure our people are able to operate effectively in increasingly complex markets and in a changing regulatory environment.

Global presence



Employee by business segment



Voice	**4,122**
1. EMEA	1,569
2. The Americas	1,725
3. Asia Pacific	828
Electronic	**542**
Post trade risk and information	**459**
Total	**5,123**

Governance

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The Group is led by an experienced board of directors and senior management team with extensive knowledge of ICAP's markets, the regions and regulatory frameworks in which it operates and its technology.

The role of the board and the members of the GEMG is to provide oversight and direction of the business.

There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer.

The board is responsible for ensuring the Group has the appropriate people, financial resources and controls in place to deliver on its strategy and long-term objectives.

Chairman
– Charles Gregson

Senior independent director
– John Sievwright

Non-executive directors
– Hsieh Fu Hua
– Diane Schueneman
– Robert Standing

Executive directors and members of the GEMG
– Michael Spencer
– John Nixon
– Iain Torrens

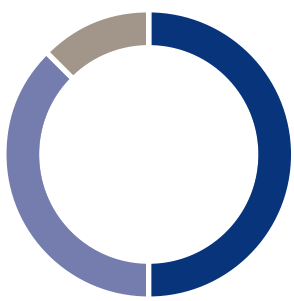
Additional GEMG members
– Mark Beeston
– David Casterton
– Hugh Gallagher
– Gil Mandelzis
– Mark Price
– Douglas Rhoten
– Duncan Wales

Board evaluation
The externally facilitated board evaluation confirmed the changes in the board composition were highly effective and the directors' expertise was well drawn on during the year and is valued by the business.

Focus areas for 2012/13
– increase efficiency from the business model
– the regulatory environment
– HR strategy and succession planning
– IT strategy
– the Brazilian business
– key customer analysis including customer perception
– external market developments

Balance of the board

Independent non-executive directors
Executive directors
Chairman



Directors' tenure

5 years +
2 – 5 years
1 – 2 years

Group Chief Executive Officer's review

Michael Spencer
Group Chief Executive Officer

ICAP delivered a solid performance in 2011/12 against a difficult economic environment. The fact that we maintained profitability in a year when trading volumes were under such pressure is testament to the effectiveness of our diversified business, our global presence, our people and the actions we took to manage our cost base as market conditions changed.

Macroeconomic context

European growth in 2011 was weak with several countries in recession. As many countries embraced austerity measures, growth remained subdued. The US economy showed some signs of recovery during the first three months of 2012. Emerging market growth continued, albeit at a slower pace.

Our role in the markets

Wholesale financial markets play a vital role in global economic development. As the world's leading interdealer broker and infrastructure provider to these markets, ICAP is playing a central role in their evolution and long-term growth and is uniquely positioned to prosper. Our perspective helps inform regulators and policymakers as they implement reform. We believe we have a responsibility to help create more transparent, efficient and safer financial markets that support the global economy.

ICAP plays a pivotal role in bringing buyers and sellers together in wholesale financial markets globally. Having continually invested across all our businesses, especially in technology, we are in a good position to benefit from changing customer and regulatory requirements, giving us a significant competitive advantage as we look forward. We continue to maintain our entrepreneurial edge and have the proven appetite and ability to innovate and develop new products and services. We also remain focused on markets with structurally higher growth.

Our strong balance sheet and diversified business give us options when we look at where best to invest for the future. This will ensure ICAP is extremely well placed when markets normalise.

Changing competitive environment

As the industry leader, ICAP continues to benefit from greater scale and diversity than its competitors, but the competitive landscape in which we operate is changing. Regulators continue to pursue an ambitious agenda for reform. In the US, the Dodd-Frank Act will be substantially complete in 2012.

Regulatory reform in Europe and the US is likely to push the model for price discovery and execution towards pure electronic or electronically-assisted voice platforms. This provides customers with the ability to enter orders electronically and to execute trades directly or through a voice broker. These reforms will change the OTC landscape. Regulation and new capital requirements are also pushing banks to de-leverage and to move their focus away from long-dated, structured and capital intensive products to high flow, highly-liquid, standardised products which lend themselves to electronic trading.

We are confident that these changes present significant opportunities for ICAP. We have the scale and flexibility to adapt. We have invested in developing the technology and platforms that will be needed to enable our customers to meet new transparency, trading and post trade requirements. We will be ready to roll out swap execution facility (SEF) services in the US once the regulators have finalised the rules.

2011/2012 – developments

New financial futures and options team
We created a global financial futures and options team, hiring 31 employees in London, New York, Chicago and Sydney, significantly enhancing our execution brokerage offering. This is a business with good structural growth prospects and we are pleased with progress so far.

Customer investment in i-Swap
ICAP has a history of partnering with its customers. In November four of the world's largest swaps dealers (Barclays Capital, Bank of America Merrill Lynch, Deutsche Bank and J.P. Morgan) agreed to co-invest in iSwap Euro Limited, which operates our electronic interest rate swaps platform. We believe this will greatly enhance the platform's growth as swaps trading becomes increasingly electronic.

Acquisitions in commodities
In our voice business, we made some small but important acquisitions, Island Shipbrokers in Singapore and Sun Commodities, a leading broker of European biofuels, to complement existing businesses. As a result of the acquisition of Island Shipbrokers, the Group has acquired a further interest in CTI Shipbrokers (India) resulting in the company becoming a subsidiary rather than an associate.

New electronic trading platforms for interest rate options and equity derivatives
As our customers prepare for the new regulatory environment, we have introduced screen-based trading platforms for interest rate options (DerivX) and equity derivatives (iLinked), which are supported by our established voice service.

Cost control

In response to market conditions, we realigned our business resources to ensure they matched customer demand by reducing headcount in areas of lower profitability, while investing and hiring in growth areas such as financial futures and commodities. We also removed £20 million of recurring costs from our cost base. We will continue to review our cost structure and will implement operational efficiencies to ensure the future growth and profitability of the Group.

Management changes

The year saw some changes in ICAP's senior management team.

Mark Price joined us from Deutsche Bank in October as Group Chief Operating Officer, bringing substantial operational and risk management experience in financial markets. His appointment reflects our commitment to maintaining the strong control and risk management environment we have developed.

Mark Yallop, the previous Group Chief Operating Officer, left us in September after six successful years. Mark made a significant contribution to the strategic development of our business and we wish him well for the future.

In February 2012, Hugh Gallagher, Chief Executive Officer Asia Pacific, joined the GEMG. He has played a pivotal role in developing our voice business across the Asia Pacific region and his input and regional expertise will bring a valuable perspective to the senior management team.

We also strengthened the management of EBS in March 2012 by appointing Gil Mandelzis as Chief Executive Officer. He will also retain oversight of Traiana. Already a member of the GEMG, Gil brings significant FX experience and insight which will be important to EBS as it continues to evolve in this extremely competitive market.

Charity Day

Nothing sums up ICAP's culture like our Charity Day where, on one day each year, we donate our global revenue, including broker commissions, to charity. To raise a record £12.75 million in difficult times is a tremendous achievement and speaks volumes about our employees, customers and suppliers. ICAP's Charity Day in December 2012 will be our 20th anniversary and we hope it will bring the cumulative total raised to more than £100 million.

Dividend

Our strong balance sheet and our efficient conversion of profit to cash has enabled the directors to recommend a final dividend of 16.00p per ICAP share which will be paid on 20 July 2012 to shareholders on the register on 29 June 2012. The full-year dividend will be 22.00p per share, an increase of 2.05p per share.

Outlook

In the last quarter of our financial year we saw an improvement in risk appetite in some markets. However activity in April and early May was slow with the ongoing euro crisis and regulatory uncertainty depressing trading volumes. Some resolution on these important issues would give a big and welcome lift to market sentiment.

We reduced costs last year and are embarking on a structural overhaul that we expect will result in further significant run-rate savings of at least £50 million per annum by the end of March 2014.

We remain confident that the Group is well positioned for growth in the medium term and will meet its strategic objectives.

I would like to take this opportunity to thank every ICAP employee for their contribution to another successful year.

Michael Spencer
Group Chief Executive Officer

Investing in technology
In April 2012, ICAP completed the roll out of a major upgrade of its world leading fixed income electronic broking platform, BrokerTec, which improved its performance significantly. These enhancements have been well received by customers.

Investing in emerging markets
We continued to invest in emerging markets and asset classes that we believe have significant potential. For example, offshore renminbi (CNH) will become increasingly important for international trade and investment as China moves towards a fully convertible currency. ICAP's investment in both voice and electronic broking of CNH allowed us to capture a significant market share in what is a fast-growing market.

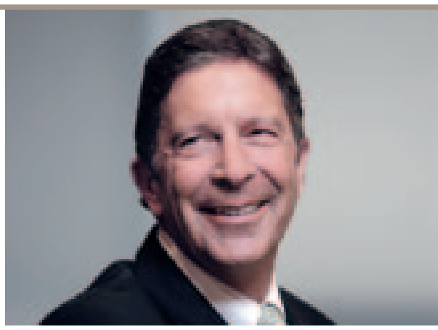
Investment in Japan
In Japan, we sold our Japanese government bond business to Central Totan Securities Co Limited and simultaneously purchased a 20% shareholding in the combined business. At the same time, the Group also increased its holding in Totan ICAP Co Limited, a leading interest rate derivatives broker.

Expanding our post trade businesses
We offered more services in new asset classes in addition to creating infrastructure support in existing ones, such as Traiana's comprehensive FX clearing solution. We also added complementary services that work in conjunction with clearing to reduce customer and systemic risk.

Global Executive Management Group

Michael Spencer
Group Chief Executive Officer

Michael Spencer was the founder of Intercapital in 1986 and became Chairman and Chief Executive 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. He is the chairman of IPGL and is on the board of many of IPGL's investments. Michael is chairman of the GEMG.



John Nixon
Group Executive Director Americas

John Nixon has management oversight and responsibility for fixed income ICAP Electronic Broking and the Americas voice broking business. Prior to his appointment to the board in 2008, John had served from 1998 to 2002 as a non-executive director and from 2003 to 2008 as a member of the GEMG responsible for strategic acquisitions. 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 in Toronto, London and New York.

Iain Torrens
Group Finance Director

Iain Torrens joined ICAP in 2006 as group treasurer, became group financial controller in 2008 and Group Finance Director in 2010. Before joining ICAP, Iain worked in a number of senior financial roles for CP Ships Limited and Cookson Group plc. Iain is chairman of the GRACC and a member of the GOC. He is a Chartered Accountant, Corporate Treasurer and a Chartered Secretary.

Mark Beeston
Chief Executive Officer, Portfolio Risk Services

Mark Beeston is responsible for post trade risk and information business. Prior to joining ICAP in December 2009, he spent four years as President of T-Zero (now ICE Link). Before this he 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. Mark represented Deutsche Bank at board level across numerous industry companies and associations including ISDA, Markit, OTCDerivNet and DTCC DerivServ.

David Casterton
Chief Executive Officer, London and EMEA (voice)

Since June 2008 David Casterton has been responsible for all voice broking and related support functions in London and EMEA. Between 1995 and 2008, David worked in a number of senior broking roles and had responsibility for interest rate derivatives, money markets, repos, government bonds and financial futures. Prior to joining ICAP in 1995 he was with MW Marshalls and Guy Butler International.

Hugh Gallagher
Chief Executive Officer, Asia Pacific (voice)

Since September 2010 Hugh Gallagher has been responsible for voice broking, technology and support functions throughout Asia Pacific. Hugh was appointed to the GEMG in January 2012. He has held several senior positions within ICAP since joining in 1988, including Chief Executive Officer ICAP Australia. Prior to joining ICAP, Hugh worked for Citibank and Lloyds in FX and money markets. Hugh has more than 25 years' experience working in OTC markets in the Asia Pacific region.

Gil Mandelzis
Chief Executive Officer EBS

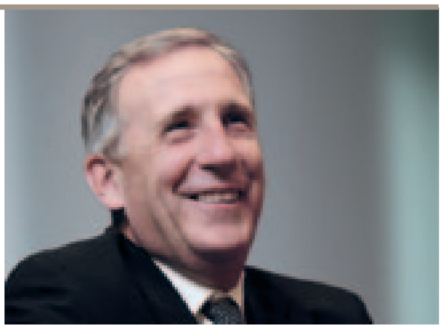
Gil Mandelzis co-founded Traiana in April 2000 and, on his appointment as Chief Executive Officer of EBS in March 2012, was appointed Executive Chairman of Traiana. Gil led Traiana's growth from a small start-up to a recognised global leader in post trade services resulting in Traiana's acquisition by ICAP in 2007. Gil was appointed to the New York Federal Reserve's Foreign Exchange Committee in 2012.

Duncan Wales
Group General Counsel

Duncan Wales 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, he 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 GOC and the GRACC. He is a member of the GC 100 Group and the Council of the Wholesale Markets Brokers' Association.

Mark Price
Group Chief Operating Officer

Mark Price has overall responsibility for IT infrastructure, risk, compliance and human resources. He joined ICAP in 2011 from Deutsche Bank where from 2009 he was Chief Operating Officer for Global Credit and Emerging Market Debt. While at Deutsche Bank he held a number of senior roles involving both business management and operating responsibilities, including as the Chief Operating Officer for Sales, Deputy Head of the middle office, and Head of the Credit Trading Product Control Group. Prior to joining Deutsche Bank in 1998, Mark worked at Merrill Lynch for three years in Credit Derivatives Product Control. He is chairman of the GOC and a member of the GRACC. Mark is a Chartered Accountant.



Douglas Rhoten
Chief Executive Officer Americas (voice)

Douglas Rhoten is responsible for ICAP's voice broking, technology and support functions in the US and Latin America, including ICAP's operations in Brazil. He is also a director of SIF ICAP SA de CV, ICAP's joint venture in Latin America. Doug was a founding member of The Green Exchange and a former member of the US Federal Reserve Bank Foreign Exchange Committee.

Business review

Results for 2011/12

For the year ended 31 March 2012, the Group reported revenue of £1,681 million, 3% below the prior year. Uncertainty in the Eurozone and constraints on market liquidity resulted in a fall in voice revenue and a marginally lower performance in our electronic business. In contrast, the post trade risk and information business saw strong growth.

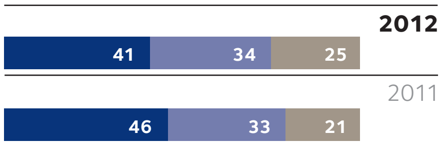
The Group reported an operating profit* of £372 million, down 1% on the prior year. The Group's operating profit* margin for the year ended 31 March 2012 remained unchanged at 22%.

Profit before tax* of £354 million was up 1% on the prior year. Profit before tax on a statutory basis fell by £16 million to £217 million as a result of an increase in the impairment of goodwill and other intangibles of £92 million.

In 2011/12, due in part to a decline in our voice business, we moved closer to our aim to generate operating profit evenly between voice, electronic and post trade risk and information.

The management of our cost base represents a key area of focus and during 2011/12, we removed £20 million of recurring costs.

Operating profit* by business segment (%)



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

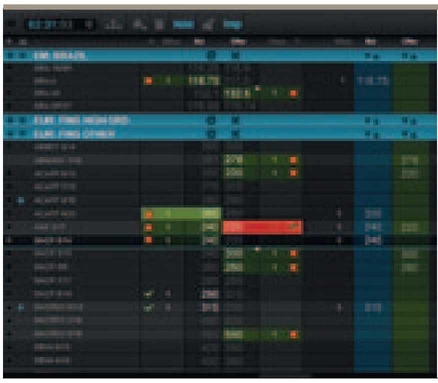
Markets

ICAP provides services in a wide range of geographies and asset classes, with the breadth of its market coverage being a key strength of the Group.

We report on our business segments externally in the same way that we manage and report them internally. The major segments are voice, which we report by geographic region, electronic and post trade risk and information.

Asset class	2012 Revenue £m	2011** Revenue £m	Change %
Rates	681	704	(3)
FX	343	336	2
Commodities	203	211	(4)
Emerging markets	167	171	(2)
Credit	154	182	(15)
Equities	133	137	(3)
Total	1,681	1,741	(3)

** During the current year the allocation of asset classes has been amended to improve the accuracy of revenue allocated to each asset. The prior year asset classes have been re-presented to enable comparability.



ICAP executes or arranges trades on behalf of its customers in one of three ways, depending on the asset class and market involved. These methods exist in the electronic and voice businesses as described on the following pages. ICAP also frequently assists market users executing multiple transactions simultaneously, which means that more than one of these methods may be involved in providing customers with their desired outcome.

Voice

Our voice business is active in wholesale markets across all asset classes with the geographic performance as below.

Voice performance	Revenue £m	Change %	Operating profit* £m	Change %
EMEA	566	(4)	106	(6)
The Americas	478	(10)	42	(36)
Asia Pacific	128	(4)	6	n/a
Total	1,172	(7)	154	(11)

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

ICAP's voice strategy is to extend its hybrid capabilities further, to invest in growth markets and seize opportunities as they arise, to expand market share in products where we are not the leader, and to maintain our market share where we are the leader.

Voice revenue fell across all geographic regions, with the Americas seeing a 10% fall, as the credit and rates markets suffered from reductions in volumes. This fall was partially offset by a good performance from our energy business. A 36% fall in the Americas operating profit was principally due to the decline in revenue. Declines in EMEA were driven by weaker performances in cash products and repos. Asia Pacific experienced both a decline in rates in Singapore, as we rebuilt our team, and tough trading conditions in equity derivatives in Japan. This was partly offset by increased activity in offshore renminbi in Hong Kong (CNH) and commodities in Australia.

Rates

Our rates business comprises interest rate derivatives, government bonds, repos, cash products and financial futures.

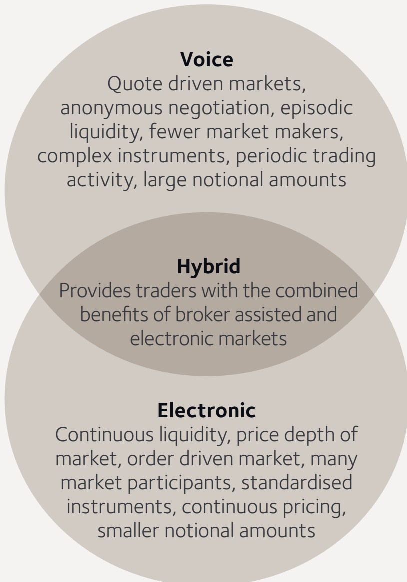
Rates performed below the prior year. Markets were more active in the first half of the year, despite near zero short-term interest rates. Risk appetite fell between September and December as traders closed their books earlier than normal for the holiday season. Volumes improved in January, prompted by volatility due to Eurozone sovereign debt issues. ICAP maintained its market leading position in the euro, sterling and cross-currency swaps businesses.

Our government bonds business performed in line with the prior year, benefiting from issuance and the quantitative easing programme increasing volumes in the UK, as well as covered bond issuance in the US.

Hybrid

Hybrid broking provides traders with the ability to enter orders electronically and execute trades directly, or to engage the services of a voice broker to do so on their behalf.

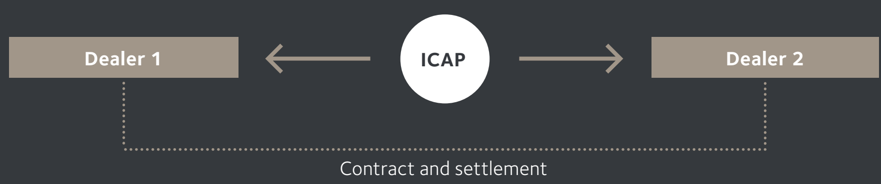
This flexibility of execution method is a hallmark of ICAP's service to the capital markets. By providing market participants with execution methods that range from fully automated to hybrid trading, supported by the skills of a voice broker, ICAP delivers a service customised to the market to deliver optimal liquidity profiles. We have steadily migrated our products on to our hybrid broking platforms and, in most cases, have done so ahead of the regulatory requirements. As a result, ICAP is well positioned to provide a full complement of hybrid trading systems.



1. Name give-up broking

ICAP identifies and introduces counterparties who have indicated their willingness to trade with each other, and who have reciprocal credit arrangements. These counterparties contract directly with each other, bearing the settlement obligation as well as the counterparty credit risk themselves. Increasingly these trades are novated into clearing and ICAP aims to automate the messaging process where possible.

Name give-up



We expanded our financial futures and options execution-only business by hiring 31 former MF Global employees. The business is now run on a global basis, with operations in London, New York, Chicago and Sydney. Since the year end we opened an office in Dubai.

In Japan, we sold our Japanese government bond business to Central Totan Securities Co Limited and simultaneously purchased a 20% shareholding in the combined business. At the same time, the Group also increased its shareholding in Totan ICAP Co Limited, a leading interest rate derivatives broker.

ICAP launched DerivX, a mid-price matching platform for euro and sterling interest rate and inflation swaps and options and more recently added Australian dollar interest rate options fixings to the platform.

For the sixth consecutive year, ICAP was voted first in the interest rate broker category in Risk Magazine's annual interdealer rankings.

FX

Our FX business comprises spot and forwards and a joint venture in options. FX performed solidly, with volumes in spot, forwards and options all improving against the prior year, as markets remained volatile due to the ongoing uncertainty arising from the sovereign debt crisis. Forward FX had its third successive record year, largely as a result of being increasingly used as a money market funding instrument. The start of the second half of the year saw growth continue compared to the previous year. However, activity slowed slightly at the beginning of the fourth quarter. i-Forwards, our hybrid FX platform used for forward FX transactions, continued to see increased volumes.

Commodities

Our commodities business comprises energy, which includes power, oils, natural gas, coal, softs, agriculture, alternative fuels, in addition to shipping, metals and intellectual property.

Continuing volatility in the global commodity markets benefited ICAP during the year. Growth was strong in energy, especially oils, natural gas and emissions, as well as in softs, agriculture and alternative fuels. However, this was more than offset by disappointing performances from shipping, metals and intellectual property. Shipping has seen freight rates in both tanker and dry markets remain at a cyclical low due to the oversupply of ships and a sluggish global economy. We expect the tanker market to recover at a faster rate than the dry market. In February 2012, ICAP Shipping acquired the remaining 75% of Island Shipbrokers, a Singapore-based ship broking business, to strengthen its presence in the tanker market and the strategically important Asia Pacific region. Our metals business has faced an increase in competition, and intellectual property has experienced disappointing auctions.

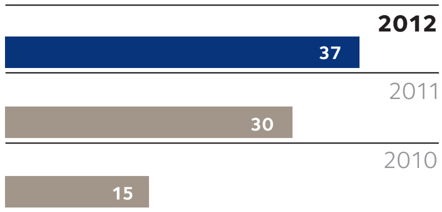
In February 2012, ICAP acquired Sun Commodities, a leading broker of European biodiesel and alternative fuels based in Geneva. The acquisition marked an expansion into European alternative fuels and strengthens our presence in the broking of physical commodities.

Emerging markets

ICAP is active in emerging markets across Asia Pacific, Latin America, Central and Eastern Europe and Africa. While local markets remain robust, international markets are suffering from the withdrawal of balance sheet capital for market making activities. This has had a significant impact on our revenue growth, with rates and credit businesses contributing to the decline, but with Latin America growing strongly.

Brazil continues to be an area of focus for ICAP. Revenue was 25% above the previous year, largely driven by activity on BM&F and Bovespa. We have restructured our Brazilian business and we expect to breakeven in late 2012/13.

Brazil revenue (£m)



Credit

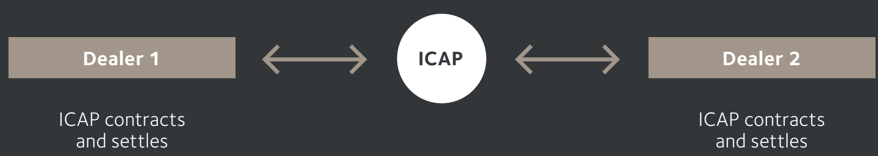
Our credit business comprises corporate bonds and credit derivatives.

Credit experienced challenging markets and underperformed against the prior year, particularly in the Americas. Volumes in the credit markets were muted due to global credit concerns and a reduction in risk appetite, which impacted new corporate bond issuance. Secondary trading has also been adversely affected, with much of the new issuance yet to find its way into the market.

2. Matched principal broking

ICAP enters into simultaneous or near-simultaneous purchase and sale transactions on behalf of customers and is responsible for settlement. Settlement risk to ICAP is minimised through use of the "delivery versus payment" settlement model (where delivery of the traded instruments, i.e. the change in their ownership, occurs at the same time, and is dependent on payment).

Matched principal



The implementation of the LTRO facility by the European Central Bank has not changed the downward trend in bank lending growth in the Eurozone. However, activity started to pick up in the fourth quarter as increased liquidity became evident.

Equities

Our equities business principally comprises equity derivatives. The equity derivatives market was volatile during the year, with large and frequent swings caused by global economic and political uncertainty. Our equity derivatives business saw slight revenue growth in the Americas and minor declines in EMEA and Asia Pacific.

ICAP maintained its market share in equity derivatives and continues to see future opportunities from regulatory reform. However, the equity derivatives business faces challenges from contracting volumes, commission compression and increased competition from new entrants.

In March 2012, ICAP launched iLinked, the first fully tradeable Delta One equity derivatives platform. The platform operates as a hybrid, offering traders the ability to transact either electronically or by voice. iLinked offers a range of equity-based exchange for physicals, which will allow traders to access a transparent pool of liquidity across 120 instruments. Other Delta One and equity derivative products will be added during 2012/13.

Electronic

ICAP operates EBS and BrokerTec, 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 across a range of instruments including spot FX, US Treasuries, European government bonds and EU and US repo. The platforms are built on our bespoke networks which connect participants in wholesale financial markets.

Electronic performance	£m	Change %
Revenue	301	(1)
Operating profit*	127	4

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

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

Combined average daily electronic volumes for the EBS spot FX and BrokerTec fixed income platform for the 12 months ended 31 March 2012 were $800 billion, an increase of 3% on the previous year, with the highest ever average daily volume, $906 billion, being achieved in June 2011.

Electronic reported revenue of £301 million, a decrease of 1% over the prior year. Operating profit increased by 4% to £127 million.

To support our market-leading position further at a time of heightened competition in electronic trading, we continue to invest in product development, operations and technology.

FX

Average daily FX electronic broking volumes on the EBS platform were $152 billion, a 1% increase on the prior year. Since late October, volumes on the EBS platform declined largely due to quieter market conditions and the range-bound nature of two of EBS's main currencies, the Japanese yen and the Swiss franc. Revenue generated from Commonwealth and emerging market pairs has been maintained, with continued growth in ruble volumes.

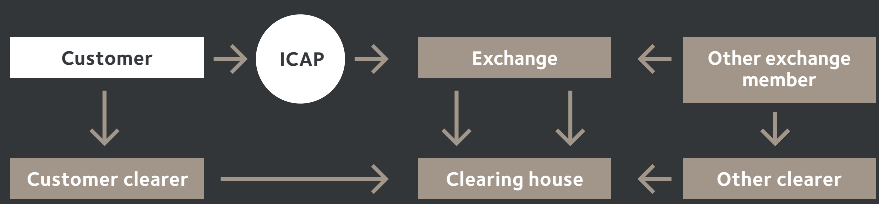
The EBS platform continued to demonstrate its role as the FX market's central source of pricing and liquidity. This was seen on 4 August 2011 when heightened volatility resulted in $407 billion traded on EBS, the third-highest volume in its history.

EBS attracts growing interest from a wide range of counterparties for fixing orders. Volumes are improving in its continuous match block trading solution. Interest in both NDFs and CNH also continues to grow from a variety of counterparties across all regions. EBS completed its first ever non-deliverable FX swap (NDS) trade in June 2011. NDSs are designed to make traders' FX position management simpler and more accurate.

3. Exchange broking – give-up

ICAP executes a trade on an exchange in the capacity of executing broker on behalf of a customer. The customer's clearing member accepts the trade for settlement, at which point ICAP ceases to be party to the transaction and settlement risk transfers. This model is used to broke financial, commodity, equity derivatives and cash equities instruments. ICAP is a member of the world's largest derivatives exchanges.

Exchange give-up



EBS continues to win leading industry awards including, for the ninth consecutive year, Best Electronic Broker by FX Week, and Best Matching Platform award in the 2011 Profit & Loss Readers' choice Digital Markets Awards.

Rates

Government bonds and repo

Total average daily volumes in US Treasury products, EU repo and US repo, at $648 billion, increased 3% versus the prior year. Trading on the BrokerTec platform reflected a number of factors, including the negative impact of the Eurozone crisis on investor confidence, lower risk appetite and continued rationalisation within banks. In addition, the flat yield curve for US Treasuries has created fewer trading opportunities.

Both the US and Europe saw a fall in repo activity, as a shortage in collateral was exacerbated by the European Central Bank's first LTRO in December 2011, raising €489 billion. Another unlimited three-year LTRO, raising a further €530 billion, followed in February 2012.

In Europe, electronic trading of European government bonds continued the growth seen in the previous year, with January 2012 reporting record volumes recorded in Austria, Belgium and Italy, and the second highest monthly turnover in France. Following a slow summer in UK gilts, business picked up towards the end of 2011/12.

We continue to invest in BrokerTec. In March 2012 we launched a new generation platform, considerably improving order volume and latency.

Interest rate swaps

In November we received regulatory approval for iSwap Euro Limited to operate a multilateral trading facility (MTF) for OTC derivatives. iSwap Euro Limited now runs ICAP's electronic platform for IRS trading and is operated and controlled by ICAP, with Barclays Capital, Bank of America Merrill Lynch, Deutsche Bank and J.P. Morgan together investing $34 million. The four shareholding banks support the platform with streaming prices.

iSwap Euro Limited provides a trading platform for euro IRS, as well as electronic execution services, in a wide range of interest rate products. The platform is managed by ICAP as a part of its technology infrastructure and control environment. ICAP has accordingly continued to consolidate 100% of its profit in its post-tax earnings. Once the other shareholders have recognised their non-controlling interests, ICAP will retain 43% of iSwap Euro Limited's post-tax earnings. ICAP believes that this co-investment will assist in the growth and development of the platform, as swaps trading becomes increasingly electronic. ICAP continues to earn all voice and broker-assisted hybrid IRS earnings.

The transition from a voice-brokered market to an electronic venue normally takes a number of years, as the liquidity pool migrates slowly and as customers become more comfortable with the new trading environment.

Following the launch of i-Swap, initial trading volumes on the platform exceeded our expectations. However, as the euro crisis unfolded in the summer of 2011, volatility spiked, spreads on interest rate derivatives increased and electronic trade activity on i-Swap diminished. The results of the recent elections in France and Greece and the potential ramifications for past commitments to austerity and the fiscal pact have troubled markets. Volatility has increased and risk appetite diminished. Current conditions are not supportive of active electronic markets in IRS and we anticipate continued volatility over the summer.

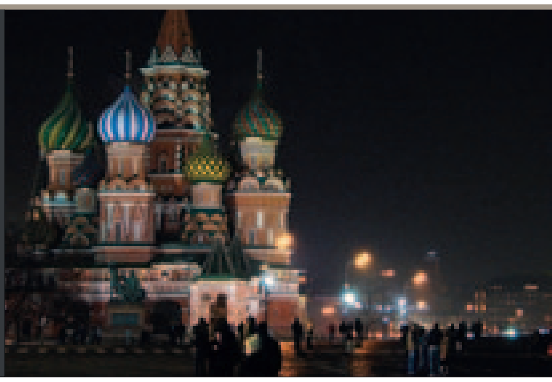
In January 2012, i-Swap won the OTC Trading Platform of the Year award in the Risk Awards 2012. This award recognises best practice in the risk management and derivatives markets.

MyTreasury

MyTreasury is our electronic money market trading platform for corporate treasury investors. MyTreasury currently offers corporate treasurers access to AAA-rated money market funds and term deposits. Other products, including certificates of deposit, short-term loans, commercial paper and repos, are planned to be launched.

The ICAP International Ruble Settlement Forum

ICAP established the International Ruble Settlement Forum (IRSF) in 2007 to bring together the Central Bank of Russia (CBR) and correspondent banks. The aim of the IRSF is to encourage the CBR to mandate correspondent banks to use its Banking Electronic Speedy Payments (BESP) real-time gross settlement system, to enable more reliable and efficient ruble trade settlement, and for the banks to commit to implementing BESP. ICAP co-hosts the IRSF which is held twice a year, with the support of all major ruble market participants.



The value of funds invested via MyTreasury increased by 41% from the previous year to £18 billion. The platform offers access to more than 2,000 fund accounts. The pressures on interbank liquidity, along with the need for banks to strengthen their capital bases, have increased levels of interest in participation in MyTreasury.

For the fourth consecutive year, MyTreasury was awarded the Treasury Management International Best Money Market Fund Dealing Portal award by the readers of Treasury Management International.

Credit

ICAP has electronic platforms with functionality that has been developed to address different aspects of the credit derivatives markets. These credit platforms provide automated trading to all major banks and have consistently been one of the top three interdealer credit platforms. Our European platform has benefited from double-digit growth, specifically in CDS Index and high yield products.

Post trade risk and information

The post trade risk and information business comprises the portfolio risk services businesses (Reset, ReMatch and TriOptima), the transaction processing business, Traiana, and the information business.

Post trade risk and information performance	£m	Change %
Revenue	208	13
Operating profit*	91	15

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

ICAP's aim is to continue to develop its post trade risk and information business by providing innovative services that enable our customers to reduce risk and costs, as well as to increase efficiency, return on capital and capacity to process trades.

The post trade risk and information business continued to perform strongly, reporting revenue of £208 million, an increase of 13% on the prior year. Operating profit increased by 15% to £91 million, reflecting improved market conditions, additional customers, as well as increased usage from existing customers.

Reset and ReMatch

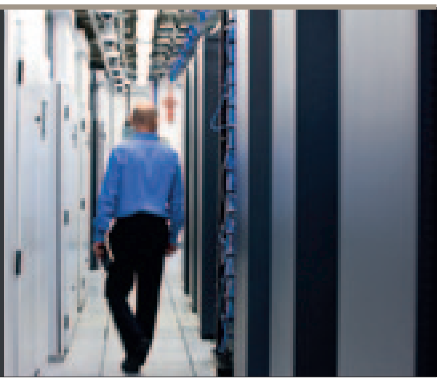
Reset is the market leading provider of risk mitigation services within the interest rate and inflation markets, and accounts for the largest proportion of ICAP's post trade risk revenue and operating profit. Reset's expertise in short-end risk management helps its customers to control multiple forms of fixing and basis risk across numerous asset classes.

Despite a persistent global backdrop of low interest rate policy, with little prospect of change and widespread central bank liquidity, the high levels of stress in the European sovereign markets resulted in greater LIBOR volatility as counterparty credit concerns impacted funding markets. Reset benefited from both this volatility and from offering an expanding product set to its customers, including a bond bulk risk service in European government bonds and a floating/floating basis product.

ReMatch provides market risk mitigation and portfolio rebalancing services to address the problems derived from the build-up of illiquid, calendar spread and net open positions in CDS portfolios. In October 2011, ReMatch launched a new service to mitigate risk arising from quanto CDS (sovereign contracts denominated in a different currency) that reference European sovereigns. Quanto CDS enables banks to reduce their positions in what would otherwise be illiquid maturities. ReMatch has become a significant force in the market in CDS for western European sovereigns, emerging market sovereigns and corporates. Sovereign market stress, particularly in Europe, created significant increases in demand for ReMatch, most notably in the second half of the year.

BrokerTec platform upgrade

ICAP's BrokerTec business successfully launched a new trading system using a customised version of the NASDAQ OMX Genium INET platform, which provides customers with substantially increased performance and a greatly enhanced user experience. The new system provides very low latency and high throughput, and maintains all of the built-in capabilities specifically designed for manual traders. It retains all the functionality previously available and is built using technology that enables BrokerTec to increase order volume tenfold and, in some cases, decrease order input latency by as much as 50 times. The platform's average latency is now less than 200 microseconds, with previous average latency at approximately 10 milliseconds.



TriOptima

TriOptima, through triReduce and triResolve, is the market leader in risk elimination and risk mitigation solutions for OTC derivatives, primarily through the reconciliation and elimination of outstanding OTC derivatives. The triReduce service decreases counterparty credit risk, the number of outstanding contracts and the gross notional value through early termination of existing contracts for rate, credit and energy swaps.

Since 2008, triReduce has eliminated more than $230 trillion in total notional volume for interest rate and credit default swaps. As we anticipated last year, during 2011/12 triReduce saw an increase in activity and eliminated $72 trillion in notional volume in interest rate swaps alone. Eliminating trades helps to reduce systemic risk and reduces potential administrative exposure in the event of a default.

The increased use of compression of trades demonstrates to regulators that risk in the system can and should be reduced by actively managing portfolios. This is as relevant for centrally cleared trades as it is for bilateral trades, as sending trades to a central counterparty (CCP) does not fully eliminate risk.

The triResolve service facilitates the management of counterparty credit exposure and reduction of operational risk by reconciling entire OTC portfolios. triResolve's revenue grew as its customers increased their focus on operational and credit risk through portfolio reconciliation, margin call management and dispute resolution.

Traiana

Traiana provides global banks, broker/dealers, buy-side firms and e-trading platforms with solutions to automate post trade processing of financial transactions. The Harmony network is the backbone of Traiana's post trade business. It is used by more than 500 of the world's leading financial companies and has become the market standard for post trade processing of FX. Traiana is focused on growing its original FX business and exploiting the strengths of the Harmony network by adding new asset classes and services to the platform.

At 31 March 2012, Harmony was processing an average of 1.1 million transactions per day, an increase of more than 25% from the same period last year. In addition, Traiana's trade aggregation joint venture with CLS Group, CLSAS, continued to expand. CLSAS is processing more than 324,000 transactions per day, having grown by more than 85% over the past 12 months. As part of the strategy to expand into new asset classes, the platform was extended to provide solutions for exchange traded derivatives, equity derivatives/CFDs and cash equity transactions.

Traiana announced an industry effort to reduce risk in algorithmic trading of FX with leading FX prime brokers and trading platforms. This initiative offers customers the ability to centrally monitor and manage FX electronic communication networks' trading activity and trading limits on a global basis. The initiative contributed to growth during the year and is expected to provide additional growth opportunities in the future.

In January 2012, Traiana launched another new service on the Harmony platform. Harmony CCP Connect provides a comprehensive solution for OTC FX clearing, including connectivity, workflow automation, trade matching and affirmation. With a single connection to Harmony, it provides access to all CCPs, thus lowering costs and complexity for market participants. The solution supports all proposed US and European clearing rules and workflows, simplifying compliance for FX clearing companies and their customers. In January 2012, Traiana Harmony was certified by the CME Group for the submission of OTC FX derivatives. In March 2012, Traiana announced that six of the largest FX clearers had chosen Traiana Harmony for their comprehensive client clearing solution.

Information

ICAP Information is the leading provider of OTC market information, delivering independent data solutions to financial market participants. It empowers customers to make trading decisions with OTC market information across key asset classes. ICAP Information provides data services across ICAP's brokered product range and offers innovative solutions for real-time, end-of-day and historic products.

ICAP's data is the key source of mark-to-market data for the industry and of intelligence behind algorithmic trading and research models for customers. With average daily volume data brokered by ICAP fed into our data products, there are 29 million average daily data updates in

TriOptima compression gains pace

TriOptima's compression of interest rate and credit default swaps continued to gain pace, in particular its compression of cleared trades within LCH.Clearnet's SwapClear. In February, TriOptima announced that $110 trillion in total notional volume in euro, Japanese yen, sterling and US dollar interest rate swaps had been eliminated by 21 SwapClear members using TriOptima's triReduce service since the first cycle in 2008. Terminating risk-neutral trades in SwapClear contributes to reducing systemic risk and facilitates system processing by increasing operational efficiency and reducing potential exposure in the event of a default. Through this process, more than 950,000 transactions have been completely eliminated within SwapClear. As illustrated, the triReduce compression methodology can significantly mitigate counterparty credit risk. It levels out the peaks and troughs in the bilateral risk landscape.

more than 96,000 instruments delivered to end users. The business has exhibited strong performance versus the prior year with growth in both revenue and profit. It employs a subscription-based charging structure which provides a regular revenue stream.

The depth and breadth of our products expanded in 2011/12 with the launch of Eurex ICAP Swap Spreads, in collaboration with Deutsche Börse, which enabled us to develop a real-time benchmark for euro yield spreads. In the fixings and reference space, we expanded our partnership with Thomson Reuters with the delivery of spot FX fixes and the development of new services in emerging markets, following the launch of ICAP LatAm. In March 2012, ICAP agreed to extend its data product and distribution agreement with QUICK Corp in Japan for three years.

Profit for the year

Year ended 31 March	**2012 £m**	2011 £m
Profit before tax*	354	350
Acquisition and disposal costs	(137)	(94)
Exceptional items	–	(23)
Profit before tax from continuing operations (statutory)	217	233
Tax	(77)	(50)
Profit from continuing operations	140	183

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

The Group reports a solid performance with profit after tax, acquisition and disposal costs and exceptional items of £140 million from continuing operations.

Acquisition and disposal costs

The Group saw amortisation of intangibles remain in line with the prior year with no material intangibles acquired in the year. Impairments to goodwill and intangible assets increased by £92 million in the period from £11 million to £103 million principally relating to Link and Arkhe. While Link has maintained its market share, it faces certain challenges due to a contracting market. The impairment in Arkhe was offset by a £31 million release of legal liabilities booked on acquisition that created the original goodwill balance. There is no cash impact from making these impairments. A gain of £13 million was recognised primarily on the sale of our Japanese government bond business.

Exceptional items

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

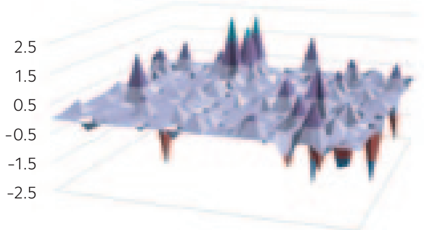
No exceptional items have been included for the year (2011 – £23 million charge).

Tax

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 effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations is 27% (2011 – 26%).

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 between 27%-29% for the financial year ending 31 March 2013.

Counterparty risk before a triReduce cycle
(net notional €bn)

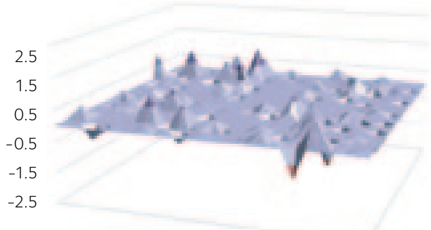


The triReduce compression cycles significantly mitigate counterparty credit risk and thereby risk in the wider financial system by levelling out the peaks and troughs in the risk landscape.

Each peak in the graphs represents the risk one of the counterparties participating in the given triReduce compression cycle has to all the other participants before and after the cycle.

€bn
1.5 – 2.5 **-0.5 – 0.5** **-2.5 – -1.5**
0.5 – 1.5 **-1.5 – -0.5**

Counterparty risk after a triReduce cycle
(net notional €bn)



Balance sheet

The Group's net assets at 31 March 2012 were £1,210 million (2011 – £1,251 million).

Gross debt is £629 million, a £64 million increase as a result of additional drawings under the RCF to finance the capital increase in the UK regulated entities and the issue of European Commercial Paper. Committed headroom at 31 March 2012 was £324 million (2011 – £362 million). At 31 March 2012, the earliest debt maturity date relating to the RCF was 31 May 2013. However, on 20 April 2012 this facility was extended to 31 May 2014. Cash and cash equivalents increased by £143 million to £547 million, as a result of cash received from the investment by our partners in iSwap Euro Limited and additional funding of UK regulated entities. As a consequence, net debt has reduced by £79 million to £82 million.

Restricted cash at 31 March 2012 was £50 million (2011 – £73 million). This represents cash which the Group does not have immediate and direct access to, such as a CCP clearing house. This balance fluctuates with trading.

At 31 March 2012, the Group's Pillar 1 regulatory capital headroom remained relatively stable at £0.9 billion (2011 – £1.1 billion) as a result of the low market and credit risk in the Group. The Group continues to benefit from the BIPRU Investment Firm Consolidation waiver which runs until April 2016.

Earnings and 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 23) 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 1% to 40.1p. The Group's basic EPS from continuing operations reduced from 28.1p to 21.1p and total basic EPS, including discontinued operations, reduced from 28.7p to 21.1p.

During the year the Group purchased 14.3 million shares in to Treasury Shares to offset the dilution caused by the prior year scrip dividend.

Dividend

For the past four years, the Group has paid a dividend equal to 50% of adjusted basic EPS reflecting 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 increase the final dividend to 16.00p. This will result in an increase in the full-year dividend of 2.05p to 22.00p equal to 55% of adjusted basic EPS.

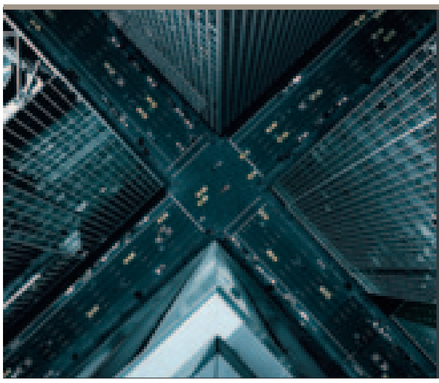
Interim dividends are calculated as 30% of the previous year's full-year dividend. This approach is expected to continue for the 2012/13 financial year.

Operating profit*/cash conversion

The Group's consolidated cash flow statement is set out in 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 2012 our free cash flow conversion was 103% compared to 81% in 2010/11, primarily as a result of an improvement in short-term working capital.

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



Traiana launches new era in risk management for the FX industry

In June Traiana announced that it had partnered with the leading FX prime brokers and trading platforms to launch an industry-wide initiative to monitor centrally and manage FX trading activity and trading limits globally. The new version of Harmony CreditLink provides the FX industry with the control and real-time risk management capabilities to manage risks from algorithmic and high frequency trading. This initiative was the culmination of a comprehensive effort by prime brokers Citi, Deutsche Bank, J.P. Morgan and Morgan Stanley, together with platforms Bloomberg Tradebook, Currenex, EBS, FXCM, Hotspot FX and Thomson Reuters.

Free cash flow

Year ended 31 March	2012 £m	2011 £m
Cash from ongoing operations*	425	363
Interest and tax	(113)	(86)
Cash flow from ongoing operating activities	312	277
Capital expenditure	(52)	(69)
Dividends from associates and investments	8	2
Ongoing free cashflow	268	210
Discontinued and exceptionals	–	(21)
Free cash flow	**268**	**189**

* Cash generated by operations before exceptional items.

Cash generated from ongoing operations increased by £62 million in 2011/12 primarily as a result of a decrease in restricted funds (£23 million) and the impact of initially unsettled trades (£25 million).

Net payments in respect of interest and tax increased by £27 million, primarily reflecting an increase in tax payments as the prior year benefited from a tax refund.

The Group distributed £135 million of its free cash flow to shareholders through its dividend and bought back 14.3 million shares in to Treasury Shares at a cost of £56 million.

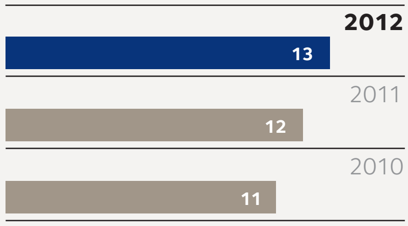
Event after the balance sheet date

On 20 April 2012, the Group extended the maturity date of the $880 million RCF incorporating up to a $200 million swingline facility by one year to 31 May 2014.

Investment in technology

Our investment in technology enables us to provide sophisticated solutions across a wide range of products to our customers around the world giving us a significant competitive advantage. The ability to transact on systems with the highest level of stabilty is of vital importance to our customers. We ensure that our electronic, voice and post trade platforms not only meet the current needs of our customers but also anticipate their future requirements in a rapidly changing environment.

Technology spend as a percentage of revenue (%)

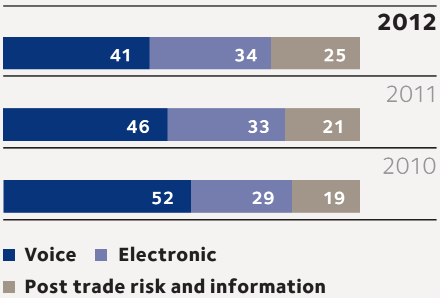


Fixing services (volume matching services)

Following the previously successful launch of fixing services in asset classes including credit, inflation and interest rate derivatives, ICAP continued to expand in this area over the past financial year with the launch of ICAP DerivX web based fixings. The introduction of powerful algorithmic matching, together with ICAP's low latency, exchange based messaging technology has created increased trading opportunities for customers. Strategically, it provides ICAP with a generic, highly configurable platform to enable further expansion into other asset classes. ICAP's browser based framework underpins the next generation of web solutions, allowing services to be more easily distributed to our customers. These new, flexible and proven technologies provide ICAP with the necessary agility required to proactively adapt to both market and regulatory changes.

Key performance indicators

Operating profit* split (%)



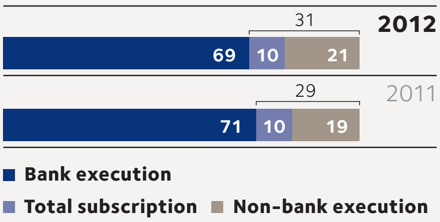
Definition

Operating profit* split between ICAP's business segments of voice, electronic and post trade risk and information.

Performance

ICAP aims to have a split of operating profit* that is evenly distributed between its voice, electronic and post trade risk and information businesses. In 2011/12 we moved closer to this aim with a strong performance in post trade risk and information, due in part to a decline in voice performance.

Diversified revenue (%)



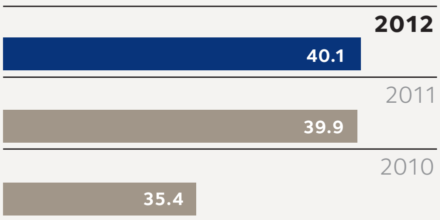
Definition

Percentage of revenue derived from bank and non-bank execution revenue and subscription fees.

Performance

ICAP aims to diversify earnings through growth in its post trade risk and information business which has a different pricing model and wider customer base as well as through growth in markets such as commodities which historically has a broader range of customer types. The increase in this year's non-bank execution fees to 21% is primarily a result of the improved performance in the post trade risk and information business.

Adjusted basic EPS (pence)



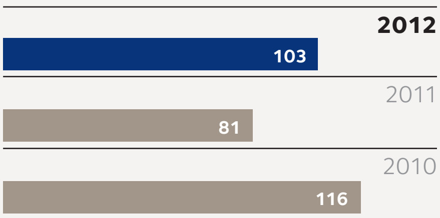
Definition

Adjusted basic EPS is the profit after tax* attributable to the equity holders of the Group divided by the weighted average number of shares in issue during the year, excluding shares held to satisfy employee share plans and shares purchased by the Group and held as Treasury Shares.

Performance

ICAP aims to deliver superior EPS growth for our investors. For five years in a row, adjusted basic EPS has increased year-on-year. For 2011/12 adjusted basic EPS has marginally increased to 40.1 pence per share as a result of a lower cost base offsetting weaker revenue.

Conversion of profit to cash (%)



Definition

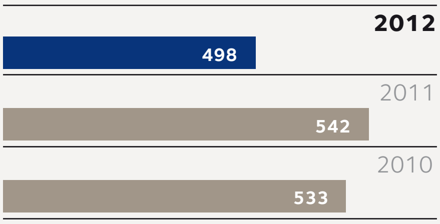
Conversion of profit to cash is calculated as cash generated from operations before exceptional items less cash from operations relating to non-controlling interests, interest, tax, capital expenditure plus dividends received from associates and investments as a percentage of operating profit*.

Performance

The Group's business model efficiently converts profit into cash and over the medium to longer term we expect profit and cash conversions to converge. The increase in this year's ratio to 103% is a result of an improvement in the working capital position.

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

Revenue per voice broker (£'000)



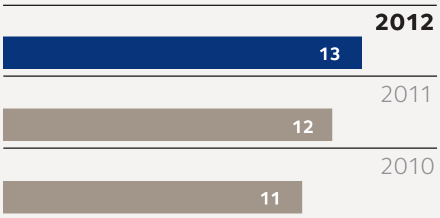
Definition

Voice revenue divided by the average number of voice brokers for the year.

Performance

Revenue per voice broker provides a measurement of broker productivity. The reduction in 2011/12 reflects the fall in revenue, especially in the Americas, from ongoing Eurozone sovereign debt issues and regulatory uncertainties. In addition, the average number of brokers has increased by 3% as we invest in our capacity in higher growth areas.

Technology spend as a percentage of revenue (%)



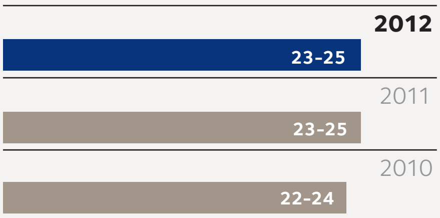
Definition

Spend incurred in the maintenance and development of all information technology systems as a percentage of total revenue.

Performance

ICAP continues to invest in its market leading electronic and hybrid platforms. This enables us to anticipate and respond to our customers' needs. The percentage of revenue spent on technology has increased to 13%, reflecting the replatforming of BrokerTec and investment in hybrid during the year.

Global market share (%)



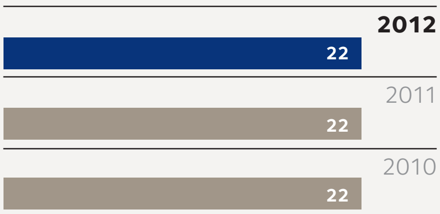
Definition

ICAP estimates its share of the overall available market, excluding global cash and equities and including shipping, post trade risk and information.

Performance

Global market share remained in line with the prior year and was between 23% – 25%. We estimate the size of ICAP's total available market was $12 billion.

Operating profit* margin (%)



Definition

Operating profit* divided by revenue from continuing operations.

Performance

ICAP aims to improve its operating profit* margin which remained unchanged for the year at 22%.

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

Risk and control environment

The risks we face

ICAP is an interdealer broker and provider of post trade risk mitigation, messaging and data services. Consequently it has a very different risk profile from that of a bank, investment bank, asset 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; the profit and cash flows of the business are driven by the level of activity of its customers and do not depend on the valuation of its assets and liabilities. 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 material risks for ICAP directly but could potentially have an adverse affect on revenue. ICAP is primarily commission earning and its financial performance was largely unaffected by the 'credit crunch', or the crisis that followed the Lehman bankruptcy in 2008. This is because the Group does not carry credit sensitive assets on its balance sheet for any of length of time and does not leverage its capital.

Market and regulatory environment

New financial regulations may 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 certain classes of derivatives to be on designated contract markets or SEF.

In Europe, there are similar proposals in MiFID II that will mean certain standardised derivatives will be traded on exchanges, organised trading facilities or multilateral trading facilities.

The precise scope and impact of these proposals on market operating models are yet to be defined.

ICAP already operates ten MTFs in Europe and is preparing to operate a SEF in the US once the rules are finalised. ICAP also engages heavily with the clearing agents on behalf of itself and its customers. The regulatory push for further standardisation and clearing of OTC derivatives is in line with ICAP's current operating model.

The Group is proactive in its assessment and management of emerging risks and opportunities within the dynamic environment ICAP operates in. Given ICAP's leading position as an existing operator of MTFs in OTC derivatives and its balanced portfolio of voice, electronic and post trade risk and information businesses, the Group is well positioned to take advantage of the proposed legislative, regulatory changes and emerging markets.

Our risk appetite

The board monitors the risk profile of the Group using eight risk categories: operational, liquidity, strategic, credit, legal and compliance, market, reputational and financial. The three principal risks of the Group are considered as operational, liquidity and strategic.

The Group acknowledges that it will be subject to residual risk in pursuit of achieving its strategic objectives (even after mitigating actions). Setting and monitoring risk appetite (the willingness to accept a level of risk) is used as a key indicator which the board uses to monitor progress against its stated goals.

ICAP uses a risk appetite framework to set appetite and tolerances for risk in each category, including qualitative and quantitative factors.

The Group's process for setting risk appetite includes an annual assessment of the Group strategy, analysis of known and potential emerging risks, and the evaluation of these against the current risk appetite of the Group.

This framework includes an assessment of:
- the Group's "risk behavioural trait";
- internal and external influences;
- loss events (internal and external);
- income statement projections;
- the capital held; and
- other business intelligence (for example, market and analysts' reports).

The Group tracks and monitors its risk profile and a process exists to report and escalate breaches should risk appetite be exceeded.

The Group's risks, risk appetite and mitigants are described on pages 33 to 35.

The three principal risk categories

Operational risk

Description	Risk appetite	Mitigation
Operational risk is the risk that the Group may suffer a financial loss or reputational damage directly or indirectly from inadequate or failed internal processes, human error, systems failure or external events. Operational risk is intrinsic in all of the Group's diverse activities. The most significant Group operational risks are: – extended failure of IT networks, systems or communication; – broker error; – internal or external events affecting buildings or people; – loss of critical staff; – inadequately managed projects including NBIs; – activity beyond permitted mandate; and – inaccurate booking, settlement or clearing of transactions.	ICAP endeavours to minimise losses due to operational failures through mitigating controls applied to its systems, processes and people. The Group accepts that even after mitigating controls, residual risk remains.	A control framework exists within which risks and controls are identified, assessed and monitored. Key risk indicators are reported to the board through the Audit and Risk Committee, the GRACC and the GOC. The Group has for many years invested heavily in infrastructure to mitigate its own risks. Additionally the Group is a leading provider of risk mitigation services as part of its service offering. Formal business continuity plans and appropriate remote data back-up and disaster recovery facilities are available for each of the Group's key locations.

Liquidity risk

Description	Risk appetite	Mitigation
Liquidity risk is the risk that any part of the Group does not have sufficient financial resources available to enable it to meet its financial obligations as they fall due. A significant proportion of the Group's earnings are from invoiced commission earning businesses, including "name give-up" brokerage, post trade risk services and information services. However, 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 can be required to place collateral and margin at clearing houses of which it is a direct member and at third party clearing providers who act on the Group's behalf.	Liquidity risk is monitored and reported using various metrics to ensure that, under business as usual and stress-tested scenarios, the Group is able to meet its financial obligations.	The Group takes a multi-dimensional approach to liquidity risk management. There is a centralised provision of contingency funding for its trading entities. Additionally each entity has access to appropriate liquidity. The board regularly reviews the liquidity demands of the Group through the GRACC. Group risk and treasury functions share global day-to-day liquidity risk management executed by the individual businesses. The Group seeks to diversify its funding sources and maintains an investment grade rating from Fitch and Moody's.

Strategic risk

Description	Risk appetite	Mitigation
ICAP is exposed to strategic risk through its services becoming superseded by competitor solutions, changes in the Group's customer base, changes in market structure or failure to appropriately implement strategic projects.	ICAP aims to be the infrastructure provider to the world's wholesale financial markets, in both execution and post trade. In order to maintain and develop this position ICAP is willing to explore organic growth, acquisitions and potential alliances to remain relevant to its customers.	ICAP maintains constant dialogue with its customers and regulatory oversight bodies in order to leverage environmental and changing customers' needs. ICAP is therefore able to provide and enhance services that are: – relevant; – scalable; – flexible; and – have realistic opportunities for growth and longevity. All new business opportunities go through a wide ranging and rigorous process and adhere to due diligence policies. The Group's diverse business model allows ICAP to adapt and mitigate against changing demands, habits or the evolution of the environment. The economic model of the Group, particularly within voice, means the cost base largely flexes with earnings, thereby mitigating the impact of any loss of market share in those services.

Secondary risk categories

Credit risk

Description	Risk appetite	Mitigation
As an interdealer broker, ICAP does not extend long-term credit nor does it take proprietary positions. However, counterparty failure to fulfil its obligations may result in ICAP having: – an open market position; – possible liquidity implications; – unpaid receivables; or – loss of access to, or actual loss of funds that the Group has deposited with financial institutions.	Counterparty credit risk is intrinsic in all the Group's activities. Although most prevalent in the matched principal business, this risk is present in all businesses where ICAP may suffer loss if a counterparty does not perform on its obligations. ICAP manages credit risk limits for each counterparty based on indicators of credit quality (internal ratings) in order to limit the potential loss the Group could suffer as a result of a counterparty default. ICAP accepts, however, that even after mitigating controls, there will be residual risk that could lead to losses.	Processes and controls are in place to limit and monitor the Group's exposures. These include (but are not limited to): – client on-boarding and limit setting/monitoring process; – undertaking transactions on a delivery versus payment basis; – near real-time monitoring of counterparty limits and their utilisation on a global basis; and – regional accounts receivable teams monitoring non-recovery of commission and fee income.

Legal and compliance risk

Description	Risk appetite	Mitigation
Legal risk is defined as the risk of a loss of legal, human or financial integrity, reputation or capital as the result of government action, legislation, contract or other laws and regulations. Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation which may be suffered as a result of the Group's failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities.	The Group seeks to anticipate and remain in compliance with all applicable laws, rules, regulations and industry standards. The Group operates in a complex business environment and accepts that disputes will occur from time to time, and that contentious matters may therefore arise in the course of conducting its business.	The management of compliance and legal risk is, in the first instance, the responsibility of senior commercial management as supported by the Group legal and compliance functions. ICAP maintains an internal legal department, which acts as an independent advisory and investigation function and is directed to both enable and defend the Group's strategic aims and business. The processes of the legal function aim to ensure that there is appropriate advice available to the Group, that the Group has clear rights and obligations in documentation and has timely access to appropriate external legal resources. The Group maintains an independent compliance function. Compliance risk is mitigated by way of the ICAP compliance risk management framework, which is operated globally.

Market risk

Description	Risk appetite	Mitigation
ICAP does not take active market risk in the pursuit of any of its business objectives.	ICAP, through its FSA investment firm consolidation waiver, is prohibited from proprietary trading. Any incidental exposure to market risk is monitored by risk management and reported to senior management. It is policy to liquidate any exposure to open positions as soon as it is reasonably practical.	Policies, procedures and controls are in place to reduce the likelihood of positions arising, including the monitoring and requesting of intra and end-of-day exposures.

Reputational risk

Description	Risk appetite	Mitigation
ICAP benefits from its reputation for integrity and its position as the world's leading interdealer broker and provider of post trade risk and information services. Any diminution in its reputation could therefore have a material impact on its performance. Reputational risk is a second order risk that would be the consequence of the materialisation of other risks, such as: – a series of operational failures; – unforeseen financial losses; – strategic failures; – legal and compliance risks; and – any negative reputational damage to the wholesale financial markets.	ICAP's business is predicated on building and maintaining relationships with its customers, lenders, investors, regulators and the media. There is therefore limited appetite for reputational risk.	The primary mitigation of reputational risk is through active management of other risks. ICAP considers the impact of its overall reputation and seeks to differentiate itself from its competitors, its customers, shareholders, other stakeholders and the media. The controls applied across the other risk categories reduce the likelihood of reputational damage.

Financial risk

Description	Risk appetite	Mitigation
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 currency risk due to exchange rate movements (note 10). **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 clearing services in certain markets to brokerage customers.	ICAP is exposed to both interest rate and currency risk through the nature and geographically diverse locations in which it operates. ICAP operates in accordance with its hedging policy to manage interest rate and currency risks within board approved limits. This policy contains a number of rules on governing the use of derivatives and hedging instruments.	The board approves financial risk management policies through the GRACC with the objective of minimising income statement volatility. Further details of the Group's interest rate and currency risk hedging strategy and the level of cover in place at 31 March 2012 are contained in note 10 to the financial statements. Details of the Group's sensitivity to changes in interest rates and currency rates are set out in note 10 to the financial statements.

Corporate responsibility

As a key participant in the wholesale financial markets, we believe that ICAP's success contributes to the economies in which we operate by helping companies and organisations manage and mitigate their business risks.

ICAP fulfils its corporate responsibilities in a number of different ways. For our shareholders we aim to produce superior returns over the long term. For our customers we aim to provide products and services which, in turn, will enable them to create value. For our employees, we aim to provide an environment that is intellectually challenging, motivating and supportive.

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 markets. Our voice and electronic platforms source liquidity and enable price discovery for our customers. The move towards hybrid and electronic trading platforms in OTC markets, in which ICAP is a leader, together with our post trade risk and information business, helps make markets more resilient, safer and more transparent.

Our business

ICAP employs more than 5,100 people worldwide, an increase on the previous year of almost 200, mostly as a result of the expansion of existing key businesses and strategic acquisitions.

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

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 56 to 64.

ICAP continues to monitor employee efficiency and productivity closely. Broker compensation is directly linked to commission which varies from desk to desk. Commission arrangements are structured to ensure no more than a minimal risk remains outstanding at the time of payment. As a result, there is no requirement for deferral conditions to be attached to commission payments.

Our people development

ICAP is committed to providing and promoting equal employment and advancement opportunities and 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 disability, gender, marital or civil partnership status, race, nationality, colour, ethnicity, religion or similar philosophical belief, sexual orientation, age or any distinction other than merit.

The development and training of talented individuals is an area of focus for ICAP. We aim to provide an environment that is motivating and supportive. During the past year we have focused on ensuring that we continue to recruit high calibre people with the relevant skills and experience to develop the business despite increasingly challenging market conditions. Our leadership team also works to maximise retention of key employees.

The Cure Parkinson's Trust project

A donation from ICAP's Charity Day has enabled The Cure Parkinson's Trust to fund a revolutionary and potentially life changing clinical trial conducted at Frenchay Hospital, Bristol. This involves the growth factor GDNF (Glial Cell Line-derived Neurotrophic Factor) which in humans has promoted the survival of many types of neurons. The trial involves a pioneering technology to enable the precise delivery of GDNF into the brain, with the potential to reverse the disease process. The Cure Parkinson's Trust and the Parkinson's community are awaiting the results of the study.

ICAP in 10
Business review
Governance
Financial statements
Information for shareholders

The increase in regulation within the financial services industry globally places more demands on many of our employees. Our organisational values include respect for control and training in this area has been increased.

As global market leaders within the financial services industry ICAP continues to maintain high standards of professionalism within a regulated environment. Through e-learning tools our mandatory compliance training is delivered to our employees globally and they are provided with the latest regulatory guidelines.

Training has been delivered across many areas including anti-money laundering, bribery, corruption and market abuse.

All employees complete their e-learning, and training records are monitored to ensure compliance.

Graduate recruitment

We welcomed 59 graduates into our organisation as part of our 2011/12 award-winning, global graduate recruitment scheme. Launched in 2006, ICAP's entry-level programmes deliver a steady flow of developing talent into the business. 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 permanent positions on our graduate scheme. Our graduate and internship programmes cover the breadth of our global business.

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 employees have a responsibility for ensuring a healthy and safe working environment. The great majority of ICAP employees work in an office environment and therefore there are no significant areas of risk to report.

Suppliers

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

Environment

The Group's environmental policy is approved by the board and owned by the Group Chief Operating Officer. ICAP's operations cause minimal environmental impact. However it does, wherever possible, take into account the direct and indirect environmental impact of its activities.

The key policy principles are:

- ensuring environmental risks are properly identified, prioritised and managed in an appropriate and timely way;
- ensuring compliance with all relevant environmental legislation in the countries in which we operate;
- continuing to reduce our carbon footprint with the objective of becoming carbon neutral; and
- raising employees' awareness of environmental issues and encouraging environmentally responsible behaviour.

As a service orientated business, the major sources of greenhouse gases arise from the running of our global network of offices and the travel commitments of our employees. We continue to pursue a reduction in our greenhouse gas emissions by the use of more efficient lighting and air conditioning in our offices, when moving offices, a focus on more environmentally friendly buildings, the recycling of waste and by the purchase where possible of electricity from renewable sources. We continue to make use of our video conferencing facilities but, as a result of the expansion of our global footprint, our travel commitments have also increased during the year.

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 29.0 thousand tonnes of carbon dioxide or 6.0 tonnes per employee (2011 – 4.4 tonnes) per annum.

As anticipated, with the growth of our business into new markets and the consequential establishment of new offices, our carbon footprint has increased during the year. As in previous years, we will be mitigating our total carbon emissions by investment in carbon reducing projects.

"We have battled passionately to ensure this study proceeds and it seems fitting that our determination and commitment to succeed was mirrored by the workforce at ICAP in their quest to raise as much money as possible on their Charity Day. Thank you ICAP for making an enormous difference to the work we do, the event was nothing short of a triumph."

Tom Isaacs
Co-founder – The Cure Parkinson's Trust

ICAP Charity Day £89.35 million raised since 1993

CHARITY DAY

Together we give 100%

Watch the video:
www.icap.com/charityday2011film

Visit our Facebook page:
www.facebook.com/icapcharityday

Read the tweets:
www.twitter.com/icapcharityday

“ I’m really impressed with this idea, how they’ve carried it through, and how they continue to do it. It’s great.”

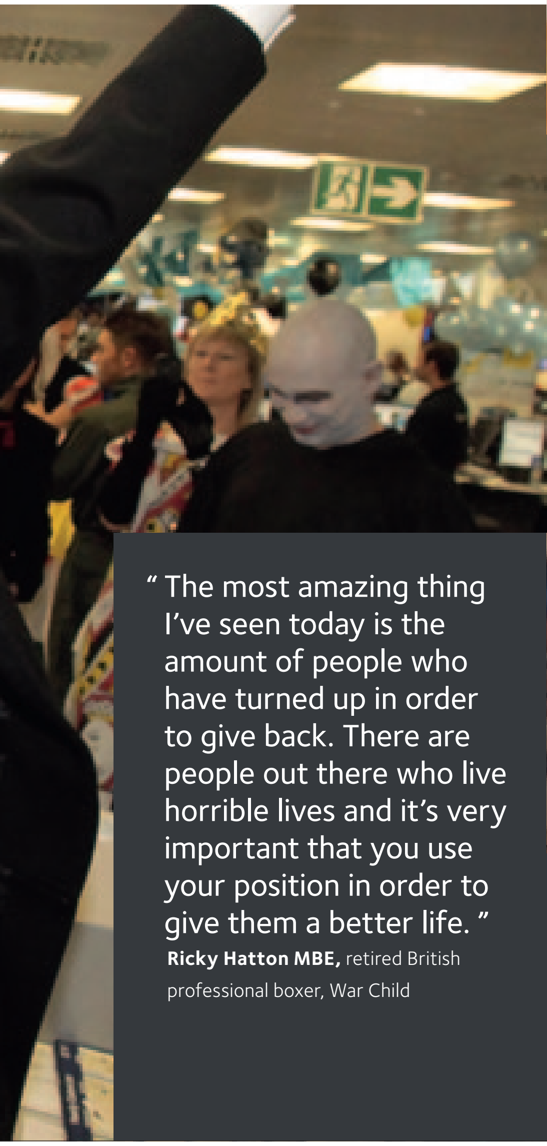
Meryl Streep, award-winning actress
Partners in Health, Equality Now,
Women for Women International

ICAP's one-day-a-year contribution delivers to hundreds of charities which in turn help thousands of people improve the lives of millions of others. Last year every ICAP office took part and we supported over 200 charities. A record-breaking £12.75 million was raised.

ICAP Charity Day came into being in 1993, as a unique way of making a significant difference to charities by giving away all of our revenue and commissions on one day each year. The global impact has been extraordinary. In December 2012 we will celebrate 20 years of ICAP Charity Day.

Thanks to ICAP employees, our suppliers, customers and charities and their patrons, ICAP Charity Day since its beginning has helped more than 1,000 worthwhile causes worldwide.

Read more online:
www.icapcharityday.com



On 11 March 2011 the devastating earthquake and tsunami struck Japan leaving nearly 20,000 dead or missing. ICAP responded with a donation to World Vision to help traumatised Japanese children who lost family and friends, as well as their homes. Many children have suffered psychologically from the experience. These vulnerable children need protection and reassurance as well as practical care. With ICAP's donation, World Vision has set up Child Friendly Spaces where children are looked after and helped, as well as having a safe place to learn and play.

" ICAP's generous donation has been used and will be used to help children recover from the trauma brought on by the earthquake and tsunami. It's a long road ahead for so many of these children and their families, and thanks to ICAP, World Vision is able to partner with them at each step along the way. "
Mark Bulpitt, Head of Emergencies, World Vision

" The most amazing thing I've seen today is the amount of people who have turned up in order to give back. There are people out there who live horrible lives and it's very important that you use your position in order to give them a better life. "
Ricky Hatton MBE, retired British professional boxer, War Child

ICAP's support of War Child will reduce poverty and increase protection for children and women working in informal employment in Afghanistan, reducing child labour and increasing access to education for children who are working on the streets, or being exploited.

Directors' profiles

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

Key to membership of committees

- ♦ Audit and Risk Committee
- ● Nomination Committee
- ■ Remuneration Committee

The chairman of each committee is highlighted in black.

Charles Gregson ●
Non-executive Chairman, appointed in 2001.
Chairman of the Nomination Committee.

Skills and experience
Between 1978 and 1998 Charles Gregson 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 previously chief executive of PR Newswire Association Inc and served on the boards of United Business Media plc, Provident Financial plc, MAI plc and International Personal Finance plc. Charles holds a degree in History and Law from Cambridge University and qualified as a solicitor.

Other appointments
Charles is the non-executive chairman of CPP Group Plc and St James's Place plc. He is a non-executive director of Caledonia Investments plc.

Michael Spencer ●
Group Chief Executive Officer, appointed in 1999.

Skills and experience
Michael Spencer was the founder of Intercapital in 1986 and became Chairman and Chief Executive in October 1998, following the Exco/Intercapital merger. Michael, together with IPGL and its subsidiary companies, is a substantial shareholder in the Company. He is chairman of the GEMG. Michael stepped down from his role as Treasurer of the Conservative Party in October 2010. He holds a degree in Physics from Oxford University.

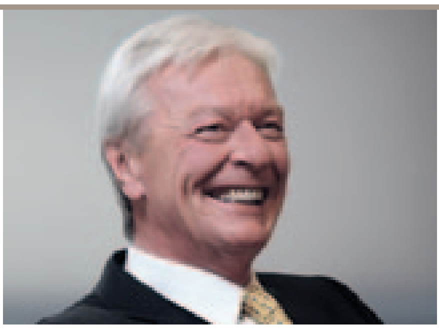
Other appointments
Michael is chairman of IPGL and he is on the boards of many of IPGL's investments. He is the senior independent non-executive director of Tungsten Corporation plc.

John Nixon
Group Executive Director Americas, appointed in 2008.

Skills and experience
John Nixon has management oversight and responsibility for fixed income ICAP Electronic Broking and the Americas voice broking businesses. Prior to his appointment to the board in 2008, John had served from 1998 to 2002 as a non-executive director. He has been a member of the GEMG since 2003 when he had responsibility for strategic acquisitions. 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 in Toronto, London and New York. John holds a degree in Commerce from Queen's University, Ontario.

Iain Torrens
Group Finance Director, appointed in 2010.

Skills and experience
Iain Torrens joined ICAP in 2006 as group treasurer and became group financial controller in 2008. Before joining ICAP, he worked in a number of senior financial roles for CP Ships Limited and Cookson Group plc. Iain is a member of the GEMG and the GOC and is chairman of the GRACC. Iain holds a degree in Banking and Finance from the University of Wales and a postgraduate diploma from the University of Ulster. He is a Chartered Accountant, Corporate Treasurer and a Chartered Secretary.



John Sievwright ♦●■
Senior independent non-executive director and chairman of the Audit and Risk Committee, appointed to the board in 2009.

Skills and experience
John Sievwright was Chief Operating Officer, International, for Bank of America Merrill Lynch (formerly 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 holds an MA degree in Accounting and Economics from the University of Aberdeen and is a member of the Institute of Chartered Accountants in Scotland.

Other appointments
John is the senior independent non-executive director of FirstGroup plc and chairman of its audit committee.

Robert Standing ♦●■
Independent non-executive director, appointed in 2010. Chairman of the Remuneration Committee.

Skills and experience
Robert Standing is a principal of London Diversified Fund Management which was founded within the JPMorgan group in 1995 and spun out in 2002. Robert joined Chemical Bank in 1982, spending two years developing new products before joining the Capital Markets division in 1985. Following acquisitions by JPMorgan, he worked in a range of roles before becoming Head of Fixed Income and Foreign Exchange for EMEA in 1998. Robert is one of the founders of the Hedge Fund Standards Board. He holds a degree in Engineering from Cambridge University.

Other appointments
Robert is a director of London Diversified Fund Management (UK) Ltd.

Diane Schueneman ♦●■
Independent non-executive director, appointed in 2010.

Skills and experience
Diane Schueneman was previously an independent consultant to the US Internal Revenue Service Commissioner for McKinsey & Company. She built an extensive career at Bank of America Merrill Lynch (formerly Merrill Lynch) and until 2008 was Senior Vice President, Head of 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 previously served on two not-for-profit boards, Year Up and National Cooperative Cancer Network Foundation, and was on the advisory board of United Bank for Africa Group.

Other appointments
Diane is an independent director of Penson Worldwide Inc.

Hsieh Fu Hua
Independent non-executive director, appointed in 2011.

Skills and experience
Hsieh Fu Hua served as President and a director of Temasek Holdings in Singapore until January 2012. He was formerly Chief Executive Officer and non-independent director of the Singapore Exchange from 2003 to 2009. He is also co-founder of and advisor to the PrimePartners group of companies, a corporate and investment advisory business based in Singapore, and served as the Group Managing Director of BNP Prime Peregrine Group, the Asian investment banking arm of BNP (a joint venture with PrimePartners). Before forming PrimePartners in 1993, he headed Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974. Fu Hua holds a degree in Business Administration from the University of Singapore.

Other appointments
Fu Hua is a non-executive director of United Overseas Bank Ltd and Tiger Airways Holdings Ltd. He is also the non-executive chairman of Fullerton Fund Management.

Chairman's statement

Charles Gregson
Non-executive Chairman

On behalf of the board, I am pleased to report to you on ICAP's corporate governance, where we aim to demonstrate our continuing commitment to strong oversight at a time when our industry is facing increased regulation and close scrutiny from investors.

The board considers that it has complied with the principles and provisions of the UK Corporate Governance Code throughout the year with the single exception of the appointment of a senior independent director for the full period under review. As you may be aware, the membership of the board had changed significantly and, until the board had worked together for a period of time, a decision on the appointment of a senior independent director was felt not to be appropriate. We are delighted that, following this assessment period, John Sievwright has now been appointed the senior independent director, a role he has undertaken in addition to that of chairman of the Audit and Risk Committee. During the period when there was no senior independent director appointed, I remained available for consultation with shareholders.

Throughout the year, all your non-executive directors have contributed extensively to the business of the board and demonstrated a high level of involvement in the activities of the Group. They have been exposed to the operations and management teams across the global businesses and have had opportunities to challenge performance and the control framework within each business.

My principal responsibilities as Chairman are to lead the board and to ensure its effectiveness. To this end, the board's time has been prioritised to focus as much as possible on activities which we consider central to proper oversight. For the year to March 2012, these activities included approval of the Group's strategy, review of the delivery of the strategy and development of the risk management structure. We also spent time examining and understanding developments in the regulatory and competitive environment and looking at the effectiveness and development of ICAP's culture.

Board and committee effectiveness assessments were undertaken during the year using the services of Lintstock, an external facilitator. The structure of the review included the completion of an online questionnaire followed by one-to-one interviews. Topics covered in the assessment included board composition and organisation, board processes, roles and responsibilities, communication, boardroom dynamics, the relationship between the board and senior management and the quality of boardroom discussion. The process also included feedback from members of the GEMG. From this assessment an action plan was developed and is being implemented.

There was unanimous agreement that the dynamics of the boardroom, including the environment and the ability of the non-executive directors to challenge the executive management, worked well. However, there were some areas in which further development was considered advisable. These included global HR and IT strategy and succession planning, with greater board visibility of executives below the GEMG. These areas have been incorporated into the board schedule for 2012/13.

I am delighted that the results of the board evaluation have confirmed that, individually and collectively, your board and committees' performances were and are effective and that each director has the appropriate skills and expertise to continue to drive the Company forward. In accordance with the UK Corporate Governance Code, and as we did last year, all directors will be offering themselves for re-election at the annual general meeting in July 2012. The board has agreed that all directors are qualified to stand for re-election and that the non-executive directors remain independent.

During the year there has been continued focus by both investors and external regulators on levels of remuneration and the connection with performance. ICAP's Remuneration Committee has spent much of its time focusing on this issue. The Remuneration Committee, on behalf of the board, remains committed to ICAP's remuneration policy of reward for performance as we continue to believe that this structure fully aligns the interests of executive management with shareholders.

During the year we consulted with a number of key investors and stakeholders on the remuneration structure for executive management and, as a result of the feedback received and our internal review, a number of changes are being proposed to the bonus arrangements for the year ending 31 March 2013. Further details are set out in the remuneration report on pages 56 to 64.

There has been, and will continue to be, an increase in the responsibilities of the Audit and Risk Committee and the board has therefore made a decision to separate these responsibilities and form an Audit Committee and a Risk Committee. This change is effective from May 2012. In light of the ever increasing demands on board members and, as best practice prevents my being eligible for either of these committees, the board is considering its composition. Any recruitment for a non-executive director will be considered using the same selection policy as that used throughout the Group. While we welcome the increased focus on board diversity following the publication of the Davies report on 'Women on Boards', we do not support the implementation of quotas and any recruitment will continue to be based on merit.

One of the board's focus areas for 2011/12 has been ICAP's culture, in particular ensuring that the Company's cultural values are communicated and embedded throughout the Group. During the board's visits to different ICAP businesses and locations and our discussions with executives, the directors have been very encouraged by the high level of understanding of, and commitment to, the corporate values. In particular, the board has seen the care taken in striking the right balance between the commercial values of leadership and entrepreneurship and the protective values of integrity and respect for control. These values continue to strengthen the corporate governance structure throughout ICAP.

I would like to thank all my board colleagues for their continuing support and the commitment they have each made to their board responsibilities. As a board we will continue, particularly in light of external and regulatory developments, to ensure that the corporate governance framework supports the ICAP Group and enables it to perform well.

Charles Gregson
Non-executive Chairman

Directors' report

Corporate governance statement

The corporate governance statement details ICAP's governance framework and its management practices and, together with the remuneration report on pages 56 to 64, sets out how the Company has complied with the UK Corporate Governance Code for the year ended 31 March 2012. The UK Corporate Governance Code is publicly available at www.frc.org.uk.

ICAP is headed by an appropriately experienced board which comprises a non-executive Chairman, the Group Chief Executive Officer, the Group Finance Director, the Group Executive Director Americas and four independent non-executive directors. All ICAP's directors have a good understanding of ICAP's markets, the regions and regulatory frameworks in which it operates and its technology. Details of the skills and experience each director brings to the board are set out on pages 42 and 43.

There are three committees of the board – the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. Each of these board committees is chaired by a non-executive director. 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.

There are three executive committees – the GEMG, the GOC and the GRACC. These executive committees are mandated by and report to the board. The executive committees operate under terms of reference approved by the board and minutes of the meetings are circulated to the board.

Governance framework

Board

- Approves the Group's long-term objectives, commercial strategy, budget and significant acquisitions, investments and disposals
- Determines the Group's risk appetite and risk management strategy
- Approves the membership and terms of reference of board and executive committees
- Approves changes to capital structure
- Approves the Group's financial statements and its interim management statements
- Approves the interim dividends and recommends the final dividend

Audit and Risk Committee

- Reviews and challenges the integrity of external financial reporting
- Reviews the Group's internal financial controls
- Reviews the effectiveness of the Group's internal and external auditors
- Appoints the external auditors, the Head of Internal Audit and the Global Chief Risk Officer
- Reviews the Group's whistleblowing procedures
- Reviews the effectiveness of the Group's risk management framework
- Reviews the ICAAP document
- Reviews major findings and recommendations of internal and external audit reports

Nomination Committee

- Reviews the structure, size and composition of the board and makes recommendations with regard to any changes
- Nominates candidates to fill board vacancies as they arise
- Keeps under review the leadership needs of the organisation and considers succession and development planning for senior executives

Remuneration Committee

- Sets remuneration policy and packages and pension policy for the executive directors
- Appoints any remuneration consultants who advise the committee
- Approves contracts of employment with terms that exceed certain agreed levels of duration, notice period or compensation

Global Operating Committee

The GOC is responsible for the oversight and co-ordination of improvements to the efficiency and effectiveness of ICAP's global operations and the control and assurance process

Group Risk and Capital Committee

The GRACC is responsible for the financial, liquidity and capital structure of the Group

Global Executive Management Group

The GEMG is responsible for day-to-day operations and supports the Group Chief Executive Officer in the delivery of the Group's strategy

■ Non-executive committees ■ Executive committees

Full details of the terms of reference for the non-executive committees can be found at **www.icap.com**

The board

The board is responsible for providing leadership of the Group and for ensuring the Group has the appropriate people, financial resources and controls in place to deliver on the long-term objectives, commercial strategy and risk management strategy set by the board. Details of the business model and the Group's strategic objectives are detailed within ICAP in 10 on pages 2 to 13. The board operates in accordance with an approved schedule of matters reserved for the board. The board specifies policies and delegated authorities that all members of the Group are required to adhere to. Details of the principal matters reserved for the board and principal terms of reference of the board committees are shown in the table on page 46.

There is a clear division between the role of Chairman, who is responsible for the leadership of the board and for ensuring the effective communication with shareholders, and the Group Chief Executive Officer, who is responsible for leading and managing the business, within the limits delegated to him by the board. The board maintains a written policy on the division of responsibilities between the Chairman and the Group Chief Executive Officer which sets out the key responsibilities of each role.

Six board meetings were scheduled during the year. Between these meetings, the board convened by conference call to receive trading reports and updates on current issues. During the year, the non-executive directors also met without the executive directors present. The following table sets out the number of meetings of the board attended by directors in office at 31 March 2012.

	Board meetings	
	Total	Attended
Charles Gregson	6	6
Michael Spencer	6	6
John Nixon	6	6
Iain Torrens	6	6
Hsieh Fu Hua	6	6
Diane Schueneman	6	6
John Sievwright	6	6
Robert Standing	6	6

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 discharge of their duties. In addition, directors receive management information on a monthly basis. GEMG members and other senior executives attend meetings by invitation to present on their areas of expertise within the business. The table below highlights some of the agenda items considered by the board during the year in addition to the standard items covering their regular review of the business.

Summary of board business during the year ended 31 March 2012

May 2011

Report and accounts for the year ended 31 March 2011
- Report from chairman of the Audit and Risk Committee
- Going concern paper
- Final dividend recommendation

Post trade risk and information presentation
Demonstration of the i-Swap platform

September 2011

Approval of the interim management statement
Approval of the investment in Japan
Asia Pacific voice presentation
Review of directors' training

February 2012

Approval of the interim management statement
Approval of the acquisition of Island Shipbrokers Pte Ltd
Board effectiveness review – update

July 2011

Capital structure report
Board diversity
ICAP electronic presentation
Update from chairman of the Nomination Committee – recruitment of the Group Chief Operating Officer

November 2011

Half-year report for the six months to 30 September 2011
- Report from chairman of the Audit and Risk Committee
- Interim dividend recommendation

Board effectiveness evaluation review
EMEA voice presentation
Review of directors' conflicts of interest and process

March 2012

Approval of the pre-close statement
Strategic review
Risk review of strategy
Americas voice presentation
Brazil strategic presentation

Induction and continuing professional development

Non-executive directors are provided with a full and formal induction. This covers training and briefings, including directors' duties and the UK listing regime, an overview of the business, its operations, risk and regulatory matters, governance, finance and investor relations.

All directors receive regular briefings on changes and developments in the Group's business and on any relevant legislative and regulatory changes from senior management and external advisors as appropriate. During the year ICAP launched its i-Swap platform and an i-Swap demonstration was included in the directors' training for the year.

Nomination Committee

The committee members are appointed by the board and comprise a majority of independent non-executive directors. The chairman of the committee is appointed by the board and is required to be either the Chairman of the board or an independent non-executive director. The Chairman of the board does not chair the committee when it is dealing with the matter of succession of the Chairman of the board.

The following table sets out the directors who served on the Nomination Committee during the year and their committee meeting attendance.

	Nomination Committee meetings	
	Total	Attended
Charles Gregson (chairman)	2	2
Michael Spencer	2	1
Diane Schueneman	2	1
John Sievwright	2	2
Robert Standing	2	2

External advisors and individuals such as the Global Head of HR are invited to attend meetings when appropriate.

Board evaluation

During 2011/12, an evaluation of the board, the board committees and the Chairman was conducted using Lintstock as the external facilitator. Lintstock did not provide any other advisory services to ICAP during the year. Interviews were conducted with each board member and the Group Company Secretary and included feedback from members of the GEMG. The objective of the evaluation was to provide insight into the effectiveness of the board and to identify actions for improving performance.

The outcome of the review confirmed the changes in the board's composition were highly effective.

From the evaluation, the directors believe their expertise was well drawn on during the year and is valued by the business. In evaluating how the board manages its time, the following items have been identified as requiring further board oversight and have been included in the board schedule for 2012/13:

- increase efficiency from the business model;
- the regulatory environment;
- HR strategy and succession planning;
- IT strategy;
- the Brazilian business;
- key customer analysis including customer perception; and
- external market developments.

The responsibilities of the Nomination Committee are described in its terms of reference available on the Group's website, www.icap.com.

During the year, the committee met to consider the appointment of a new group chief operating officer resulting in the appointment of Mark Price in October 2011. As part of this process, the Nomination Committee considered the responsibilities of the Group Chief Operating Officer and what his immediate priorities should be. As a result, it was agreed that this role should not have responsibility for any operational business areas and, as such, changes to GEMG reporting lines were made.

As a result of the evaluation of the Nomination Committee, the following priorities were identified for 2012/13:
- review and revise the succession plan for executive directors and senior executives; and
- review the balance of executive directors on the board.

Audit and Risk Committee

The Audit and Risk Committee members are all independent non-executive directors, appointed by the board on the recommendation of the Nomination Committee. 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 it to function effectively and discharge its responsibilities.

The following table sets out the directors who served on the Audit and Risk Committee during the year and their committee meeting attendance.

	Audit and Risk Committee meetings	
	Total	Attended
John Sievwright (chairman)	8	8
Diane Schueneman	8	8
Robert Standing	8	8

Other attendees at Audit and Risk Committee meetings include:

	Regular attendee	Attends as required
Chairman of the board	■	
Group Finance Director	■	
Group Chief Operating Officer	■	
Global Chief Risk Officer	■	
Group Company Secretary	■	
Group Financial Controller	■	
Group General Counsel	■	
Group Head of Compliance	■	
Head of Internal Audit	■	
External auditors	■	
Group Head of Tax and Treasury		■
Regional chief financial officers		■
Regional heads of compliance		■

The chairman of the Audit and Risk Committee maintains contact with attendees throughout the year. The committee meets with the external auditors and the Head of Internal Audit without any executive director or member of management present.

The agenda for committee meetings is divided between audit and risk matters. In addition to the regular topics detailed in the terms of reference, the committee also discussed a number of additional matters during the year including:

- risk, compliance and internal audit charters;
- assessment of the risk department and the Global Chief Risk Officer;
- review of the internal audit function leading to the appointment of KPMG as the internal auditors;
- review of the effectiveness of the external auditors;
- internal audit transition plan;
- review of the ICAAP document;
- regional risk updates;
- half and full-year reviews of the compliance function;
- clearing and settlement agents' risk review;
- presentation from business on control issues; and
- goodwill impairment review.

As a result of the evaluation of the effectiveness of the Audit and Risk Committee, the following priorities were identified for 2012/13:

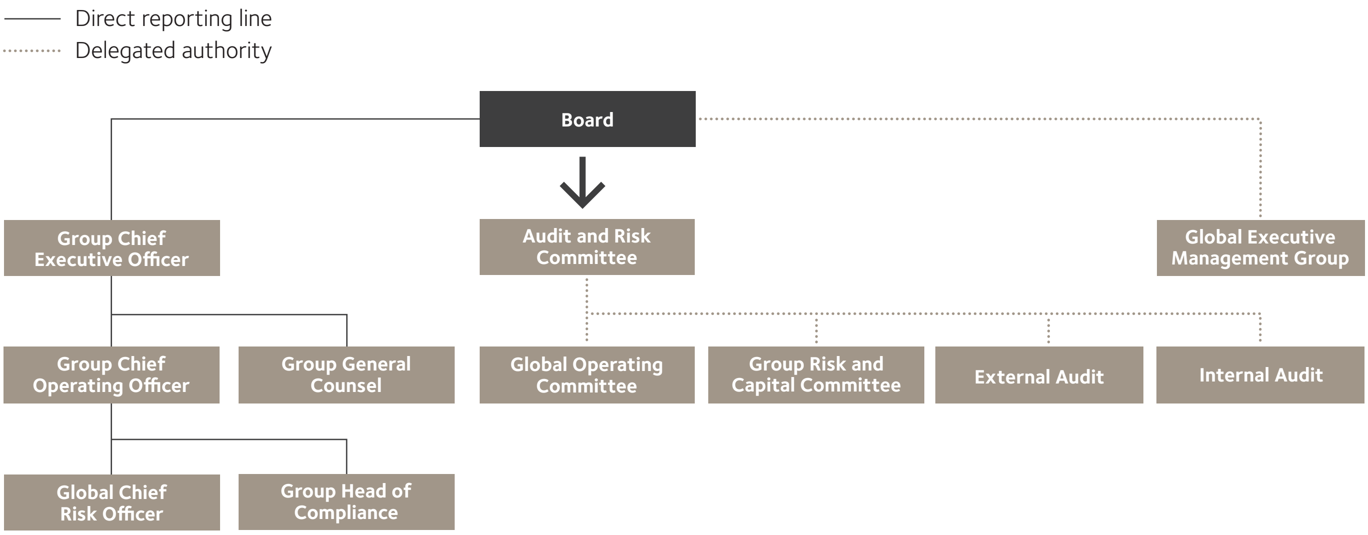
- enhanced oversight of the new internal audit function to ensure its effectiveness;
- technology audits; and
- provision of support to the new Global Chief Risk Officer.

The board believes that a sound control environment and robust risk management are fundamental to ICAP's success. The Audit and Risk Committee, as delegated by the board, sets the overall risk strategy and risk appetite methodology for the Group. The Audit and Risk Committee is also responsible for approving the appointment, dismissal and compensation of the Global Chief Risk Officer, thereby reinforcing the independence of the risk function.

Due to the continuing increase in responsibilities of the Audit and Risk Committee, the board has decided to separate these responsibilities and form an Audit Committee and a Risk Committee. These are effective from May 2012.

The Audit and Risk Committee has delegated the day-to-day risk management of the Group to two executive committees, the GOC and the 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's responsibilities are centred on the monitoring of liquidity, credit, market and financial risks. Details of the committees' responsibilities are shown on page 46.

Risk governance



ICAP in 10
Business review
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Information for shareholders

The Audit and Risk Committee, the GOC and the GRACC have terms of reference that require all aspects of the Group's risk management activities to be regularly reviewed.

The Global Chief Risk Officer, Group Head of Compliance and Head of Internal Audit are members of the GOC, the Global Chief Risk Officer is a member of the GRACC and the Group Head of Compliance is a standing attendee of the GRACC.

In addition to the Audit and Risk Committee, the GOC and the 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 control and management framework

The significant risks of the Group are continually monitored, assessed and managed by operating the three lines of defence model for the risk management and control of the businesses.

The first line of defence comprises senior business and executive management who own the risks and controls for their respective businesses and retain full accountability for control-related business issues.

The second line of defence comprises the compliance and risk management functions. These functions are responsible for the Group's risk framework and infrastructure and identify, monitor, mitigate and report key risks.

The internal audit function provides the third line of defence by making a systematic and disciplined evaluation of the business, control and governance frameworks, 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 regularly review 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.

Governance

Perform oversight

- The board sets 'tone from the top'
- The board establishes risk appetite and strategy
- The Audit and Risk Committee approves the risk management framework, methodologies, overall policies, roles and responsibilities
- Executive management leverages risk information into a decision-making process and accepts, transfers or mitigates identified risks
- Executive management evaluates business activities on a risk-adjusted basis

Third line of defence

Monitor and advise

Internal audit

- Provides independence testing and verification of efficacy of corporate standard and business line compliance
- Validates the overall risk framework
- Provides assurance that the risk management process is functioning as designed and identifies improvement opportunities

Second line of defence

Interpret and develop

Monitor and report

Compliance

- Provides interpretation of regulations and disseminates to business units
- Monitors compliance with regulations
- Develops and monitors policies and procedures
- Tests risk assessment based compliance
- Advises on regulatory issues and provides training

Design and facilitate

Monitor and report

Risk management

- Designs and deploys the overall risk management framework across the organisation
- Monitors adherence to framework and strategy
- Compiles risk across business units and escalates risk and control issues to senior management
- Performs aggregated risk reporting

First line of defence

Business unit: process and risk owners
– Owns the risk management process
– Identifies, manages, mitigates and reports on operational risk
– Tracks loss data

The Group has created an integrated control framework for the three key control functions of risk, compliance and internal audit. In providing assurance as to the effectiveness of the system of internal controls to the GOC, the Audit and Risk Committee and the board, the three key control functions will, where appropriate and on a planned basis, combine resources, skills and technical expertise in the conduct of monitoring, oversight and review work.

Risk management
The Group's risk management function operates under the mandate set by the board. The Global Chief Risk Officer reports to the Group Chief Operating Officer. Under the leadership of regional heads, risk departments support the electronic and post trade risk and information businesses on a global basis and the regional voice businesses and are members of business level and regional risk committees. The Global Chief Risk Officer is a member of the GOC and GRACC and is a standing attendee of the Audit and Risk Committee.

Day-to-day management of risk and its mitigation is the responsibility of business heads. Risk management provides an independent assessment of the Group's risks and supports the business heads in identifying, monitoring, mitigating and reporting key risks through the use of a range of tools. In this way, risk management views the Group's activities both functionally and globally.

These tools include:
– independent monitoring and analysis of the Group's liquidity exposures, both current and projected;
– credit risk limits based on an internal scoring system;
– various information tools and reports such as dashboards and key risk indicators;
– Group and risk management policies;
– controls and procedures;
– risk and control self assessments and process maps; and
– significant risk assessment and quantification programmes.

A number of qualitative and quantitative measures are monitored by risk management to ensure that the businesses' risks remain within acceptable tolerances. Metrics that are robust, easy to explain to the businesses and directly related to their risk profiles are preferred over complicated and unintuitive solutions. Examples of such metrics include key risk indicators, scenario analysis and credit exposure metrics. Using these measures, the Group produces a number of risk intelligence reports which are disseminated widely among the Group's managers, the GEMG 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 regional heads of compliance who are members of regional and business level risk committees. The Group Head of Compliance is a member of the GOC and is a standing attendee of both the GRACC and the Audit and Risk Committee.

The Group continues to invest in the enhancement of the compliance department in response to challenges posed by changes to the regulatory environment and the more intrusive stance of industry regulators. These initiatives have included the appointment of a regional head of compliance for Asia Pacific and a head of compliance for the Group's operations in Brazil.

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 compliance risk management 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 the reporting and escalation of potential and crystallised risks.

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 board is responsible for reviewing the effectiveness of the internal control system which management is responsible for maintaining and it does this through the Audit and Risk Committee. 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. Internal controls are designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

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 Audit and Risk Committee that the system of internal control achieves its objectives and highlights gaps and areas for improvement. During the year, the role of Ernst & Young as internal auditor was reviewed and, on the recommendation of the Audit and Risk Committee, following a tender process, KPMG was appointed internal auditor.

Financial reporting

The Group's finance function is organised on a regional basis under the leadership of the Group Finance Director. This function 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. A filing assurance review process, reporting to the Audit and Risk Committee, is in place in respect of half-year and full-year reporting.

Evaluation of external auditors

During the financial year, the Audit and Risk Committee reviewed and approved the proposed audit fee and terms of engagement for the 2011/12 audit and recommended to the board that it proposes to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditors for 2012/13.

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 its work was limited to specific areas, largely relating to fixed term regulatory and compliance projects, and the services of other firms were used on an ongoing basis. Any proposed non-audit assignments, with fees in excess of £100,000, are subject to the Audit and Risk Committee's chairman's prior approval and the subsequent approval of the committee. Note 4 to the financial statements details the fees paid to the external auditors for audit and non-audit services.

As part of its consideration of the 2011/12 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 2010/11 was undertaken following the completion of the audit for that year. The results of this assessment were reviewed by the Audit and Risk Committee in November 2011. The assessment of the effectiveness of the external audit process for 2011/12 will be undertaken in June 2012. 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 auditors.

Rotation of the audit partner

As detailed in the 2011 Annual Report, PricewaterhouseCoopers LLP and the Company had agreed to extend the term of the lead audit partner for a sixth year, in line with guidance set out in Ethical Standard 3 'Long association with the audit engagement', issued by the Audit Practices Board. The board made the decision to extend the term of the lead audit partner on the basis that the continuity was necessary following board changes and increased regulatory scrutiny. The rotation of the lead audit partner will be made during the course of the 2012/13 year following the completion of the audit of the 2011/12 financial statements.

Remuneration Committee report

The remuneration report is set out on pages 56 to 64.

Executive committees

Global Executive Management Group

The committee members are:

- Group Chief Executive Officer, chairman
- Group Executive Director Americas
- Group Finance Director
- Group Chief Operating Officer
- Business Chief Executive Officers
- Group General Counsel

The GEMG proposes commercial strategy to the board, oversees the performance of the businesses and sets commercial direction within the scope of the delegated authorities. The GEMG also advises the board on commercial matters and priorities as required. The GEMG reports to the board and will receive advice on operational, risk and implementation issues from the GOC and may ask the GOC to oversee the implementation of its decisions.

Global Operating Committee

The committee members are:

- Group Chief Operating Officer, chairman
- Group Finance Director
- Group General Counsel
- Business chief operating officers
- Group Financial Controller
- Global Head of HR
- Global Chief Risk Officer
- Group Head of Compliance
- Head of Internal Audit

The GOC reviews and makes recommendations in relation to all matters affecting the controls and operations of the Group, including but not limited to the implementation of strategic decisions from the board and the GEMG, the establishment of new businesses, the integration of acquired businesses, the adequacy of processes around existing businesses and operational risk. While undertaking this role, the committee ensures the implementation and compliance with board approved policies. The GOC reports to the board and the Audit and Risk Committee, as appropriate, as well as taking commercial direction from the GEMG. The committee provides advice to the GEMG as requested and on an own-initiative basis.

Group Risk and Capital Committee

The committee members are:
– Group Finance Director, chairman
– Group Chief Operating Officer
– Group General Counsel
– Group Financial Controller
– Global Chief Risk Officer
– Group Head of Tax and Treasury
– Chief Finance Officer Americas
– Chief Finance Officer EMEA

The GRACC reviews, offers recommendations and makes decisions in relation to all risks affecting the financial, liquidity and capital position of the Group resulting from, but not limited to, the facilitation of strategic direction from the board and the GEMG, the implementation of new regulatory directives, the establishment of new businesses and the integration of acquired businesses. The committee seeks to ensure the adequacy of the Group's risk profile with the risk appetite as defined by the board. The GRACC reports to the board and the Audit and Risk Committee as required and provides advice to the GEMG and the GOC on an own-initiative basis.

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 investor reports which detail the feedback from investor meetings and roadshows attended by executive directors and senior management and also receives the results of investor perception studies. The movements on the share register are reviewed at board meetings. The Chairman of the board and the chairman of the Remuneration Committee have consulted with key shareholders during the year to understand investors' views on executive remuneration following feedback on the 2011 remuneration report.

The Company publishes its half and full-year financial 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 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 2011 annual general meeting.

Substantial shareholders

At 31 March 2012, and at 10 May 2012, the last practicable date prior to publication, the Company has been notified of the following voting rights of 3% or more in its issued share capital:

Substantial shareholders	Total interest in ordinary shares	Percentage of voting rights Indirect %	Direct %	Total %
Michael Spencer, together with INFBV and INCAP Overseas BV*	108,074,101	16.26	0.47	16.73
Newton Investment Management Limited	52,546,074	8.13	–	8.13
Schroders plc	32,989,936	5.11	–	5.11
FIL Limited	32,710,343	5.00	0.06	5.06
BlackRock, Inc.	32,388,112	4.93	0.08	5.01
AXA SA	29,749,171	3.80	0.81	4.61
Legal & General Group plc	19,850,242	3.07	–	3.07

* Michael Spencer, together with trusts for the benefit of his children of which he is one of joint trustees, owns a majority shareholding in IPGL, of which INFBV is a wholly-owned subsidiary. Accordingly, Michael Spencer is deemed to be interested in all the shares in ICAP plc held by INFBV and its wholly-owned subsidiary, INCAP Overseas BV, totalling 105,069,560 shares. A trust of which Michael Spencer's children are beneficiaries and he is a joint trustee owns, a further 50,000 shares and 2,947,480 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 and matching awards under the BSMP in respect of which there are no unsatisfied performance or continuity of employment conditions. Michael Spencer has an interest in a further 2,832 share options under the SAYE scheme and holds 4,229 shares in his own name.

Annual general meeting

The fourteenth annual general meeting of the Company will be held on Wednesday, 11 July 2012. 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.

Business review

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

	Pages
ICAP in 10	2-13
Business review	15-39
Key performance indicators	30-31
Risk and control environment	32-35
Corporate responsibility	36-39

Dividend

A final dividend of 16.00p per share is recommended by the directors. Together with the interim dividend of 6.00p per share already declared and paid, this makes a total for the year ended 31 March 2012 of 22.00p per share (2011 – 19.95p). 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 20 July 2012 to shareholders on the register at the close of business on 29 June 2012. The shares will be quoted ex-dividend from 27 June 2012.

Share capital

The Company's share capital comprises ordinary shares of 10p each, all of which are fully paid. 664,365,322 shares were in issue at 31 March 2012, 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.

18,294,235 (2011 – 4,028,154) Treasury Shares were held by the Company at 31 March 2012 representing 2.75% of the issued share capital. Such shares carry neither voting rights nor an entitlement to a dividend while held as Treasury Shares. There are no other restrictions on the transfer of ordinary shares.

The Company purchased 14,766,081 of its own shares during the period under review. 14,266,081 of these shares purchased are held as Treasury Shares and 500,000 were purchased and cancelled. As at 31 March 2012, and at 10 May 2012, the Company had an unexpired authority to repurchase shares up to a maximum of 51,246,170 ordinary shares of 10p each. All changes in share capital are detailed in note 18 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 2012, share awards and options existed over 14,409,357 of the Company's ordinary shares in relation to employee share awards and option schemes. Of this figure, 4,252,550 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 a transfer of Treasury Shares. Changes in options and awards under the various schemes are detailed in note 20 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.

Conflicts of interest

A process has been established under the articles of association whereby directors' actual and potential conflicts are identified and regularly reviewed. The board can authorise potential conflicts of interest that may arise and 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.

The Group Company Secretary

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.

Related party transactions

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

Political donations

No political donations were made during the year (2011 – nil).

Event after the balance sheet date

Details of the event after the balance sheet date are set out in the business review on page 29.

Directors' statement of responsibilities

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 at the annual general meeting in July 2011. 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 4 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 6 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 is discussed in the directors' report.

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.

By order of the board

Deborah Abrehart
Group Company Secretary
ICAP plc
2 Broadgate
London EC2M 7UR
Company number 3611426
16 May 2012

Remuneration report

Statement by the chairman of the Remuneration Committee

I am pleased to present the Group's remuneration report which provides details of the remuneration policy and the remuneration for each of the directors of ICAP plc for the year ended 31 March 2012 and the proposals for the remuneration of executive directors for 2012/13.

The committee's responsibility is the oversight of the remuneration strategy for the Group, to ensure 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, to ensure the alignment of the interests of employees and shareholders and to comply with current best practice and regulatory requirements. As an interdealer broker, ICAP does not take outright position risk and the remuneration policy is aligned with the activities the Group undertakes and is compatible with the Group's risk policies.

Remuneration is aligned with ICAP's risk profile

Remuneration is earned on revenue that is certain. Due to the nature of ICAP's roles 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.

Capital is not a constraining factor in the management and planning of our activities.

Remuneration for the year ended 31 March 2012

There has been no increase in base salaries for the executive directors for the year ended 31 March 2012. The targets for the bonus arrangements for the year ended 31 March 2012 were set out in the 2011 Annual Report. Based on achieving the target profit, and full achievement of the agreed objectives for the year, the total bonus pool for 2011/12 would have been £19 million. Where targets and objectives are not met in full, which was the case for the year under review, there are both quantitative and qualitative factors the committee has to consider when exercising its discretion in assessing the quantum of the bonus pool. The quantitative factor, the financial performance, is given a weighting of 67% of the total pool and the qualitative factors represent 33% of the total pool. The objectives for 2011/12, agreed by the Remuneration Committee at the beginning of the year, included strategic goals in respect of other financial objectives, voice, electronic, post trade risk and information services, process and people. The committee assessed management's achievement of these objectives at 68% which resulted in a bonus pool, in respect of the qualitative factors, of £3.97 million. Had the quantitative factor been applied in full to the profit before tax, acquisition and disposal costs and exceptional items of £354 million, this would have resulted in a bonus pool for the financial performance of £11.86 million making a total bonus pool of £15.83 million. The committee exercised its discretion in reducing the bonus pool by considering the overall financial and trading performance of the Group and by a reduction in the size of the pool as a result of the remuneration paid to Mark Yallop as Group Chief Operating Officer for the period he was in office and by the costs of recruiting the current Group Chief Operating Officer who is not an executive director. As a result, the bonus pool for the three executive directors for the year ended 31 March 2012 was reduced to £8.5 million, which compared with the prior year bonus pool of £11.3 million (excluding the bonus paid to Mark Yallop as the previous Group Chief Operating Officer).

As a result, the total compensation paid to the Group Chief Executive Officer for 2011/12 was 27% below the prior year. Full details of all executive directors' remuneration are set out on page 61.

As in prior years, of the bonus pool for 2011/12 of £8.5 million, half is paid in cash and half is used to acquire shares (a basic award) under the BSMP. A matching award over the same number of shares as the basic award is then made to the executive director and is subject to a performance condition.

Group Chief Operating Officer

Mark Yallop served as the Group Chief Operating Officer from July 2005 until his resignation on 30 September 2011. He received a cash bonus for the period to 30 September 2011 of £1.1 million. Mark Price was appointed the Group Chief Operating Officer on 1 October 2011 and, as part of his joining arrangements, the Company bought out his deferred compensation, stock and cash, from his previous employer which will vest in accordance with its original vesting schedule. From 1 April 2012, Mark Price, as Group Chief Operating Officer, will participate in the bonus pool arrangements for executive directors but his long-term incentive arrangement will be satisfied by his participation, as a member of the GEMG, in the ICAP LTIP rather than the BSMP in which only executive directors participate.

Proposed remuneration for the year ending 31 March 2013

As a result of feedback from previous remuneration reports regarding the need to reward profit growth while also capping the absolute size of the bonus pool, we have, during the year under review, undertaken a consultation programme with key shareholders on ICAP's approach to remuneration. A number of areas were discussed and it was agreed that the following issues would be taken into account in the review of the bonus arrangements for the executive directors and members of the GEMG:

- the objective of the review was to de-emphasise simple profit sharing and focus on the increase in profit growth; and
- to ensure that the incentive arrangements are aligned with the future performance of ICAP.

The main changes are as follows:

- the new scheme has substantially higher hurdles for the same level of bonus;
- the new scheme rewards profit growth and success;
- the hurdles for the scheme to pay out rise each year; and
- there are no cliff payments.

The committee remains satisfied that, with these changes, the key principles of the remuneration policy are those that create sustainable value for our shareholders over the long term.

Changes to the bonus scheme for 2012/13

The existing bonus scheme will be amended to incentivise executive directors to increase profit and will further align their interests with those of shareholders by the creation of a profit level below which no bonus will be payable, a payout curve which will increase up to the target level and a maximum level above which no additional bonus would be payable. The bonus pool floor has been set for the year ending 31 March 2013 at £75 million. This figure will increase by RPI +3% on an annual basis which will have the effect of increasing each tier by a multiple of the floor level. The payout curve for 2012/13 is illustrated in the table below. The maximum bonus pool is capped at a maximum achievement of 120% of the target profit figure.

Tier	Profit before tax* £m	Marginal bonus rate for 2012/13 %
1 floor	0 – 75	0
2	76 – 149	2.75
3	150 – 224	3.50
4	225 – 299	4.25
5	300 – 353	5.00
6 target – maximum	354 – 424	10.00
7	424 +	0

From this schedule, the gross bonus pool is calculated, 75% of which will relate to the achievement of the financial objective and 25% will relate to the achievement of the strategic objectives over which the committee will exercise its discretion as to the level of achievement. The change in the percentage of the pool attributable to the achievement of the financial and strategic objectives is designed to remove some level of discretion and to recognise those actions undertaken by executive management which may contribute in non-profit terms to maintaining the franchise and in providing long-term growth.

As an example, assuming the achievement of a target profit before tax* of £354 million for 2012/13, and the achievement of the strategic objectives at the same level as 2011/12, this would produce a bonus pool for the executive directors and the Group Chief Operating Officer of £9.8 million.

The table below provides examples of the sensitivities of the bonus pool figure to the achievement of targeted profit before tax* and the achievement of the strategic objectives.

Achievement of strategic objectives %	Profit before tax* target – 10%	Profit before tax* target = £354m	Profit before tax* target +10%
25	£7.2m	£8.6m	£11.5m
50	£7.7m	£9.3m	£12.4m
75	£8.3m	£9.9m	£13.2m
100	£8.8m	£10.6m	£14.1m

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

The qualitative objectives, to be assessed by the committee, for the year ending 31 March 2013 will include delivery of:

- a broad, innovative service offering;
- superior shareholder returns;
- the leading market position; and
- greater optimisation of people, systems and processes.

Of the bonus pool, half will continue to be paid in cash. The executive directors will be required to acquire shares in the Company with the remainder of their after tax bonus pool. Matching awards will be granted over shares with a value equal to the remainder of an executive director's bonus pool before tax. A matching award will usually be released after three years if the executive director to whom the particular award was made is still employed, has retained the shares purchased with his net of tax bonus amount and the performance condition has been met.

The BSMP was approved by shareholders at the annual general meeting in 2003 with a ten-year life. It is therefore proposed that the scheme be renewed and a resolution is being proposed for approval at the annual general meeting in July 2012. No material changes are proposed. Details of the scheme are included in the Notice of the annual general meeting which is being sent to all shareholders.

Performance condition

2009 award

The performance condition for the release of the long-term incentive plan has been that adjusted basic EPS must have grown by at least 9% over RPI over the three years from the date of grant. This performance condition has not been met in respect of the 2009 BSMP matching award (actual adjusted basic EPS of 40.1p was achieved against a target of 41.78p) and, as a result, the matching awards will not vest and will lapse in May 2012.

2013 award

The committee has reviewed both the use of EPS as the performance condition and the challenge provided by the current level of this performance condition. The committee continues to believe that the use of EPS is the appropriate performance condition as it safeguards the progress that has been made in the Group's performance and underpins continuing forward growth in the Group's earnings and therefore promotes the long-term success of the Company. However, the Remuneration Committee has recognised that the existing cliff-vesting criteria should be replaced by graduated vesting where 10% of the award would vest at RPI +6% increasing to 100% vesting at RPI +15% over a three-year period. This compares with the current vesting requirement of RPI +9% over the three years from the date of grant.

Malus and clawback

The Remuneration Committee has agreed to introduce and formalise the Company's right to clawback unvested matching awards where material misstatement in the financial statements and/or an error has resulted in excessive long-term incentive payments being awarded.

Shareholding guidelines

The committee has also reviewed the increasing practice of share ownership guidelines under which executive directors and other senior executives are asked to build up and hold a personal investment in the Company's shares. The committee has agreed to introduce minimum shareholding guidelines for the members of the GEMG. These shareholdings will be built up over a number of years and will include vested share awards under long-term incentive plans.

Shareholding guidelines

Group Chief Executive Officer	500% of base salary
Executive directors	300% of base salary
Group Chief Operating Officer	300% of base salary
GEMG – business line responsibility	200% of base salary
GEMG – functional responsibility	100% of base salary

On behalf of the committee I would like to thank those shareholders who contributed to the consultation process and trust that, following the changes discussed above, all shareholders will be able to support the proposals and the approval of the remuneration report at the annual general meeting on 11 July 2012.

Remuneration Committee report

The following report contains both audited and unaudited information. PricewaterhouseCoopers LLP have audited the tables on pages 61 to 64.

The committee members are appointed by the board and comprise three independent non-executive directors. The chairman of the committee is appointed by the board.

The following table sets out the directors who served on the Remuneration Committee during the year and their committee meeting attendance.

Remuneration Committee meetings

	Total	Attended
Robert Standing (chairman)	7	7
Diane Schueneman	7	7
John Sievwright	7	7

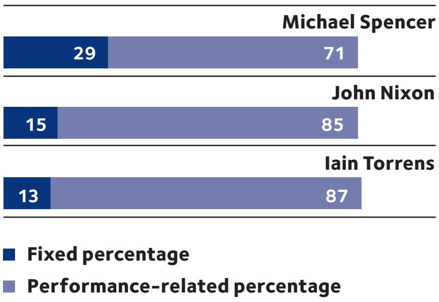
The responsibilities of the Remuneration Committee are described in its terms of reference available on the Group's website, www.icap.com. The principal activities and matters addressed by the committee during the year included:

- reviewing and approving executive directors' bonuses for the year to 31 March 2011;
- setting executive directors' and GEMG objectives for the year ended 31 March 2012;
- confirmation of 2008 performance conditions;
- Mark Yallop's leaving arrangements;
- reviewing of the remuneration policy;
- John Nixon's service contract; and
- bonus in lieu of dividend payments.

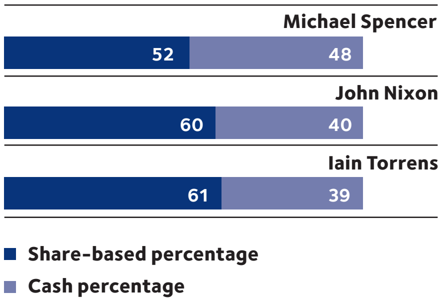
Towers Watson, Ashurst LLP and Deloitte LLP, all appointed by the committee, provided advice during the year. Ashurst LLP also provided advice on a broad range of legal issues to the Group and Deloitte LLP provided tax and regulatory advice to the Group during the year to 31 March 2012.

Executive directors' remuneration for the year ended 31 March 2012

Performance-related pay (%)



Share-based remuneration (%)



As a result of the externally facilitated evaluation of the effectiveness of the Remuneration Committee, the following priorities were identified for 2012/13:

- support the new Global Head of HR;
- gain a more in-depth understanding of competitor information; and
- engage further with shareholders on executive remuneration.

Remuneration policy

Principles

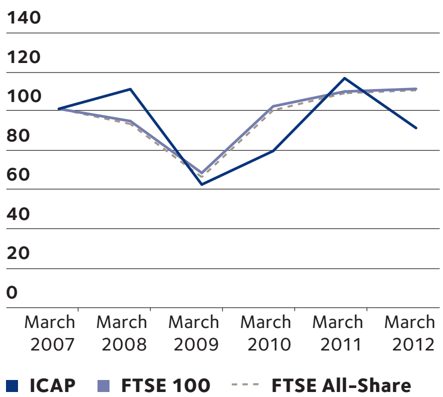
- ICAP's remuneration arrangements operate in accordance with appropriate regulatory codes and guidance in all jurisdictions in which it operates, particularly that of the FSA, and with reference to the nature, scale and particular characteristics of ICAP's business.
- ICAP's remuneration arrangements 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 employment 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 2012 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 2012
Rebased to 100



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. There have been no changes to non-executive director fees during the year.

The Chairman's fee is £250,000 per annum. The other non-executive directors' fees are:

Non-executive director fees	£80,000
Additional fees	
Chairman of the Audit and Risk Committee	£20,000
Chairman of the Remuneration Committee	£10,000
Chairman of the Nomination Committee*	£5,000

* Charles Gregson waived his entitlement to the additional fee for his role as chairman of the Nomination Committee.

Bonus arrangements for the year ended 31 March 2012

The bonus arrangements in effect for the executive directors' bonuses for the year ended 31 March 2012 were set out in the financial statements for the year ended 31 March 2011. As the financial target for the year ended 31 March 2012 was not achieved, the Remuneration Committee exercised its discretion in relation to the size of the bonus pool as explained in the statement by the chairman of the Remuneration Committee on pages 56 to 58.

Bonus arrangements for the year ending 31 March 2013

The bonus arrangements for the year ending 31 March 2013 are set out in the Remuneration Committee chairman's statement on pages 56 to 58.

Share schemes and long-term incentive arrangements

The Company has a number of share schemes which are described in detail in note 20 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 20. 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 21 to the financial statements.

Details of the Company's contributions to the pension arrangements of the executive directors are included in the tables on page 61.

Group compensation

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

Directors' interests

The table details the interests of the directors in the Company's ordinary shares of 10p each as at 31 March 2012 and 31 March 2011. Directors' interests in options over Company shares are detailed on pages 63 and 64 of this report.

Directors' interests shown in the table below 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 and Iain Torrens by the trustees of the ICAP Trust in respect of their basic awards under the BSMP and any vested matching awards under the BSMP.

Directors' interests as at 31 March	2012	2011
Charles Gregson (Chairman)	221,631	221,631
Michael Spencer*	108,074,101	108,302,480
John Nixon	20,000	–
Iain Torrens	59,699	6,716
Hsieh Fu Hua	–	–
Diane Schueneman	–	–
John Sievwright	20,000	20,000
Robert Standing	10,000	10,000

* Details of Michael Spencer's shareholding are set out in a note to the substantial shareholdings section on page 53.

Between 31 March 2012 and 10 May 2012 there were no changes to the above interests.

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 UK Corporate Governance 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 and Iain Torrens 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. The contract for John Nixon provides for a 12 month notice period in which he may be eligible for the payment of a discretionary bonus.

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

The table below shows details of directors' service contracts:

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	28.06.11	1 year	Rolling
Iain Torrens	18.11.10	18.11.10	1 year	Rolling
Non-executive directors				
Charles Gregson (Chairman)	06.08.98	11.05.12	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	13.05.11	3 months' notice on change of control	15.07.13
Robert Standing	14.07.10	21.06.10	3 months' notice on change of control	14.07.12
Former director				
Mark Yallop (left 30.09.11)	13.07.05	23.05.05	1 year	30.09.11

Audited information

Directors' remuneration

Executive directors

The remuneration for each of the executive directors of the Company who served during the year ended 31 March 2012 was as follows:

Michael Spencer		£
Salary		360,000
Benefits		8,182
Bonus in lieu of dividend on BSMP awards		1,238,305
Annual bonus		
– cash		1,950,000
– amount over which basic award will be granted under the BSMP		1,950,000
Total for the year ended 31 March 2012		**5,506,487**
Total for the year ended 31 March 2011		7,619,619
Amount over which matching award will be granted under the BSMP		1,950,000
Pension (defined contribution)		18,000
Outstanding share options/awards under the BSMP and other long-term incentive schemes as at 31 March 2012		
BSMP award		Shares/ options
Basic	2,315,507	
Matching	2,315,507	4,631,014
SAYE option		2,832

Iain Torrens		£
Salary		225,000
Benefits		2,850
Bonus in lieu of dividend on BSMP awards		14,584
Annual bonus		
– cash		850,000
– amount over which basic award will be granted under the BSMP		850,000
Total for the year ended 31 March 2012		**1,942,434**
Total for the year ended 31 March 2011		584,167
Amount over which matching award will be granted under the BSMP		850,000
Pension (defined contribution)		11,250
Outstanding share options/awards under the BSMP and other long-term incentive schemes as at 31 March 2012		
BSMP award		Shares/ options
Basic	52,983	
Matching	52,983	105,966
SAYE option		3,125

Iain Torrens's remuneration for the year ended 31 March 2011 was in respect of the period from his appointment on 18 November 2010 to 31 March 2011.

John Nixon		£
Salary		311,546
Benefits		50,832
Bonus in lieu of dividend on BSMP promises		155,332
Annual bonus		
– cash		1,450,000
– amount over which basic promise will be granted under the BSMP		1,450,000
Total for the year ended 31 March 2012		**3,417,710**
Total for the year ended 31 March 2011		4,929,045
Amount over which matching promise will be granted under the BSMP		1,450,000
Pension contribution		–
Outstanding promises/awards under the BSMP and other long-term incentive schemes as at 31 March 2012		
BSMP promise		Shares/ options
Basic	608,869	
Matching	608,869	1,217,738
UCSOP		250,000

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 $1.6049/£ (2011– $1.5560/£).

Mark Yallop (former director)		£
Salary		112,500
Benefits		2,875
Bonus in lieu of dividend on BSMP awards		194,722
Annual bonus		
– cash		1,100,000
– amount over which basic award will be granted under the BSMP		–
Total for the year ended 31 March 2012		**1,410,097**
Total for the year ended 31 March 2011		4,928,767
Amount over which matching award will be granted under the BSMP		–
Pension (defined contribution)		4,987
Outstanding share options/awards under the BSMP and other long-term incentive schemes as at 30 September 2011		
BSMP award		Shares/ options
Basic	–	
Matching	452,521	452,521
UCSOP		1,000,000

Mark Yallop's remuneration for the year ended 31 March 2012 was in respect of the period 1 April 2011 to 30 September 2011.

There was no increase in base salaries for the executive directors during the year.

Benefits to executive directors may include premiums for private medical and dental insurance, permanent health insurance, and disability insurance. 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.

A bonus in lieu of dividend on the BSMP was received on the basic awards and promises granted in 2008, 2009, 2010 and 2011 and on the vested matching awards granted in 2008 which were unexercised during the year.

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

Total remuneration paid to directors who served during the year ended 31 March 2012

Year ended 31 March	2012 £	2011 £
Executive directors		
Michael Spencer	5,506,487	7,619,619
John Nixon	3,417,710	4,929,045
Iain Torrens*	1,942,434	584,167
Non-executive directors		
Charles Gregson (Chairman)	250,000	245,833
Hsieh Fu Hua*	80,000	20,000
Diane Schueneman*	80,000	57,096
John Sievwright	100,000	98,334
Robert Standing*	90,000	62,096
Former director		
Mark Yallop**	1,410,097	4,928,767
Total	12,876,728	18,544,957

* In 2010/11 these directors held office for part of the year.
** In 2011/12 Mark Yallop held office for part of the year.

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, the executive director remains in employment and the relevant performance condition has been met. UK-based executive directors receive the basic and matching award as options which may be exercised at a date in the future subject to performance conditions and US-based directors receive the basic and matching award in the form of a promise to receive shares automatically released to them at a date in the future subject to performance conditions. 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, lapses and exercises as part of the executive directors' variable remuneration.

	Note	Options under the BSMP held at 1 April 2011	Grant date	Basic award options	Matching award options, subject to performance condition	Lapsed	Exercised	Market value at exercise £m	Options under the BSMP held at 31 March 2012
Executive directors (UK)									
Michael Spencer	1,6		29.05.08	631,973	631,973	–	–	–	
	2,5		28.05.09	607,543	607,543	–	–	–	
	3,6		27.05.10	408,398	408,398	–	–	–	
	4	3,295,828	26.05.11	667,593	667,593	–	–	–	4,631,014
Iain Torrens	4	–	26.05.11	52,983	52,983	–	–	–	105,966

	Note	Promises under the BSMP held at 1 April 2011	Grant date	Basic award promises	Matching award promises, subject to performance condition	Lapsed	Released to participant	Market value at release £m	Promises under the BSMP held at 31 March 2012
Executive director (US)									
John Nixon	2		28.05.09	63,951	63,951	–	–	–	
	3		27.05.10	68,066	68,066	–	–	–	
	4	264,034	26.05.11	476,852	476,852	–	–	–	1,217,738

	Note	Options under the BSMP held at 1 April 2011	Grant date	Basic award options	Matching award options, subject to performance condition	Lapsed	Exercised	Market value at exercise £m	Options under the BSMP held at 31 March 2012
Former director (UK)									
Mark Yallop	2,5,7		28.05.09	–	402,897	(89,533)	–	–	
	3,6,7	716,002	27.05.10	–	313,105	(173,948)	–	–	452,521

All option figures shown as at 31 March 2012 remained unchanged as at 10 May 2012.

Notes

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

2 Performance year ended 31 March 2009; market price on date of grant – 394.5p. The matching awards/promise due to vest in May 2012 will lapse as a result of the performance condition for that award not being met. For the US executive director, the basic award promise will be released to the director following the announcement of the Company's annual results for the financial year ended 31 March 2012.

3 Performance year ended 31 March 2010; market price on date of grant – 391.7p. For UK executive directors, the 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. For the US executive director, the promise shares will be released to the director following the announcement of the Company's annual results for the financial year ending 31 March 2013.

4 Performance year ended 31 March 2011; market price on date of grant – 480.5p. For UK executive directors, the exercise period commences on the day of the announcement of the Company's annual results for the financial year ending 31 March 2014 and will last for five years. For the US executive director, the promise shares will be released to the director following the announcement of the Company's annual results for the financial year ending 31 March 2014.

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 The disclosure for former director Mark Yallop is up to and including the date of his resignation on 30 September 2011. The Remuneration Committee exercised its discretion at the time of his resignation in relation to the unvested matching awards granted in 2009 and 2010 so that 313,364 (77.77%) and 139,157 (44.44%) respectively of each of these awards will vest at the normal vesting dates, subject to the applicable performance condition being satisfied. The 2009 matching award due to vest in May 2012 will lapse as a result of the performance condition for that award not being met.

Share option plans

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 2011 and 31 March 2012.

	Date of grant	Options held at 31 March 2011	Granted during the period	Lapsed during the period	Options held at 31 March 2012	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	–	–	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
Former director								
Mark Yallop*								
UCSOP	01.07.05	1,000,000	–	–	1,000,000	01.07.08	30.06.15	297.0

* The disclosure for former director Mark Yallop is up to and including the date of his resignation on 30 September 2011.

No options were exercised during the year. All option figures shown as at 31 March 2012 remained unchanged as at 10 May 2012.

At the close of business on 30 March 2012 the market price of the Company's ordinary shares was 392.8p per share and during the year fluctuated in the range 311.6p – 541.5p per share.

Options granted under the SAYE scheme are not subject to a performance condition. The performance condition for the release of options granted under the UCSOP is that adjusted basic EPS must have grown by at least 9% over RPI over the three years from the date of grant.

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 UK Corporate Governance Code and will be put to shareholders for an advisory vote at the annual general meeting to be held on 11 July 2012.

By order of the board

Robert Standing
Chairman
Remuneration Committee

Independent auditors' report

to the members of ICAP plc

We have audited the financial statements of ICAP plc for the year ended 31 March 2012 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 2012 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 directors' report 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 UK Corporate Governance 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
16 May 2012

Consolidated income statement

Year ended 31 March 2012

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 22(c)) £m	Exceptional items (note 23) £m	Total £m
Continuing operations					
Revenue	1	1,681	–	–	1,681
Operating expenses	4	(1,335)	(150)	–	(1,485)
Other income	24	26	13	–	39
Operating profit	1	372	(137)	–	235
Finance income	9	10	–	–	10
Finance costs	9	(34)	–	–	(34)
Share of profit of associates after tax	1	6	–	–	6
Profit before tax from continuing operations		354	(137)	–	217
Tax	8	(95)	18	–	(77)
Profit for the year from continuing operations		259	(119)	–	140
Profit for the year from discontinued operations	25(a)	–	–	–	–
Profit for the year		259	(119)	–	140
Attributable to:					
Owners of the Company		260	(123)	–	137
Non-controlling interests		(1)	4	–	3
		259	(119)	–	140
Earnings per ordinary share from continuing operations (pence)					
– basic	2(b)				21.1
– diluted	2(b)				20.8
Earnings per ordinary share from total operations (pence)					
– basic	2(a)				21.1
– diluted	2(a)				20.8

Consolidated income statement

Year ended 31 March 2011

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 22(c)) £m	Exceptional items (note 23) £m	Total £m
Continuing operations					
Revenue	1	1,741	–	–	1,741
Operating expenses	4	(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	8	(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 (pence)					
– basic	2(b)				28.1
– diluted	2(b)				27.6
Earnings per ordinary share from total operations (pence)					
– basic	2(a)				28.7
– diluted	2(a)				28.2

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit for the year		140	187
Other comprehensive income from continuing operations			
Net movement on cash flow hedges	19(a)	12	(2)
Net exchange adjustments on investments in overseas subsidiaries		(31)	(65)
Revaluation gains in the year	19(a)	4	6
Net current tax recognised in other comprehensive income	8	(1)	(1)
Other comprehensive loss for the year from continuing operations		(16)	(62)
Total comprehensive income for the year		124	125
Total comprehensive income attributable to:			
Owners of the Company		121	125
Non-controlling interests		3	–
		124	125

Consolidated and Company balance sheet

		Group		Company	
	Note	As at 31 March 2012 £m	As at 31 March 2011 £m	As at 31 March 2012 £m	As at 31 March 2011 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	5(a)	1,188	1,358	–	–
Intangible assets arising from development expenditure	11	68	63	–	–
Property and equipment	12	82	87	–	–
Investment in subsidiaries	31(a)	–	–	1,989	1,989
Investment in joint ventures	31(b)	–	–	–	1
Investment in associates	13	54	31	1	–
Deferred tax assets	8	12	17	–	–
Trade and other receivables	15	11	14	–	–
Available-for-sale investments	14	31	30	–	–
		1,446	1,600	1,990	1,990
Current assets					
Trade and other receivables	15	79,254	74,693	95	40
Available-for-sale investments	14	–	1	–	–
Restricted funds	7(e)	50	73	–	–
Cash and cash equivalents	7(c)	547	404	–	–
		79,851	75,171	95	40
Total assets		81,297	76,771	2,085	2,030
Liabilities					
Current liabilities					
Trade and other payables	16	(79,184)	(74,634)	(68)	(89)
Borrowings	6(b)	(255)	(183)	(21)	–
Tax payable		(123)	(119)	–	–
Provisions	17	(1)	(2)	–	–
		(79,563)	(74,938)	(89)	(89)
Non-current liabilities					
Trade and other payables	16	(33)	(29)	(140)	(140)
Borrowings	6(a)	(374)	(382)	–	–
Deferred tax liabilities	8	(98)	(117)	–	–
Retirement benefit obligations		(1)	(1)	–	–
Provisions	17	(18)	(53)	–	–
		(524)	(582)	(140)	(140)
Total liabilities		(80,087)	(75,520)	(229)	(229)
Net assets		1,210	1,251	1,856	1,801
Equity					
Capital and reserves					
Called up share capital	18(b)	66	66	66	66
Share premium account		453	452	453	452
Other reserves		91	75	1	1
Translation		42	73	–	–
Retained earnings		516	565	1,336	1,282
Equity attributable to owners of the Company		1,168	1,231	1,856	1,801
Non-controlling interests		42	20	–	–
Total equity		1,210	1,251	1,856	1,801

The financial statements on pages 68 to 133 were approved by the board on 16 May 2012 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 19(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 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 18(b))	–	2	–	–	–	2	–	2
Share-based payments in the year (note 20)	–	–	–	–	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 18(e))	–	–	–	–	(8)	(8)	–	(8)
Balance as at 31 March 2011	66	452	75	73	565	1,231	20	1,251
Comprehensive income								
Profit for the year	**–**	**–**	**–**	**–**	**137**	**137**	**3**	**140**
Other comprehensive income								
Net movement on cash flow hedges	**–**	**–**	**12**	**–**	**–**	**12**	**–**	**12**
Net exchange adjustments on investments in overseas subsidiaries	**–**	**–**	**–**	**(31)**	**–**	**(31)**	**–**	**(31)**
Unrealised revaluation gains in the year	**–**	**–**	**4**	**–**	**–**	**4**	**–**	**4**
Net current tax recognised in other comprehensive income	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Total comprehensive income for the year	**–**	**–**	**16**	**(31)**	**136**	**121**	**3**	**124**
Net movements in employee share trusts	**–**	**–**	**–**	**–**	**5**	**5**	**–**	**5**
Ordinary shares issued (note 18(b))	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Cancellation of ordinary shares	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Share-based payments in the year (note 20)	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**3**
Other movements in non-controlling interests (note 31(a))	**–**	**–**	**–**	**–**	**–**	**–**	**22**	**22**
Dividends paid in the year (note 3)	**–**	**–**	**–**	**–**	**(135)**	**(135)**	**(3)**	**(138)**
Net Treasury Shares acquired in the year (note 18(e))	**–**	**–**	**–**	**–**	**(56)**	**(56)**	**–**	**(56)**
Balance as at 31 March 2012	**66**	**453**	**91**	**42**	**516**	**1,168**	**42**	**1,210**

Company statement of changes in equity

	Share capital (note 18(b)) £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
As at 1 April 2010	66	425	1	694	1,186
Profit for the year	–	–	–	711	711
Total comprehensive income	–	–	–	711	711
Ordinary shares issued	–	2	–	–	2
Dividends paid in the year (note 3)	–	25	–	(115)	(90)
Net Treasury Shares acquired in the year (note 18(e))	–	–	–	(8)	(8)
Balance as at 31 March 2011	66	452	1	1,282	1,801
Profit for the year	–	–	–	247	247
Total comprehensive income	–	–	–	247	247
Ordinary shares issued (note 18(b))	–	1	–	–	1
Cancellation of ordinary shares	–	–	–	(2)	(2)
Dividends paid in the year (note 3)	–	–	–	(135)	(135)
Net Treasury Shares acquired in the year (note 18(e))	–	–	–	(56)	(56)
Balance as at 31 March 2012	**66**	**453**	**1**	**1,336**	**1,856**

Consolidated and Company statement of cash flow

	Note	Group		Company	
		Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Cash flows from operating activities	7(a)	312	256	–	–
Cash flows from investing activities					
Dividends received from associates		5	–	–	–
Other equity dividends received		3	2	–	–
Payments to acquire property and equipment		(17)	(45)	–	–
Intangible development expenditure		(35)	(24)	–	–
Net receipts/(payments) on available-for-sale investments		1	(1)	–	–
Proceeds from sale of business net of cash disposed		13	–	–	–
Acquisition of interests in businesses net of cash acquired		(3)	(27)	–	–
Acquisition of associates and joint ventures		(24)	(2)	–	–
Net cash flows from investing activities		(57)	(97)	–	–
Cash flows from financing activities					
Dividends paid to non-controlling interest		(3)	–	–	–
Proceeds from exercise of share options		1	2	1	2
Cancellation of ordinary shares		(2)	–	(2)	–
Proceeds from issues of ordinary shares to non-controlling interest		22	1	–	–
Dividends paid to owners of the Company		(135)	(90)	(135)	(90)
Payments to acquire Treasury Shares		(56)	(8)	(56)	(8)
Receipts/(payments) to acquire own shares for employee share trusts*		–	4	(6)	–
Repayment of borrowings		–	(377)	–	(40)
Funds received from borrowing, net of fees		57	305	21	–
Net receipts from subsidiaries		–	–	177	136
Net cash flows from financing activities		(116)	(163)	–	–
FX adjustments		(5)	(15)	–	–
Net increase/(decrease) in cash and cash equivalents		134	(19)	–	–
Net cash and cash equivalents at the beginning of the year		404	423	–	–
Net cash and cash equivalents at the end of the year	7(c)	538	404	–	–

* Group – payments to acquire own shares for employee share trusts is shown net of £6m (2011 – £4m) 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 grey.

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 5) and tax (note 8) 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.

After making relevant enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

The financial statements continue to present 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 2012. Details of the order of the notes can be found in the index on page 78 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.

The column 'acquisition and disposal costs' includes: 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.

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.

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

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.

Basis of preparation continued

Basis of consolidation continued
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.

On consolidation, the accounting policies of Group companies (the Company and its subsidiaries) are consistent with those applied by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 amendment is mandatory for the first time for the financial year beginning 1 April 2011 and is considered relevant to the Group:

- Revised IAS24 'Related party disclosures' issued in November 2009 supersedes IAS24 'Related party disclosures' issued in 2003. The adoption of this standard will not have a material impact on the Group.

The following new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:

- IFRS9 'Financial instruments' addresses classification 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 2015, subject to EU endorsement. The impact on the Group's financial statements of the future adoption of the standard is still under review.

Basis of preparation continued

Recent accounting developments continued

- IFRS10 'Consolidated financial statements' requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS11 'Joint arrangements' replaces IAS31 'Interests in joint ventures' and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS12 'Disclosure of interests in other entities' requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS13 'Fair value measurement' replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IAS27 'Consolidated and separate financial statements' – reissued as IAS27 'Separate financial statements' (as amended in 2011). This standard is an amended version of IAS27 'Consolidated and separate financial statements' which now deals only with the requirements for separate financial statements, which have been carried over largely unchanged from IAS27 'Consolidated and separate financial statements'. Requirements for consolidated financial statements are now contained in IFRS10 'Consolidated financial statements'. The standard becomes effective for annual periods beginning on or after 1 January 2013.

The impact on the Group financial statements of adopting IFRS10, IFRS11, IFRS12, IFRS13 and IAS27 is currently under review. However the adoption of these standards is not expected to have a material impact.

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 6 and credit risk in note 15.

Index to the notes to the financial statements

Notes to the financial statements

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 regional voice businesses in EMEA, the Americas and Asia Pacific, a global electronic 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. 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 voice business, brokerage or access fees from its electronic business and fees from the provision of post trade risk and information.

Voice

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)

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 15).

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 15).

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 clearer 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

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 15).

Notes to the financial statements continued

1. Segmental information continued

Reorganisation of portfolio
As a result of the decreasing number of new businesses set up or established over the past two years, for the period commencing 1 April 2011, the CODM has discontinued the new business segment and incorporated the initiatives into the segment operated by the appropriate member of the GEMG. The decision to no longer report the new business 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 core segments. No longer presenting new businesses separately results in the other segments initially showing lower margins as businesses such as Brazil move towards operational maturity. The comparative periods have been re-presented for this change. The business consists of regional voice businesses in EMEA, the Americas and Asia Pacific, a global electronic business active in fixed income interest rate derivatives and FX markets and a global post trade risk and information services 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.

The Group continues to disclose an operating segment for the voice 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 Group is managed.

	Year ended 31 March 2012					
	Voice					
	EMEA £m	Americas £m	Asia Pacific £m	Electronic £m	Post trade risk and information £m	Total £m
Revenue	566	478	128	301	208	1,681
Operating profit before acquisition and disposal costs and exceptional items	106	42	6	127	91	372
Reconciliation to the consolidated income statement						
Acquisition and disposal costs						(137)
Exceptional items						–
Operating profit						235
Finance income						10
Finance costs						(34)
Share of profit of associates after tax						6
Profit before tax from continuing operations						217
Tax						(77)
Profit for the year from continuing operations						140
Profit after tax from discontinued operations						–
Profit for the year						140

1. **Segmental information** continued

	Year ended 31 March 2011 (re-presented*)					
	Voice					
	EMEA £m	Americas £m	Asia Pacific £m	Electronic £m	Post trade risk and information £m	Total £m
Revenue	587	533	134	303	184	1,741
Operating profit before acquisition and disposal costs and exceptional items	113	66	(5)	122	79	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

* Effective 1 April 2011 the new business segment has been discontinued and its results included in the segments operated by the appropriate member of the GEMG.

Revenue earned by asset class is disclosed below:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m**
Rates	**681**	704
FX	**343**	336
Commodities	**203**	211
Emerging markets	**167**	171
Credit	**154**	182
Equities	**133**	137
Total revenue	**1,681**	1,741

** During the current year the allocation of asset class has been amended to improve the accuracy of revenue allocated to each asset. The prior year asset classes have been re-presented to enable comparability.

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

The Group earned revenue of £628m (2011 – £602m) and £578m (2011 – £637m) from entities in the UK and US respectively. The remainder of £475m (2011 – £502m) came from various entities from outside the UK and US.

The amortisation and impairment arising from development expenditure recognised by the Group on a segmental basis is as follows: EMEA voice £7m (2011 – £6m), Americas voice £5m (2011 – £4m), Asia Pacific voice £nil (2011 – £nil), electronic £16m (2011 – £17m) and post trade risk and information £1m (2011 – £2m).

The depreciation and impairment of property and equipment recognised by the Group on a segmental basis is as follows: EMEA voice £6m (2011 – £9m), Americas voice £3m (2011 – £6m), Asia Pacific voice £2m (2011 – £2m), electronic £8m (2011 – £6m) and post trade risk and information £2m (2011 – £2m).

Notes to the financial statements continued

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 the owners 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 which uses the profit or loss attributable to the owners of the Company 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 11m (2011 – 4m) and those owned by employee share trusts relating to employee share schemes on which dividends have been waived, being 4m shares (2011 – 6m).

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 2012			Year ended 31 March 2011		
Basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic	137	649	21.1	187	652	28.7
Dilutive effect of share options	–	9	(0.3)	–	10	(0.5)
Diluted basic	137	658	20.8	187	662	28.2

	Year ended 31 March 2012			Year ended 31 March 2011		
Adjusted basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic	137	649	21.1	187	652	28.7
Acquisition and disposal costs	123	–	19.0	62	–	9.5
Exceptional items net of tax (note 23)	–	–	–	11	–	1.7
Adjusted basic	260	649	40.1	260	652	39.9
Dilutive effect of share options	–	9	(0.6)	–	10	(0.6)
Adjusted diluted	260	658	39.5	260	662	39.3

2. Earnings per share continued

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

Basic and diluted	Year ended 31 March 2012 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence
Basic	137	649	21.1	183	652	28.1
Dilutive effect of share options	–	9	(0.3)	–	10	(0.5)
Diluted basic	137	658	20.8	183	662	27.6

Adjusted basic and diluted	Year ended 31 March 2012 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence
Basic	137	649	21.1	183	652	28.1
Acquisition and disposal costs	123	–	19.0	62	–	9.5
Exceptional items net of tax (note 23)	–	–	–	15	–	2.3
Adjusted basic	260	649	40.1	260	652	39.9
Dilutive effect of share options	–	9	(0.6)	–	10	(0.6)
Adjusted diluted	260	658	39.5	260	662	39.3

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

Basic and diluted	Year ended 31 March 2012 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence
Basic	–	649	–	4	652	0.6
Dilutive effect of share options	–	9	–	–	10	–
Diluted basic	–	658	–	4	662	0.6

Adjusted basic and diluted	Year ended 31 March 2012 Earnings £m	Shares millions	Earnings per share pence	Year ended 31 March 2011 Earnings £m	Shares millions	Earnings per share pence
Basic	–	649	–	4	652	0.6
Exceptional items net of tax (note 23)	–	–	–	(4)	–	(0.6)
Adjusted basic	–	649	–	–	652	–
Dilutive effect of share options	–	9	–	–	10	–
Adjusted diluted	–	658	–	–	662	–

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 2012 £m	Year ended 31 March 2011 £m
Final dividend for the year ended 31 March 2011 of 14.68p per ordinary share (2010 – 12.44p)	96	81
Interim dividend for the year ended 31 March 2012 of 6.00p per ordinary share (2011 – 5.27p)	39	34
Total dividend recognised in the year	**135**	115

The final dividend for the year ended 31 March 2011 and the interim dividend for the year ended March 2012 were both satisfied in full with cash payments of £96m and £39m respectively.

The directors have proposed a final dividend of 16.00p per share for the year ended 31 March 2012. 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 £103m.

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. Operating expenses

Profit before tax from continuing operations is stated after charging:	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Employee costs (note 21(a))	960	1,001
Information technology costs	159	163
Amortisation of intangible assets arising on consolidation (note 22(c))	70	73
Impairment of intangible assets arising on consolidation (note 22(c))	103	11
Other acquisition and disposal costs	(23)	4
Professional and legal fees (including auditors' remuneration)	16	20
Amortisation and impairment of intangible assets arising from development expenditure	29	29
Depreciation and impairment of property and equipment	21	25
Governance costs*	13	13
Clearing and settlement fees	15	19
Operating lease rentals – minimum lease payments	26	23
Exchange adjustments	(6)	6
Other**	102	91
Total	**1,485**	1,478
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.6	0.4
Fees payable to the Company's auditor for other services:		
– for the audit of the Company's subsidiaries	2.8	3.2
– regulatory	1.1	1.4
– tax services	0.4	0.7
– corporate finance services	–	0.1
– other	0.1	0.3
	5.0	6.1

* Governance costs include fees associated with risk, compliance, internal audit and legal.
** Other includes exceptional costs (note 23) of £nil (2011 – £3m).

4. Operating expenses continued

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 voice business is reliant on its ability to attract and retain highly qualified employees. Employee costs represent approximately 65% of total costs. A number of legal arrangements, including rolling-term contracts and non-compete arrangements, are used to mitigate the risk of key employees being lost to competitors.

Information technology costs which represent approximately 11% of total costs are key to the delivery of voice, electronic and post trade risk and information products and services.

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 24% 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 Group Ltd, 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.

5. Intangible assets arising on consolidation

Intangible assets arising on consolidation include goodwill and other separately identifiable assets such as customer relationships, brands and customer contracts that arose on business combinations since 1 April 2004. The amortisation and any impairment or reversal of impairment is included in the consolidated income statement within the column 'acquisition and disposal costs'. 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 carrying value. 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, discounted expected future cash flows to present value or 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. The value of goodwill and intangible assets arising on consolidation can be amended where new information becomes available about facts and circumstances that existed at the balance sheet date. 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 or whenever there is an indication that the unit may be impaired.

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.

Notes to the financial statements continued

5. **Intangible assets arising on consolidation** continued

(i) Goodwill continued

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, with the exception of 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 assets generally include customer contracts and relationships. Intangible assets acquired by the Group are initially stated at fair value and subsequently adjusted for amortisation and any impairment. 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 a Group business. Where the carrying value of the asset exceeds its recoverable amount, an impairment charge is recognised immediately in the consolidated income statement, and the asset is impaired to its recoverable amount. For goodwill, impairment charges previously recognised are not reversed and impaired intangible assets are reviewed annually for reversal of previously recognised impairments.

This process 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.

5. Intangible assets arising on consolidation continued

(a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2011	1,038	621	1,659
Additions	4	5	9
Exchange adjustments	(1)	(5)	(6)
As at 31 March 2012	1,041	621	1,662
Amortisation and impairment			
As at 1 April 2011	45	256	301
Amortisation charge for the year	–	70	70
Impairment in the year	98	5	103
As at 31 March 2012	143	331	474
Net book value			
As at 31 March 2012	898	290	1,188
Cost			
As at 1 April 2010	1,073	633	1,706
Adjustments relating to contingent deferred consideration	(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

(b) Impairment testing of intangible assets arising on consolidation

Analysis of significant intangible assets

The Group recognises £1,188m of intangible assets arising on consolidation, with £898m relating to goodwill and £290m relating to other intangible assets. The table below represents all the businesses with intangible assets arising on consolidation with residual balances of £25m or greater after amortisation and impairment, which represents 91% of the total balance:

		As at 31 March 2012			
	Business segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
EBS	Electronic	36	317	109	426
BrokerTec	Electronic	12	145	–	145
Traiana	Post trade risk and information	12	95	43	138
Reset	Post trade risk and information	11	130	–	130
TriOptima	Post trade risk and information	11	60	65	125
Link	EMEA, Americas and Asia Pacific voice	7	23	66	89
ICAP Shipping	EMEA voice	2	25	1	26
Total		91	795	284	1,079

The remaining 9% of goodwill and other intangible assets arising on consolidation of £109m relates to 16 smaller businesses across the voice business.

Notes to the financial statements continued

5. **Intangible assets arising on consolidation** continued

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

Key assumptions

The key assumptions used for impairment testing are as follows:

		Pre-tax discount rate %		Long-term growth rates %	
	Key budget assumptions	2012	2011	2012	2011
EBS	– Macro economic outlook – New products and markets – Technology	11	12	3	1
BrokerTec	– Macro economic outlook – Regulation	11	12	3	2
Traiana	– Volume growth – New products and markets	11	14	3	5
Reset	– New products – Market share	11	12	2	2
TriOptima	– Customer base – Regulation	11	12	3	3
Link	– Market size – Regulation	11	12	3	3
ICAP Shipping	– Macro economic outlook – Rate assumptions – Volume assumptions	13	14	3	3

The Group's long-term pre-tax weighted average cost of capital (WACC) decreased from 12% to 11%. This change was attributable to a fall in ICAP's share price, which reduced the weighting of equity in the WACC calculation, which outweighed the impact of an increase in the market risk premium. For voice businesses in Brazil and Asia Pacific and businesses outside the core interdealer broker franchise, such as ICAP Shipping, 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 premiums added to the Group WACC for each business are reviewed annually and, where these are deemed to be no longer necessary as businesses grow and integrate further into the Group, as is the case with Traiana in the current year, these will be removed.

The long-term growth rates have been reviewed and the rates applied 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 Gross Domestic Product (GDP).

Impairment testing

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 different period is justified. With the exception of ICAP Shipping which uses a ten-year model due to its cyclical nature, all the Group's models are over five years. The model uses pre-tax 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. The strategy takes into account both the strategic actions of the business and impacts associated with its external environment, such as regulatory reform. 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 WACC. 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.

As part of the impairment review, management considers current year performance, against the budget and assumptions used in the prior year model. Where results have varied management has prepared an analysis to validate resulting differences. Where applicable, management has looked to external support in the form of market activity reports to validate assumptions used in the models.

5. Intangible assets arising on consolidation continued

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

Impairment testing continued

The value-in-use calculations are sensitive to changes in assumptions used in cash flow projections and, in particular, long-term growth rates. Sensitivity analysis specific to each business has been performed on each of the base case models, considering possible changes to key assumptions used in the model. While the models for BrokerTec, EBS, Reset and TriOptima showed no risk of impairment under the sensitivities performed, the headroom on the Traiana, ICAP Shipping and Link models were either lower or more sensitive to changes in assumptions and are discussed further below.

Link

The Group acquired Link, a global equity derivatives broker, at the beginning of April 2008. At the time of acquisition, Link held a strong market position as the leading global equity derivatives broker, in a market which had expanded significantly over the previous five to seven years. Since acquisition, the business has performed in line with the market, maintained its market-leading position and remained profitable. However, since the global financial crisis broke, the equity derivatives market has contracted, with industry data showing no sign of a return to the levels of volumes traded and growth levels anticipated on acquisition. Management expects to see a consolidation within the equity derivatives broking market and a push towards hybrid trading due to increased regulation, with both expected to improve margins; however, the impact of these factors is not currently quantifiable. Although Link has not seen its market share contract, market conditions have led to the impairment of goodwill by £58m. The business remains sensitive to future changes in market conditions, with a 10% worsening of modelled cash flows based on industry forecasts causing a further £12m impairment to goodwill.

Arkhe

Arkhe, a Brazilian voice broker, was acquired in 2009 for an initial consideration of £12m. On acquisition the fair value of the net liabilities acquired was £17m. Included within the £17m net liabilities acquired were provisions booked as fair value adjustments of £38m, which led to the bulk of the initial goodwill of £30m to be generated. £33m of these provisions were released during 2011/12 as the risk of the exposure was no longer expected to occur. The release of the provision and insufficiently probable forecast profits were the main driver in causing a full impairment to goodwill (£30m) and other intangible assets recognised on acquisition (£5m). The business remains loss making to date; it is however expected to move into profit in the next twelve months.

ICAP Shipping

ICAP Shipping's model remains cyclical and is linked to the Baltic indices and growth in world GDP which drives the cash flows of the dry chartering (dry) and tanker (wet) businesses. The growth assumptions used in the prior year base case model predicted rates of growth in both dry and wet that were in excess of those seen in 2011/12. The current year base case model predicts a positive outlook for the wet business, with the prospects of dry remaining subdued until the later part of 2013. The latter has led to an impairment of £4m. The overall impairment model remains sensitive to changes in its key assumptions, being volumes and rates. A 5% fall in either the rates or volumes assumptions over the ten-year model would cause a further £7m impairment to goodwill.

Traiana

Traiana remains on track to achieve its growth strategy, achieving a profit for 2011/12 in line with budgeted expectations. Post 2011/12 Traiana anticipates to generate significant profit growth year-on-year by increasing volumes through new products and markets. The key assumption in the model continues to be volumes, which drive the cash flow of the business. A 15% fall in the base case cash flows over the five-year model, caused by decreased volumes, would put the business in a breakeven position. Traiana also remains sensitive to changes in discount rates, with a 1% increase in the discount rate reducing headroom by £22m.

Other

Over recent years the Group has taken a number of impairments relating to First Brokers as the business is dependent on a number of key brokers whose contracts are moving towards renewal. No impairment has been identified in the current year based on a range of probability weighted scenarios relating to the contract renewals of key brokers (2011 – £4m).

A further £6m of impairments has been recognised due to deterioration in market conditions relating to the operations of ICAP Korea (£4m) and Ocean Tomo (£2m).

Notes to the financial statements continued

6. 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 2012 £m	Group year ended 31 March 2011 £m
As at 1 April	382	395
Exchange adjustment	(15)	(9)
Fair value hedging adjustment	7	(4)
As at 31 March	**374**	382
Analysis of long-term borrowings		
Subordinated loan notes	120	120
Five-year senior notes	254	262
As at 31 March	**374**	382

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

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 (2011 – £1m) directly attributable to the issue. The carrying value of the Notes of £255m (2011 – £263m) includes a fair value hedging adjustment to increase the carrying value by £5m (2011 – £2m decrease) 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 at €1.16/£. €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 interest payments are made annually on the fixed pound sterling swaps and semi-annually on the floating pound sterling swaps. The fixed to fixed swaps have been accounted for as a cash flow hedge and at 31 March 2012 have a fair market value of £4m liability (2011 – £1m liability). These swaps offset the effect of FX on the Notes, which resulted in a £nil charge (2011 – £nil) being recognised in the consolidated income statement and a £2m credit (2011 – £2m 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 £3m (2011 – £5m) at 31 March 2012 and resulted in a £2m charge (2011 – £6m charge) 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 £3m credit (2011 – £6m credit).

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.

6. Borrowings continued

(b) Short-term borrowings

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m	Company as at 31 March 2012 £m	Company as at 31 March 2011 £m
RCF – net of fees	225	183	–	–
European Commercial Paper	21	–	21	–
Overdrafts	9	–	–	–
	255	183	21	–

As at 31 March 2012 the Group had a $880m RCF incorporating up to a $200m swingline facility with a maturity date of 31 May 2013. On 20 April 2012 the Group extended the maturity date of the facility to 31 May 2014. The drawings under the RCF as at 31 March 2012 of £225m (2011 – £183m) are net of capitalised fees of £2m (2011 – £4m). To take advantage of lower short-term interest rates, the amounts drawn as at 31 March 2012 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 0.5% payable dependent on the debt to earnings ratio. The weighted average effective interest rate for the year was 2.2% (2011 – 2.2%).

The Group continues to issue commercial paper under its £500m European Commercial Paper programme, providing a diverse source of finance for the Group's working capital and margin requirements. During the year there was regular issuance and at 31 March 2012 the Group had in issue £21m (2011 – £nil). The weighted average effective interest rate was 1.4% (2011 – 0.9%).

Bank overdrafts and other loans are for short-term funding and are repayable on demand, and are generally repaid within a very short time period.

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 2012.

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 of the ultimate holding company of the Group 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

The Group always ensures that it has sufficient and appropriate financial resources to enable it to meet its financial obligations as they fall due under stress-tested scenarios.

Under the terms of the investment firm consolidation waiver granted to ICAP by the FSA, ICAP is precluded from undertaking proprietary trading, and consequently has limited exposure to liquidity risk when compared to a bank or other market risk-taking financial institutions.

ICAP's liquidity risk is restricted to margin and collateral requirements of clearing houses or financial institutions which provide ICAP with access to clearing houses. The most significant margin requirements arise in the US where, as part of its broking business, ICAP provides clearing services to customers and is required to deposit margin with the FICC and NSCC. During the year to 31 March 2012, these deposits averaged $43m. Cash held at clearing houses, or a financial institution providing ICAP with access to a CCP, is disclosed as restricted funds in the financial statements (see note 7). The Group has no other material margin requirements on a routine basis.

Trading entities of the Group use locally held highly liquid assets together with committed and uncommitted credit facilities to meet their forecast financial obligations as they fall due.

Notes to the financial statements continued

6. **Borrowings** continued

(c) **Liquidity risk management** continued

Group continued

The Group has a centralised approach to the provision of contingency funding for its trading entities. On behalf of the board, the GRACC regularly reviews the liquidity demands of the Group and the financial resources available to meet these demands. The GRACC ensures that the Group, in totality, has sufficient liquidity available in order 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. One metric used in determining adequacy of resources is to ensure that the Group always has £156m ($250m) of centrally available cash and other financial resources.

At 31 March 2012, the Group had gross debt of £629m (2011 – £565m) and cash and cash equivalents of £547m (2011 – £404m) (see note 7(b)). It is the Group's policy to hold only 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 increased from 31 March 2011 as a result of cash received from non-controlling interests and additional funding of UK regulated entities.

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.

To provide protection against unexpected events, the Group has traditionally maintained minimum core liquidity, in the form of cash and undrawn debt facilities, of £156m ($250m). The headroom remained undrawn throughout the year. At 31 March 2012, the Group had committed headroom under its core credit facilities of £324m (2011 – £362m).

Committed facilities

	Group as at 31 March 2012 Drawn £m	Group as at 31 March 2012 Undrawn* £m	Group as at 31 March 2011 Drawn £m	Group as at 31 March 2011 Undrawn* £m
Less than one year	225	–	183	–
Between one and two years	–	324	–	–
Between two and five years	374	–	382	362
	599	324	565	362

* The undrawn balance has been classified based on the maturity date of the facility as at 31 March.

As at 31 March 2012, the Group's long-term issuer default rating on senior debt was BBB+ with a stable outlook by Fitch and Baa2 with a negative outlook by Moody's. With the exception of a change in outlook by Moody's from stable to negative on 29 February 2012 there have been no other changes to ICAP's ratings since the ratings were initially issued in April 2008 (Fitch) and June 2008 (Moody's).

Company

The Company's policy is to ensure that it has constant access to an appropriate level of liquidity to enable it to finance its forecast 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.

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. Where 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, but excluding client money. The funds represent cash for which the Group does not have immediate and direct access.

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

	Group year ended 31 March 2012 £m	Group year ended 31 March 2011 £m
Profit before tax from continuing operations	217	233
Profit before tax from discontinued operations (note 25(a))	–	6
Discontinued operations exceptional item (note 23)	–	(6)
Operating exceptional items	–	23
Share of operating profit of associates after tax	(6)	(3)
Amortisation of intangible assets arising on consolidation	70	73
Impairment of intangible assets arising on consolidation	103	11
Amortisation and impairment of intangible assets arising from development expenditure	29	29
Depreciation and impairment of property and equipment	21	25
Other acquisition and disposal costs	(36)	10
Share-based payments	3	8
Net finance expense	24	28
Operating cash flows before movements in working capital	425	437
Decrease/(increase) in trade and other receivables	18	(66)
Decrease in restricted funds	23	6
Decrease in trade and other payables	(41)	(14)
Cash generated by operations before exceptional items	425	363
Operating exceptional items paid	–	(21)
Cash generated by operations	425	342
Interest received	6	3
Interest paid	(31)	(30)
Tax paid	(88)	(59)
Net cash flow from operating activities	**312**	256

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 2012, after accounting for acquisitions, is an inflow of £25m (2011 – outflow of £18m).

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

Notes to the financial statements continued

7. Cash continued

(b) Net debt

Net debt comprises cash and cash equivalents less other debt.

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m
Gross debt (note 6(c))	(629)	(565)
Cash and cash equivalents	547	404
Net debt	**(82)**	(161)

(c) Total net cash

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m
Cash and cash equivalents	547	404
Overdrafts	(9)	–
Net cash and cash equivalents	538	404
Restricted funds	50	73
Total net cash	**588**	477

(d) Client money

At 31 March 2012 the Group held client money of £43m (2011 – £35m). This amount, together with the corresponding liabilities to customers, is not included in the Group's consolidated balance sheet.

(e) Restricted funds

Restricted funds comprise cash held at a CCP clearing house or a financial institution providing ICAP with access to a CCP. The balance fluctuates based on business events around the year end and fell during the year by £23m to £50m.

8. 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.

8. Tax continued

Tax charged to the consolidated income statement in the year

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current tax		
– current year	102	110
– adjustment to prior years	(11)	(26)
	91	84
Deferred tax		
– current year	(16)	(24)
– adjustment to prior years	3	(9)
– impact of changes in tax rates	(1)	(1)
	(14)	(34)
Total tax charged to consolidated income statement – continuing operations	77	50
Tax charge on exceptional items – discontinued operations	–	2
Total tax charged to the consolidated income statement	77	52

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Tax on profit before acquisition and disposal costs and exceptional items comprises:		
Total tax charged to the consolidated income statement – continuing operations	77	50
Tax credit on acquisition and disposal costs	18	32
Tax credit on exceptional items – continuing operations	–	8
Tax on profit before acquisition and disposal costs and exceptional items	95	90

The Group's share of profit of associates in the consolidated income statement is shown net of tax of £2m (2011 – £2m).

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit before tax from continuing operations	217	233
Tax on profit at the standard rate of Corporation Tax in the UK of 26% (2011 – 28%)	56	65
Expenses not deductible for tax purposes	21	14
Impact of foreign profits taxed at higher rates	10	7
Adjustments to current tax in respect of prior years	(11)	(26)
Adjustments to deferred tax in respect of prior years	3	(9)
Other	(2)	(1)
Tax charge from continuing operations	77	50

The Group's effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations, has increased by 1% to 27% due to 2010/11 benefiting from a prior year tax adjustment.

Notes to the financial statements continued

8. Tax continued

Tax charged/(credited) to equity in the year

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current tax charge/(credit) on share-based payments	1	(3)
Current tax charge on exchange adjustments	–	2
Current tax charge on hedging instruments	–	2
Net current tax on items recognised in equity	**1**	1

Legislation to reduce the main rate of Corporation Tax in the UK from 26% to 24% from 1 April 2012 was passed by Parliament on 26 March 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from 1 April 2014. These latter changes had not been substantively enacted at the balance sheet date and, therefore, are not included in the tax charge for the period. The reduction to 22% is not expected to have a material impact on the deferred tax balances.

Deferred tax balances recognised on the balance sheet

	As at 31 March 2012 £m	As at 31 March 2011 £m
Deferred tax assets	12	17
Deferred tax liabilities	(98)	(117)
Net balances	**(86)**	(100)

Deferred tax – movement of Group balances before offset within countries

	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 2011	(42)	(107)	24	7	10	8	(100)
Tax credit/(charge)	4	20	(9)	1	(2)	–	14
Reserves	–	(1)	10	–	–	(9)	–
FX	–	2	–	–	–	(2)	–
Net balances as at 31 March 2012	**(38)**	**(86)**	**25**	**8**	**8**	**(3)**	**(86)**
Deferred tax assets as at 31 March 2012	13	1	43	11	8	18	94
Deferred tax liabilities as at 31 March 2012	(51)	(87)	(18)	(3)	–	(21)	(180)

8. **Tax** continued

Deferred tax – movement of Group balances before offset within countries continued

	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 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
Net balances as at 31 March 2011	(42)	(107)	24	7	10	8	(100)
Deferred tax assets as at 31 March 2011	13	1	44	10	10	21	99
Deferred tax liabilities as at 31 March 2011	(55)	(108)	(20)	(3)	–	(13)	(199)

Deferred tax assets of £14m (2011 – £8m) have not been recognised in respect of certain trading losses relating to specific businesses because it is not probable that future profit will be available in these jurisdictions 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.

9. Net finance expense

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Finance income		
Interest receivable and similar income		
Bank deposits and other interest receivable	6	3
	6	3
Other finance income		
Fair value loss on derivative financial instruments (note 6(a))	(2)	(6)
Fair value gain of hedged item (note 6(a))	3	6
Dividends received on equity investments	3	2
	4	2
Total finance income	10	5
Finance costs		
Interest payable and similar charges		
Bank loans and overdrafts	(34)	(33)
	(34)	(33)
Other finance costs		
Impairment of loans to associates	–	(20)
	–	(20)
Total finance costs	(34)	(53)
Net finance expense	(24)	(48)

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

Notes to the financial statements continued

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 exist 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 the 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 its fair value being taken through the consolidated income statement. 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 the 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 any ineffective portion is recognised in the consolidated income statement.

10. Currency and interest rate risk management continued

(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 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.

(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 up to a maximum of two years. 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 82% of its forecast dollar transactional exposure for the year to 31 March 2013 at $1.58/£. Approximately 76% of the Group's euro exposure has been hedged for the year to 31 March 2013 at €1.14/£.

(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 2012, the Group designated the subordinated loan notes, the dollar drawings on the revolving credit facility and an element of forward FX contracts swapping dollar receipts from drawing on the revolving credit facility into euros used to settle maturing European Commercial Paper issuances, as a hedging instrument against the underlying dollar exposure. As at 31 March 2012 this exposure was $1.3bn (2011 – $1.4bn) including intangible assets arising on consolidation, but before $0.6bn of hedging (2011 – $0.5bn).

In accordance with IAS21 'The effects of changes in foreign exchange rates', the resulting translational exchange difference is included within the £31m exchange loss taken directly to equity, as disclosed in the consolidated statement of comprehensive income. The Group does not have foreign operations whose functional currency is 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 2012 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	(15)	(1)	(16)
Equity	–	(13)	(13)

Notes to the financial statements continued

10. Currency and interest rate risk management continued

(a) Currency risk management continued

Group continued

(iii) Earnings translation exposures

The Group does not hedge the translation of those profits or losses earned by its non-pound sterling operations.

The table below shows the anticipated impact on the Group's 2013 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	22	10	32
Equity	51	16	67

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

	Closing rate as at 31 March 2012	Closing rate as at 31 March 2011	Average rate year ended 31 March 2012	Average rate year ended 31 March 2011
Dollar	1.60	1.60	1.60	1.56
Euro	1.20	1.13	1.16	1.17

(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 cash flow hedges 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 2012		As at 31 March 2011	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	8	–	2	(5)
Cross currency swaps – cash flow hedges	–	(4)	–	(1)
Cross currency swaps – fair value hedges	3	–	5	–
Other	–	(2)	–	–
	11	(6)	7	(6)

Cross currency swaps relate to hedging the interest rate and FX risks of the Group in relation to the €300m of five-year senior notes (note 6(a)).

No amounts (2011 – £nil) were recognised in the consolidated income statement in the year as a result of ineffective hedges.

10. Currency and interest rate risk management continued

(a) Currency risk management continued

Company

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 2012, the Company had net financial assets denominated in euros of £nil (2011 – £nil).

(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 2012, after taking into account cross currency and FX swaps of the euro denominated five-year senior notes, the Group had £224m of cash, £182m of floating rate debt and £86m of fixed rate debt denominated in pound sterling, £261m of cash and £348m of floating rate debt denominated in dollars (or currencies closely related to the dollar) and £112m of cash and £26m of floating rate debt denominated in other currencies. A 100 basis-points parallel increase in pound sterling LIBOR and LIBID rates would decrease 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, by each additional 100 basis-points in pound sterling and dollar rates, profit after tax and other comprehensive income would reduce by £4m and £6m respectively.

The details of the interest rate bearing financial liabilities are disclosed in note 6.

Company

Interest rate profile

The Company is exposed to interest rate movements as a result of issuance under its commercial paper programme (£21m) and loan from subsidiary (£140m). It is estimated that the impact of a 100 basis-point movement in interest rates would not have a significant impact on the profit after tax of the Company.

Financial assets

The Company is owed £95m (2011 – £40m) of non-interest bearing balances at the year end.

Financial liabilities

The Company owes £68m (2011 – £84m) of non-interest bearing loans to subsidiaries and a £140m subordinated loan to a subsidiary charging interest at three month GBP LIBOR plus 2%. The European Commercial Paper liability of £21m (2011 – £nil) is carried at a floating rate. The accruals balance of £nil (2011 – £5m) is non-interest bearing.

Notes to the financial statements continued

11. Intangible 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 2011	**197**
Additions	**35**
Disposals	**(48)**
Exchange adjustments	**(1)**
As at 31 March 2012	**183**
Accumulated amortisation and impairment	
As at 1 April 2011	**134**
Amortisation charge for the year	**23**
Impairment in the year	**6**
Disposals	**(48)**
Exchange adjustments	**–**
As at 31 March 2012	**115**
Net book value	
As at 31 March 2012	**68**
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

12. 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

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	Total £m
Cost			
As at 1 April 2011	28	227	255
Additions	5	12	17
Disposals	–	(33)	(33)
Exchange adjustments	–	(1)	(1)
As at 31 March 2012	**33**	**205**	**238**
Accumulated depreciation			
As at 1 April 2011	11	157	168
Charge for the year	2	18	20
Impairment in the year	–	1	1
Disposals	–	(33)	(33)
As at 31 March 2012	**13**	**143**	**156**
Net book value			
As at 31 March 2012	**20**	**62**	**82**

No assets are held under finance leases. Short leasehold property improvements includes £3m (2011 – £3m) of property held as freehold.

Notes to the financial statements continued

12. Property and equipment continued

Group	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Total £m
Cost			
As at 1 April 2010	23	210	233
Additions	7	38	45
Disposals	(2)	(15)	(17)
Exchange adjustments	–	(6)	(6)
As at 31 March 2011	28	227	255
Accumulated depreciation			
As at 1 April 2010	11	154	165
Charge for the year	2	23	25
Disposals	(2)	(16)	(18)
Exchange adjustments	–	(4)	(4)
As at 31 March 2011	11	157	168
Net book value			
As at 31 March 2011	17	70	87

13. Investment in associates

	Group year ended 31 March 2012 £m	Group year ended 31 March 2011 £m
Cost		
As at 1 April	**38**	40
Additions	**26**	2
Transfer to investment in subsidiary	**(3)**	–
Share of profit for the year	**6**	3
Dividends received	**(5)**	–
Other movements	**–**	(5)
Exchange adjustments	**(1)**	(2)
As at 31 March	**61**	38
Amortisation and impairment		
As at 1 April	**7**	10
Amortisation charge for the year	**–**	1
Other movements	**–**	(4)
As at 31 March	**7**	7
Net book value		
As at 31 March	**54**	31

On 4 January 2012 the Group acquired a 20% equity stake in Central Totan Securities Co Ltd and increased its holding in Totan ICAP Co Limited from 28.14% to 40%, with provisional fair value assessments booked on these acquisitions at 31 March 2012.

13. 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 2012 £m	Group as at 31 March 2011 £m
Assets	35	17
Liabilities	(8)	(5)
Net assets	27	12
Goodwill and intangible assets arising on consolidation	27	19
Net investment in associates	**54**	31

	Group year ended 31 March 2012 £m	Group year ended 31 March 2011 £m
Revenue	32	16
Operating expenses	(24)	(11)
Profit before tax	8	5
Tax	(2)	(2)
Share of profit of associates after tax	**6**	3

Company

Due to a change in the shareholders' agreement of Shanghai CFETS-ICAP International Money Broking Co Limited, a voice broking company in China, the investment held by the Company is now classified as an associate. Prior to 1 April 2011 this investment was accounted for as a joint venture. There has been no change in the ownership percentage and cost of investment, which remain at 33% and £1m respectively.

Notes to the financial statements continued

14. 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 2012 £m	Group year ended 31 March 2011 £m
As at 1 April	31	28
Additions	–	1
Disposals	(2)	–
Impairment	(1)	(4)
Revaluation in the year recognised in other comprehensive income	4	6
Exchange adjustments	(1)	–
As at 31 March	**31**	31
Non-current		
– listed	4	2
– unlisted	27	28
	31	30
Current		
– listed	–	1
	–	1
Total	**31**	31

Available-for-sale investments include the following:

Listed securities		
Equities listed in the US	3	2
Equities listed in the rest of the world	1	1
Total listed securities	**4**	3
Unlisted securities		
Cash related instruments	–	1
Equity investments	26	26
Other	1	1
Total unlisted securities	**27**	28
Total	**31**	31

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 2012	**6**	**7**	**9**	**7**	**2**	**31**
As at 31 March 2011	5	7	9	7	3	31

15. Trade and other receivables

Trade receivables are recognised initially at fair value less any provision for non-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 16), 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 (such 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 represent 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 16).

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 carrying 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.

Notes to the financial statements continued

15. Trade and other receivables continued

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m	Company as at 31 March 2012 £m	Company as at 31 March 2011 £m
Non-current receivables				
Derivative financial instruments	3	5	–	–
Other receivables	8	9	–	–
	11	14	–	–
Current receivables				
Matched principal trade receivables	77,997	73,465	–	–
Deposits paid for securities borrowed	794	760	–	–
Other trade receivables	247	239	–	–
Impairment of other trade receivables	(3)	(5)	–	–
Derivative financial instruments	8	2	–	–
Amounts owed by subsidiaries	–	–	93	37
Amounts owed by associates and joint ventures	5	6	–	–
Other receivables	86	100	2	3
Prepayments	120	126	–	–
	79,254	74,693	95	40

As at 31 March 2012 the fair value of trade and other receivables is not materially different from their book values.

(a) Credit risk management

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

The risk in respect of the name give-up, post trade risk and information businesses is limited to the collection of outstanding commission and transaction fees and this is managed proactively by the Group's credit control function. The exposure to credit loss is limited to the value of the receivable.

The Group does not bear any significant concentration risk to either counterparts or markets. The matched principal business involves the Group acting as counterparty on trades which may involve one or more financial instruments and/or counterparties. Matched principal transactions are undertaken on a delivery versus payment basis. The Group manages its credit risk in these transactions through appropriate policies and procedures in order to mitigate counterparty risk through various methods including setting appropriate credit limits for all counterparts which are stringently monitored by the risk department to restrict any potential loss through counterparty default.

The credit risk on core cash and cash equivalents and derivative financial instruments is monitored on a daily basis. All financial institutions that are transacted with must be approved by the GRACC and internal limits are assigned to each one based on a combination of factors including external credit ratings. The majority of cash and cash equivalents is therefore held with financial institutions rated 'A' or better by the major credit rating agencies. There were no significant concentrations of credit risk at the year end.

The Group's counterparty risk is calculated using internal metrics in line with market standards which have been used for ICAAP calculation reporting on an annual basis. After taking into account the probability of default of counterparties as per their counterparty internal ratings, the maximum capital exposure was less than 12% of Group capital.

At any point through the year, at least 80% of the Group's counterparty exposure is with institutions which have an internal rating of nine or higher (nine is equivalent to an external rating of BBB/Baa2).

15. Trade and other receivables continued

(a) Credit risk management 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 2012 £m	Group as at 31 March 2011 £m
Financial assets of the Group	79,770	75,078
Guarantees given to counterparties	249	191
	80,019	75,269

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 other trade receivables

Other trade receivables represent amounts receivable in respect of agency business and information services. As at 31 March 2012 the following other trade receivables were past their normal settlement date but had not been impaired:

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m
Less than 30 days overdue	104	79
Over 30 days, but less than 90 days overdue	44	37
Over 90 days overdue	21	12
	169	128

The impairment provision is based on historical data for the other 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 2012 £m	Group year ended 31 March 2011 £m
As at 1 April	5	4
Charged to the consolidated income statement in the year	–	1
Transfer to other trade receivables	(2)	–
As at 31 March	3	5

Notes to the financial statements continued

15. 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 2012

	Trade receivables					
Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Matched principal trade receivables	4,401	66,439	5,713	3	1,441	77,997
Deposits paid for securities borrowed	–	794	–	–	–	794
Other trade receivables (net)	39	117	18	3	67	244
	4,440	67,350	5,731	6	1,508	79,035

As at 31 March 2011

	Trade receivables					
Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
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

16. 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 15).

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

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m	Company as at 31 March 2012 £m	Company as at 31 March 2011 £m
Current payables				
Matched principal trade payables	77,997	73,454	–	–
Deposits received for securities loaned	795	747	–	–
Other trade payables	16	7	–	–
Amounts owed to subsidiaries	–	–	68	84
Amounts owed to associates and joint ventures	6	6	–	–
Derivative financial instruments	1	5	–	–
Accruals	273	329	–	5
Other tax and social security	29	42	–	–
Deferred income	–	1	–	–
Other payables	65	42	–	–
Contingent deferred consideration (note 22(b))	1	–	–	–
Deferred consideration	1	1	–	–
	79,184	74,634	68	89
Non-current payables				
Accruals	12	14	–	–
Contingent deferred consideration (note 22(b))	8	5	–	–
Amounts owed to subsidiaries	–	–	140	140
Derivative financial instruments	5	1	–	–
Deferred income	8	6	–	–
Other payables	–	3	–	–
	33	29	140	140

As at 31 March 2012 the fair value of trade and other payables is not materially different from their book values.

Notes to the financial statements continued

16. 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 dates of the contractual amounts payable:

Maturity of trade and other payables and provisions as at 31 March 2012

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	77,748	249	–	–	77,997
Deposits received for securities loaned	795	–	–	–	795
Other trade payables	13	3	–	–	16
Derivative financial instruments	–	1	5	–	6
Amounts owed to associates and joint ventures	6	–	–	–	6
Other payables	34	29	–	–	63
Contingent deferred consideration	–	1	8	–	9
Deferred consideration	–	–	1	–	1
Accruals	60	222	3	–	285
Provisions	–	–	–	3	3
	78,656	505	17	3	79,181

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 and joint ventures	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

The gross amounts payable have been disclosed above, rather than the net present value used in determining trade and other payables. Based on their size and nature there is no material difference between the carrying value and gross amount of the balances disclosed above.

Company

The current portion of trade and other payables of £68m (2011 – £89m) are all due within 90 days. The non-current balance owed of £140m (2011 – £140m) is due between one to five years.

17. 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.

Group	Property £m	Legal £m	Other £m	Total £m
As at 1 April 2011	3	45	7	55
Amounts charged against provisions	1	–	(2)	(1)
Released/(charged) to the consolidated income statement	(1)	(33)	1	(33)
Exchange adjustment	–	(2)	–	(2)
As at 31 March 2012	3	10	6	19

Group	Property £m	Legal £m	Other £m	Total £m
As at 1 April 2010	4	53	29	86
Amounts charged against provisions	–	(4)	(15)	(19)
Released to the consolidated income statement	(1)	(6)	(7)	(14)
Exchange adjustment	–	2	–	2
As at 31 March 2011	3	45	7	55

	Group as at 31 March 2012 £m	Group as at 31 March 2011 £m
Included in current liabilities	1	2
Included in non-current liabilities	18	53
	19	55

Property provisions outstanding at 31 March 2012 relate primarily 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 employee tax matters. The provisions were those that have been acquired by the Group on the acquisition of subsidiary undertakings. £33m of these provisions were released during the year as the risk of exposure was no longer expected to occur. At the present time, the timing of any payment relating to the outstanding balances 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 is not expected to give rise to any significant loss beyond the amounts provided at 31 March 2012.

Other provisions include obligations for certain employee-related costs and pension arrangements in the Group which are expected to be discharged over the next two years.

The maturity analysis of non-financial provisions is included within note 16.

Notes to the financial statements continued

18. 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 the 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 2012		As at 31 March 2011	
	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 of the Company

	As at 31 March 2012		As at 31 March 2011	
Allotted, called up and fully paid	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
As at 1 April	664	66	657	66
Issued during the year	1	–	7	–
Cancelled during the year	(1)	–	–	–
As at 31 March	664	66	664	66

During the year 597,062 (2011 – 896,745) ordinary shares were issued following the exercise of options held under employee share schemes for a consideration of £1m (2011 – £2m) with 500,000 shares cancelled in the year (2011 – nil). Nil (2011 – 6,267,039) ordinary shares were issued during the year for the purpose of a scrip dividend.

The number of ordinary shares in issue at 31 March 2012 was 664,365,322 (2011 – 664,268,260) with 18,294,235 (2011 – 4,028,154) held as Treasury Shares and 4,252,550 (2011 – 4,684,896) 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.

18. Share capital continued

(c) Potential issues of share capital

Certain employees hold options over the Company's shares, which are potentially issuable as follows:

Year of grant	Weighted average exercise price pence	Exercise period from	Exercise period to	Number of shares millions As at 31 March 2012	As at 31 March 2011
2002	175.6	31/05/2004	08/01/2012	–	0.5
2003	188.5	31/05/2005	19/01/2013	0.1	0.1
2004	270.0	31/08/2006	26/11/2013	0.4	0.4
2005	239.6	28/08/2007	08/12/2014	–	0.1
2006	297.0	01/07/2008	30/06/2015	1.0	1.0
2007	486.0	01/06/2009	06/09/2016	1.3	1.3
2010	323.0	01/08/2012	31/03/2013	1.0	1.2
2011	288.0	01/08/2013	31/03/2014	1.4	1.6
2012	346.0	01/08/2014	23/11/2021	0.6	–
Total potential issues of share capital				**5.8**	6.2

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 20.

(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, the Long Term Incentive Plan (LTIP) and certain Unapproved Company Share Option Plans (UCSOP) (note 20) 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 2012, these trusts owned 4,252,550 ordinary shares in the Company (2011 – 4,684,896) with a market value of £17m (2011 – £25m).

	Number of shares millions Year ended 31 March 2012	Year ended 31 March 2011
As at 1 April	5	7
Acquired during the year	–	1
Exercised by employees during the year	(1)	(3)
As at 31 March	**4**	5

(e) Treasury Shares

During the year the Company purchased 14,266,081 (2011 – 1,993,415) of its own shares for £56m (2011 – £8m) to be held as Treasury Shares and none were re-issued (2011 – none). As at 31 March 2012, the number of shares held as Treasury Shares was 18,294,235 (2011 – 4,028,154).

	Number of shares millions Year ended 31 March 2012	Year ended 31 March 2011
As at 1 April	4	2
Acquired during the year	14	2
As at 31 March	**18**	4

Notes to the financial statements continued

18. Share capital continued

(f) Capital management

ICAP maintains an efficient and strong capital base which maximises the return to its shareholders, while also maintaining flexibility and ensuring compliance with supervisory regulatory requirements.

The Group has a centralised approach to capital management. The GRACC reviews the capital structure on a regular basis and, 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 presented by 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.

The capital structure of the Group consists of debt, which includes borrowings (note 6), cash and cash equivalents (note 7(b)) and equity, including share capital, share premium, other reserves (note 19(a)) and retained earnings. At 31 March 2012, the Group's net debt was £82m (2011 – £161m) (note 7(b)).

ICAP is an international business which provides brokerage 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, in addition to a number of the Group's trading companies being subject to regulation in the jurisdiction in which they operate, principally by the FSA in the UK and the SEC/FINRA in the US.

ICAP benefits from a BIPRU Investment Firm Consolidation 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 April 2016, limits the Group's ability to incur market risk and, in effect, prohibits the Group from undertaking proprietary trading activities.

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. Pillar 1 headroom is approximately £0.9bn (2011 – £1.1bn) and is relatively stable due to the low amount of market and credit risk in the Group, but may fluctuate due to timing of dividends.

ICAP also evaluates at a Group and individual legal entity level the risks facing the business, to determine whether its capital is sufficient to cover any expected losses. The Group uses a scenario-based model which utilises data provided by the business to assess the economic capital required to cover the expected risks. As at 31 March 2012, the Group and each of its UK regulated entities had sufficient Pillar 1 capital to cover their identified risks. The process followed is consistent with the CRD requirement for ICAP's FSA regulated entities to perform an ICAAP under Pillar 2, the results of which are documented, updated and approved by the board and the UK regulated boards annually.

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 currently available, 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 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.

19. 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 2011	**28**	**1**	**(5)**	**51**	**75**
Gain unrealised in the year	–	–	12	4	16
As at 31 March 2012	**28**	**1**	**7**	**55**	**91**

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

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 £31m (2011 – £37m) and Treasury Shares £71m (2011 – £15m) has been deducted from retained earnings. The share-based payment reserve of £20m (2011 – £18m) has been included in retained earnings.

(b) Company reserves

The Company has retained earnings of £1,336m of which £657m is not distributable.

20. 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 is charged to employee 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 £3m (2011 – £8m).

The fair value of options granted during the year was £8m (2011 – £5m).

Notes to the financial statements continued

20. Share awards continued

Employee share schemes continued

At the close of business on 31 March 2012, the market price of the Company's ordinary shares was 392.8p (2011 – 528.00p) per share and during the year fluctuated in the range 311.6p and 541.5p per share.

Options outstanding over the Company's ordinary shares under the Company's employee share schemes were as follows:

	As at 1 April 2011 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 2012 millions**	**Weighted average exercise price pence**
UESOP	0.1	233.8	–	–	(0.1)	–	263.0	**–**	**–**
2009 SAYE	1.2	323.0	–	–	–	(0.1)	–	**1.1**	**323.0**
2010 SAYE	1.6	288.0	–	–	–	(0.2)	–	**1.4**	**288.0**
2011 SAYE	–	–	0.3	379.0	–	–	–	**0.3**	**379.0**
SEEPP UK	0.5	–	–	–	(0.1)	–	–	**0.4**	**–**
UCSOP	3.3	355.5	0.8	414.4	(0.5)	–	178.5	**3.6**	**393.3**
BSMP	4.7	–	2.4	–	(0.3)	(0.2)	–	**6.6**	**–**
Traiana Plan	0.4	148.5	–	–	(0.1)	–	90.0	**0.3**	**160.0**
LTIP	0.8	–	0.4	–	(0.5)	–	–	**0.7**	**–**
	12.6		3.9		(1.6)	(0.5)		**14.4**	

	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	

The SEEPP UK and the BSMP awards/promises have a nominal exercise price of £1 for each basic award/promise and £1 for each matching award/promise. 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.

20. Share awards continued

Employee share schemes continued

The following assumptions have been applied when calculating the fair value of significant 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
2011 SAYE	473.0	37	4.16	2.15	3.1	100	3
BSMP	480.5	37	–	–	4.0	90	3
LTIP	317.2	37	–	–	4.0	100	3
UCSOP	480.5	37	4.16	2.15	7.0	100	3

Expected 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.

(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 matching 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 continuing 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 6,567,521 (2011 – 4,749,044) ordinary shares. These shares are exercisable between 2012 and 2019. A charge of £1m (2011 – £4m) has been taken to the consolidated income statement in respect of these options in the year, which includes a £2m credit relating to the 2009 scheme as the performance condition is not expected to be met.

(ii) Sharesave scheme

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 2,460,915 (2011 – 2,817,059) ordinary shares for the 2009 and 2010 three-year grants at exercise prices of 323.0p and 288.0p per share respectively. 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 £1m (2011 – £2m) was made to the consolidated income statement in respect of these options in the year.

SAYE options were granted over 306,270 ordinary shares on 17 June 2011 for the 2011 three-year grant at an exercise price of 379.0p 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 2014 and January 2015. A charge of £nil was made to the consolidated income statement in respect of these options in the year. As at 31 March 2012, options over 265,843 shares remained outstanding.

Notes to the financial statements continued

20. Share awards continued

Employee share schemes continued

(iii) Other share schemes
Other includes a number of smaller share schemes unapproved by HMRC operated throughout the Group which comprises the SEEPP, Unapproved Employee 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 2005 and November 2021. A charge of £1m (2011 – £1m) was made to the consolidated income statement in respect of these schemes.

21. 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.

(a) Analysis of employee costs

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Continuing operations		
Salaries (including bonuses)	889	925
Social security costs	62	62
Share-based payments	3	8
Defined contribution pension costs	6	6
	960	1,001

(b) Number of employees analysed by business segment
Continuing operations

	Average		Year end	
	Year ended 31 March 2012	Year ended 31 March 2011*	As at 31 March 2012	As at 31 March 2011*
Voice				
– EMEA	1,543	1,506	1,569	1,512
– Americas	1,801	1,733	1,725	1,777
– Asia Pacific	773	723	828	719
Electronic	508	516	542	489
Post trade risk and information	455	421	459	437
	5,080	4,899	5,123	4,934

* Effective 1 April 2011 the new business segment has been discontinued and its results included in the segments operated by the appropriate member of the GEMG.

Key management consists of the members of the GEMG. The aggregate remuneration for key management for 2011/12 was £23m (2011 – £32m) which includes amounts paid as variable bonuses. Key management remuneration is wholly attributable to continuing operations.

A charge of £1m (2011 – £5m) was recognised in the consolidated income statement relating to share options held by key management.

Retirement benefits are accruing to seven (2011 – five) members of the GEMG under defined contribution schemes and during the year key management received £0.1m (2011 – £0.1m) in post-retirement benefits.

22. Acquisition 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 carrying value of the associate immediately prior to acquisition is revalued to fair value, with any gain or loss recognised in the consolidated income statement through the acquisition and disposal costs column, along with any items recycled from the consolidated statement of 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.

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 acquired the following businesses, with the provisional numbers booked at 31 March 2012 disclosed below.

Island Shipbrokers Pte Ltd (Island)

On 21 February 2012 the Group acquired 75% of the share capital in Island, a ship broking business based in Singapore. Prior to the acquisition the Group owned 25% of Island which was held as an associate. Initial cash consideration was £3m and contingent deferred consideration dependent on future profitability of the business is estimated as £3m. Additionally the fair value of the previously held interest in the associate of £2m has been transferred to the investment in subsidiary. The fair value of net identifiable assets and liabilities totalled £6m, which includes customer relationships recognised on consolidation of £5m. The balance of £2m represents goodwill relating to the acquisition. Since acquisition Island has contributed £nil to the Group's profit after tax, and had 100% of Island been held by the Group from the start of the year, the Group's profit after tax would be higher by a further £1m.

Sun Commodities S.A. (Sun)

The Group acquired 100% of Sun, a leading broker of European biofuels, on 27 February 2012 for cash consideration of £1m and contingent deferred consideration of £1m.

(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, with any corresponding adjustments being made to goodwill for acquisitions made prior to the adoption of IFRS3 (revised) 'Business combinations'. For acquisitions made since the adoption of IFRS3 (revised), any adjustments made to contingent deferred consideration are made through the acquisition and disposal costs column of the consolidation income statement.

Included within contingent deferred consideration are balances contingent on the future profitability of investments made and 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.

At 31 March 2012 deferred contingent consideration of £9m was outstanding (2011– £5m). During the year £4m of contingent deferred consideration was booked on the acquisition of Island (£3m) and Sun (£1m).

Notes to the financial statements continued

22. Acquisition of subsidiaries continued

(c) Acquisition and disposal costs

Acquisition and disposal costs comprises:	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Amortisation of intangible assets arising on consolidation	(70)	(73)
Impairment of intangible assets arising on consolidation	(103)	(11)
Release of provisions recognised on acquisition	31	–
Impairment of available-for-sale assets	(1)	(4)
Other	(7)	–
Recognised in operating expenses	(150)	(88)
Gain on sale of business	13	–
Impact on operating profit	**(137)**	(88)
Associates	–	(6)
Acquisition and disposal costs before tax	(137)	(94)
Tax	18	32
Acquisition and disposal costs	**(119)**	(62)

The effective tax rate of 13% is lower than the UK statutory rate of 26% due to the impact of the impairment in goodwill having no deferred tax effect, offset in part by the provision release being non-taxable.

23. 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 2012 £m	Year ended 31 March 2011 £m
Exceptional items – continuing businesses		
Total exceptional items before tax – continuing business	–	(23)
Tax	–	8
Total exceptional items after tax – continuing businesses	–	(15)
Exceptional items – discontinued business		
Total exceptional items before tax – discontinued business	–	6
Tax	–	(2)
Total exceptional items after tax – discontinued business	–	4

For the year ended 31 March 2012, the Group has not been subject to any charges for exceptional items. The exceptional items in the year ended 2010/11 represented the finalisation of items which occurred in 2009/10.

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 2012 £m	Year ended 31 March 2011 £m
Income from government grants	12	16
Other	14	5
Other income before acquisition and disposal costs and exceptional items	26	21
Gain on sale of business	13	–
Total other income	39	21

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 2014 and expected to be received by the Group by 2017. 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.

During the year the Group sold businesses in Asia and Latin America, resulting in a £13m gain which mainly relates to the disposal of the Japanese government bond business to an associate investment. The gain has been classified in the acquisition and disposal costs column of the consolidated income statement.

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.

(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 2012 £m	Year ended 31 March 2011 £m
Revenue	–	–
Operating expenses	–	–
Tax	–	–
Profit after tax of discontinued operations before exceptional items	–	–
Exceptional items	–	6
Tax	–	(2)
Profit after tax of discontinued operations	–	4

(b) Cash flows of discontinued operations

Operating cash flows relating to the discontinued operations of £nil (2011 – £18m) were incurred in the year.

Notes to the financial statements continued

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 2012 and 2011, the fair values of financial assets are not materially different from their book values.

Classification of financial assets as at 31 March 2012

	Hedging instrument £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents	–	–	547	547
Restricted funds	–	–	50	50
Available-for-sale financial assets	–	31	–	31
Matched principal trade receivables	–	–	77,997	77,997
Deposits paid for securities borrowed	–	–	794	794
Other trade receivables (net)	–	–	244	244
Derivative financial instruments	11	–	–	11
Amounts owed by associates and joint ventures	–	–	5	5
Other receivables	–	–	91	91
	11	31	79,728	79,770

Classification of financial assets as at 31 March 2011

	Hedging instrument £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 and joint ventures	–	–	6	6
Other receivables	–	–	98	98
	7	31	75,040	75,078

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 2012 £m	Group as at 31 March 2011 £m
Trade and other receivables:		
– current receivables (note 15)	79,254	74,693
– non-current receivables (note 15)	11	14
Available-for-sale financial assets (note 14)	31	31
Restricted funds	50	73
Cash and cash equivalents (note 7(b))	547	404
Excluded:		
– non-financial other receivables	(3)	(11)
– prepayments	(120)	(126)
	79,770	75,078

Prepayments and certain items included within other receivables are not defined as financial assets under IAS39.

As at 31 March 2012 and 31 March 2011, the fair values of financial liabilities are not materially different from their book values.

Classification of financial liabilities as at 31 March 2012

	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	77,997	77,997
Deposits received for securities loaned	–	795	795
Other trade payables	–	16	16
Derivative financial instruments	6	–	6
Amounts owed to associates and joint ventures	–	6	6
Other payables	–	63	63
Contingent deferred consideration	–	9	9
Deferred consideration	–	1	1
Accruals	–	285	285
Borrowings and overdrafts	–	629	629
Provisions	–	3	3
	6	79,804	79,810

Notes to the financial statements continued

26. Financial assets and liabilities continued

(a) Financial assets and liabilities continued

Classification of financial liabilities as at 31 March 2011

	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 and joint ventures	–	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

Financial liabilities can be reconciled to the balance sheet as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Trade and other payables:		
– current payables	79,184	74,634
– non-current payables	33	29
– borrowings and overdrafts (note 6)	629	565
– provisions (note 17)	19	55
Excluded:		
– non-financial other provisions	(16)	(49)
– non-financial other payables	(2)	(3)
– other tax and social security	(29)	(42)
– deferred income	(8)	(7)
	79,810	75,182

Taxes payable, deferred income and certain provisions are not classified as financial liabilities under IAS39.

(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.

26. Financial assets and liabilities continued

(b) Fair value estimation continued

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 March 2012.

	As at 31 March 2012			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale-investment	4	26	1	31
Derivative financial instruments	–	11	–	11
Total assets	4	37	1	42
Liabilities				
Derivative financial instruments	–	(6)	–	(6)
Total liabilities	–	(6)	–	(6)

	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)

At 31 March 2012 the Group determined that £16m of available-for-sale assets categorised as level 3 at 31 March 2011 met the criteria for categorisation as level 2 based on the type of information available to determine the value of the asset.

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.

Notes to the financial statements continued

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 (2011 – £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 2012 £m	As at 31 March 2011 £m
Within one year	14	23
Between one and five years	83	81
After five years	21	34
	118	138

No amounts were expected to be received under non-cancellable sub-leases as at 31 March 2012 (2011 – £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 2012, there was no capital expenditure contracted or provided for (2011 – £nil).

28. Contingent liabilities

Group
(a) Several government agencies in North America and Europe, including the US CFTC, the US Department of Justice, the FSA and the European Commission, are conducting investigations into past submissions made by panel members to the bodies that set various inter-bank offered rates (LIBOR). Neither ICAP, nor any of its subsidiaries, were either at the relevant time or are now members of the various panels that submit data that is used to set LIBOR. However, certain ICAP Group companies are involved in the broking of cash deposits and derivatives based on LIBOR between banks, including members of the relevant panels. Certain members of the Group have received requests from some government agencies for information as part of their investigations in to how LIBOR is set and are co-operating fully. It is not possible at this time to predict the scope and ultimate outcomes including the timing and scale of the potential impact of any investigations on the Group.

(b) From time to time the Group is engaged in litigation in relation to a variety of matters, and is required to provide information to regulators and other government agencies as part of informal and formal inquiries. It is not possible to quantify the extent of any potential liabilities, but currently there are none expected to have a material adverse impact on the Group's consolidated results or net assets.

(c) 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 2012 (2011– £nil).

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 investments and the Group and these are detailed below.

IPGL

During the year the Group charged IPGL £37,163 (2011– £63,186) in respect of employees of the Group who provided services to IPGL and its investments and £6,573 in respect of other services. As at 31 March 2012, IPGL owed the Group £38,556 (2011 – IPGL owed to the Group £64,480).

Exotix Holdings Limited (Exotix)

As part of the disposal of Exotix Limited to IPGL in 2007, the Group loaned employees of Exotix Limited, a subsidiary of Exotix, £1.5m to enable them to purchase a shareholding. Interest of £6,793 has been charged on these loans during the year. The Group collected revenue of £8.5m (2011 – £9.9m) on behalf of Exotix and recharged Exotix £225,000 (2011 – £252,799) for clearing-related services and £30,000 (2011 – £30,000) for other services provided during the year. As at 31 March 2012 there was a balance due to Exotix from the Group of £5.0m (2011 – £2.2m). The Group holds £1.9m as collateral from Exotix on deposit.

City Index Limited

During the year the Group has charged FXSolutions £0.4m (2011 – £1.3m) for the provision of FX data from its EBS platform. As at 31 March 2012 there was no balance outstanding with the Group (2011 – £nil).

(b) TFS-ICAP LLC, TFS-ICAP Australia, TFS-ICAP Japan, TFS-ICAP Limited and TFS-ICAP Singapore

The Group invoices and collects revenue on behalf of TFS-ICAP LLC. During the year, the Group invoiced and collected £6.2m (2011 – £5.6m) 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 LLC – £5,610 (2011 – £24,998); TFS-ICAP Japan £nil (2011 – £84,939); TFS-ICAP Limited – £849,907 (2011 – £1,033,483); TFS-ICAP Singapore – £20,311 (2011 – £228,111). As at 31 March 2012 the outstanding balance due from the Group to all the joint ventures was £2.6m (2011 –£1.5m due to Group).

(c) BSN Capital Partners Limited (BSN)

The Group provides BSN, an associate undertaking, with office space and facility services. During the year, the Group charged BSN £95,462 (2011 – £63,828) for these services and £37,751 for other services. The Group also has a preferred brokerage agreement with BSN and has recognised revenue of £1.1m (2011 – £4.5m) during the year. As at 31 March 2012 the outstanding balance due from BSN to the Group was £64,616 (2011 – £20,249).

(d) Shanghai CFETS-ICAP International Money Broking Co Limited (CFETS-ICAP)

The Group provides CFETS-ICAP, an associate company based in China, with office space and facility services. During the year, the Group charged the company £131,091 (2011 – £92,545) for these services. The Group also invoiced and collected revenue of £489,652 for CFETS-ICAP in the year (2011 – £299,453). As at 31 March 2012 there was a balance due to CFETS-ICAP from the Group of £790,159 (2011 – £111,032).

(e) Capital Shipbrokers Limited (Capital)

The Group collected revenue of £2.0m (2011 – £2.0m) on behalf of Capital, an associate based in Hong Kong. The Group also recharged Capital £214,965 (2011 – £275,340) for overheads. As at 31 March 2012 the outstanding balance due from the Group was £1.2m (2011 – £1.0m).

Notes to the financial statements continued

29. Related party transactions continued

Group continued

(f) FCB Harlow Butler Pty Ltd
In a prior year the Group loaned certain 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 £22,061 (2011 – £26,588) was charged on the loan during the year. As at 31 March 2012, the outstanding balance due on the loan was £217,349 (2011 – £262,314).

(g) CLS Aggregation Services LLC (CLSAS)
The Group recharged CLSAS, an associate company, £2.8m (2011 – £2.5m) as compensation for technical services during the year. As at 31 March 2012 the total outstanding balance due to the Group was £1.8m (2011 – £2.6m). The Group received £3.5m (2011 – £1.6m) from CLSAS during the year.

Related party transactions are undertaken 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 2012 £m	Year ended 31 March 2011 £m
Management services expenses	(1.5)	(1.8)
Interest paid to related parties	(4.1)	(8.0)

Amounts owed to the Company from subsidiaries are disclosed in note 15 and amounts owed by the Company to subsidiaries are disclosed in note 16.

30. Event after the balance sheet date
On 20 April 2012 the Group extended the maturity date of the $880m RCF incorporating up to a $200m swingline facility by one year to 31 May 2014.

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

The Company's immediate subsidiary companies are ICAP Group Holdings plc, Intercapital Limited and Garban Group Holdings Limited, all of which are incorporated in England and Wales and are 100% owned by the Company. At 31 March 2012 these investments had a cost and net book value of £1,989m (2011 – £1,989m). All of the Company's other subsidiaries are indirectly owned. The Company has taken advantage of the exemption under Section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the financial statements. A complete list of subsidiaries and associates will be included in the Company's next annual return and filed with Companies House. The Company's principal subsidiaries, their country of incorporation and the Group's ownership are listed below:

		% held
Australia	ICAP Australia Pty Limited	100
	ICAP Brokers Pty Limited	100
Brazil	ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda	100
England	EBS Dealing Resources International Limited	100
	ICAP Electronic Broking Limited	100
	ICAP Energy Limited	100
	ICAP Europe Limited	100
	ICAP Holdings Limited	100
	ICAP Management Services Limited	100
	ICAP Securities Limited	100
	iSwap Limited	50.1
	The Link Asset and Securities Company Limited	100
Japan	ICAP Totan Securities Co Limited	60
Singapore	Reset Private Limited	100
Sweden	TriOptima AB	100
Switzerland	EBS Service Company Limited	100
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 Securities USA LLC	100
	ICAP Services North America 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.

During the year the Group issued share capital in iSwap Limited to non-controlling interests for consideration of £22m. Although the Group holds 50.1% of voting rights and can demonstrate control of the entity, once the other shareholders have recognised their non-controlling interests, the Group will own 43% of its post-tax earnings.

ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda has a 31 December year end as required as part of local regulatory requirements. TriOptima AB was previously required to have a 31 December year end in order to determine any potential earn out payments required under the terms of its acquisition, but is in the process of changing to a 31 March year end. All other subsidiaries have a 31 March year end.

Notes to the financial statements continued

31. Principal subsidiaries, joint ventures and associates continued

(a) Investment in subsidiaries – Company continued
All companies operate in their country of incorporation, except ICAP Securities USA LLC and ICAP Corporates LLC which also operate in the UK, ICAP Energy Limited which has operations in Singapore, ICAP Europe Limited and EBS Service Company Limited which both operate in Australia, ICAP Securities Limited which operates in Frankfurt and EBS Dealing Resources International Limited which operates worldwide.

All principal subsidiaries are involved in voice, electronic or post trade risk and information activities.

(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
England	TFS-ICAP Holdings Limited	45.0	Voice
Germany	TFS-ICAP GmbH	33.3	Voice
Japan	TFS-ICAP	25.0	Voice
Mexico	SIF ICAP, S.A. de C.V.	50.0	Voice
	BCIE – ICAP Capital Markets S.A. de C.V.	50.0	Voice
Singapore	TFS-ICAP	25.0	Voice
United States	TFS-ICAP LLC	45.0	Voice

All joint ventures have a 31 December year end.

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 are given below:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Assets	11	16
Liabilities	(5)	(6)
Net assets	6	10
Goodwill included in the Group's balance sheet	1	1
Net investment in joint ventures	7	11

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Revenue	15	17
Administrative expenses	(9)	(12)
Profit before tax	6	5
Tax	(1)	(1)
Profit for the year	5	4
Attributable to		
Owners of the Company	5	4

31. Principal subsidiaries, joint ventures and associates continued

(c) Associates – Group

The Group's principal associates and their country of incorporation are listed below:

		% held	Principal activity
Cayman Islands	BSN Holdings Limited	25.1	Voice
China	Capital Shipbrokers Limited	49.0	Voice
	Shanghai CFETS-ICAP International Money Broking Co Limited	33.0	Voice
Japan	Totan ICAP Co Limited	40.0	Voice
	Central Totan Securities Co Limited	20.0	Voice
Malaysia	Amanah Butler Malaysia Sdn Bhd	32.1	Voice
United States	Blockcross Holdings LLC	20.0	Electronic
	CLS Aggregation Services LLC	49.0	Post trade risk and information

All shareholdings are in ordinary shares except the investment in BSN Holdings Limited, which is non-voting shares, and the investment in Capital Shipbrokers Limited, which is a combination of voting and non-voting shares.

BSN Holdings Limited, Shanghai CFETS-ICAP International Money Broking Co Limited, Central Totan Securities Co Limited, Blockcross Holdings LLC and CLS Aggregation Services 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

2012

16 May	Results for year ended 31 March 2012 announced
27 June	Ex-dividend date for final dividend
29 June	Record date for final dividend
11 July	Annual general meeting, London
20 July	Final dividend payment
November	Results for half year to 30 September 2012 announced

2013

January	Ex-dividend date for interim dividend
January	Record date for interim dividend
February	Interim dividend payment
May	Results for year ending 31 March 2013 announced
July	Annual general meeting, London
July	Final dividend payment
November	Results for half year to 30 September 2013 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:

Algorithmic trading
automated trading based on complex mathematical calculations driven by market information received electronically by computers

Arkhe
Arkhe Distribuidora De Titulos e Valores Mobiliarios SA, as merged into ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda

Baltic index
Baltic Dry Index Daily which tracks worldwide international shipping prices of various dry bulk cargoes

Basel III
an international regulatory framework, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector

BEIP grant
Business Employment Incentive Program, a grant run by the New Jersey Economic Development Authority

BM&FBovespa
Stock exchange based in Sao Paolo, Brazil

BrokerTec
see ICAP Electronic Broking below

BSMP
the ICAP 2003 Bonus Share Matching Plan

Butterfly option
a transaction giving participants the right (but not the obligation) to buy and sell financial instruments simultaneously at previously agreed prices, helping them to manage their risk of exposure to price movements

CCP
central counterparty

CDS
credit default swap

CFTC
Commodity Futures Trading Commission

Clearing house
a central risk-bearing and administrative facility in certain exchange-based markets which often acts as the counterparty to both the buyer and the seller of a contract, or as a central processor and/or guarantor of settlement of the trade protecting each party from the risk of the other party defaulting on the trade. Trades are also processed and settled through the clearing house.

CLSAS
CLS Aggregation Services LLC, a joint venture between Traiana Inc and CLS Group

CNH
represents the exchange rate of renminbi that trades offshore in Hong Kong

CNY
represents the renminbi that is traded onshore

Companies Act
Companies Act 2006 (as amended)

Company or ICAP
ICAP plc (formerly Garban-Intercapital plc and Garban plc)

Commoditised flow markets
liquid markets in straightforward financial instruments with frequent buyers and sellers, traded mainly on electronic platforms

Compression
a facilitated process in which multiple financial institutions agree to cancel outstanding derivative contracts that have no commercial activity in order to reduce their risk exposure and free up capital to be redeployed elsewhere

Contract for difference
a contract between two parties in which one pays a sum of money to the other, based on the difference between two underlying reference prices over a specified period of time

CRD
Capital Requirements Directive

CTI Shipbrokers (India)
CTI Shipbrokers (India) Pvt Limited

Demerger
the demerger of Garban from United News and Media plc on 17 November 1998

Derivatives
financial instruments whose performance is calculated by reference to the value of an underlying asset or price, including interest rates, bonds, currencies, equities and commodities. Credit derivatives are based on bonds, loans and other types of credit.

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

DTCC
The Depository Trust & Clearing Corporation

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

FICC
Fixed Income Clearing Corporation, a division of DTCC

FINRA
Financial Industry Regulatory Authority, a US regulator

First Brokers
First Brokers Securities Inc

Fixing
the process of setting a 'snap-shot' consensus price for a financial instrument, on a regular basis, involving market participants and sometimes central banks or other regulatory bodies

Fitch
Fitch Ratings Limited

FRC
Financial Reporting Council

FSA
Financial Services Authority

FTSE 100
index comprised of the 100 largest companies by market capitalisation listed on the London Stock Exchange

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

Hybrid broking
provides traders with the combined benefits of broker assisted and electronic markets trading via a combination of voice and electronic platforms

ICAAP
internal capital adequacy assessment process

ICAP Electronic Broking
the businesses of ICAP Electronic Broking LLC (formerly BrokerTec USA LLC), 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 Ownership 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

IRS
interest rate swaps are financial transaction in which two parties typically exchange payments based on the comparison of a fixed interest rate and a floating rate applied to the same 'notional' amount of money, or alternatively both based on different floating rates. Swaps are typically used by companies to hedge against interest rate exposure, to speculate on future interest rate movements or to cap or fix their cost of borrowing for a specified period.

ISDA
International Swaps and Derivatives Association

Island Shipbrokers
Island Shipbrokers Pte Limited, now known as ICAP Shipping Tankers Pte Limited

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

Liquidity
liquid markets are those which enjoy a high and consistent number of willing buyers and sellers

LTIP
the ICAP plc Senior Management Long Term Incentive Plan

LTRO
long-term refinancing operation

Margin call
clearing houses require their members to deposit a collateral with them in order to have access to their systems. This is generally in the form of assets (usually cash or securities) as a safeguard against the risk of defaulting on trades. A margin call is a requirement for a member to increase the amount of collateral held on its account if the value of securities purchased on margin falls below a certain level. Clearing members may also reserve the right to call for margin from their own clients.

Mark-to-market
revaluation of a market position or portfolio based on the current market price rather than the original purchase price

Merger
the merger of Garban and Intercapital on 9 September 1999

MiFID
Markets in Financial Instruments. The European Commission has proposed in its revision to MiFID a new type of trading venue known as the Organised Trading Facility (OTF). These are organised multilateral platforms which are currently not authorised as a Regulated Market or Multilateral Trading Facility. The precise definition remains subject to the fluctuation of the rules of the EU.

Moody's
Moody's Investors Services

MTF
multilateral trading facility, an organised system (in nearly all cases electronic) bringing multiple buyers and sellers together to trade financial instruments

NBI
new business initiative

NDF
non-deliverable forwards

NSCC
National Securities Clearing Corporation, a division of DTCC

On-the-run securities
the most recently issued debt instruments of the relevant maturity in a sequence of periodically issued securities such as government bonds. They are generally more liquid than older or 'off-the-run' securities in the same maturity.

Off-the-run securities
debt instruments that are no longer the most recently issued in their maturity

OTF
organised trading facility, a new category of trading venue proposed by MiFID

OTC
over-the-counter

Over-the-counter (OTC) markets
markets in which instruments are traded directly between participants by telephone and/or electronically and where the terms of the trade can be selected by the participants rather than trading pre-defined instruments via an exchange

Pillar 1
sets out the minimum capital requirements for credit, market and operational risks

Pillar 2
a component of capital adequacy assessment by an FSA regulated firm

RCF
revolving credit facility

ReMatch
ReMatch Holdings Limited and its subsidiaries

Reset
Reset Holdings Private Limited and its subsidiaries

RPI
Retail Price Index

Ruble
Russian ruble

SEC
Securities and Exchange Commission, the US securities (bonds, shares) regulator

SEF
swap execution facility, a type of organised trading venue proposed by the Dodd-Frank Act

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.

Spot FX
a currency exchange trade which is traded on the basis of current value (as opposed to calculated over a set period or the prospective relative value in the future)

STP
straight-through-processing is the automated routing of trades from the point of execution through to settlement on clients' risk and record keeping systems

Sun Commodities
Sun Commodities S.A., now known as ICAP Energy Suisse S.A.

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

UK Corporate Governance Code
FRC's UK Corporate Governance Code (2010)

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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