

Connecting the world's financial markets





**Wholesale financial
markets play a vital
role in global economic
development and the
real economy**

ICAP is a leading markets operator and provider of post trade risk mitigation and information services.

We are an integral part of the global financial system and are well positioned to benefit from the changing market landscape.

These changes play to our strengths and provide us with new opportunities to thrive.



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Directors' report

ICAP plc is incorporated as a public limited company and is registered in England and Wales with the registered number 3611426. ICAP plc's registered office is 2 Broadgate, London EC2M 7UR. The directors present the Annual Report for the year ended 31 March 2013. References to 'ICAP', the 'Group', the 'Company', 'we', or 'our' are to ICAP plc or to ICAP plc and its subsidiary companies where appropriate. Pages 02 to 79, inclusive, of this Annual Report comprise the directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Our role in the markets

Efficient financial markets are vital to global and national economies. As a leading markets operator ICAP provides a wide variety of electronic execution, risk mitigation, messaging, broking and information services for wholesale market participants.

ICAP facilitates the flow of capital and investment through the financial system and supports government and corporate borrowing.

Our business segments

Global Broking

Market participants can use ICAP's broking services to assess trading availability and successfully execute trades. Our brokers locate and identify potential trading interest and in so doing create transparency, liquidity and facilitate the price discovery process. This is particularly important in markets where there is a wide range of potential transaction types and the number of parties willing to enter certain transactions at any moment may be limited.

We offer 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 electronic capability which gives customers 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.

Customers range from investment banks in our fixed income products to end-user corporates and industrials in commodities.

Electronic Markets

Markets that are more liquid and have a high degree of consistent buying and selling interest are most efficiently traded on electronic platforms. Automated platforms allow users to execute large volumes of deals quickly and easily, with greater transparency. We operate a number of electronic platforms in a range of asset classes and instruments. The largest of these are the EBS Market for spot FX currencies, NDFs and precious metals and the BrokerTec platform for G7 public debt securities, including US and European government debt and US and EU repo and CDS.

In addition we also operate a number of other platforms including MyTreasury, which is ICAP's fully automated electronic trading platform for corporate treasury investors, and ISDX, an exchange providing small and medium-sized companies access to equity capital to finance the development of their businesses.

Post Trade Risk and Information

Our post trade risk and information services help users of financial products to reduce operational and system-wide risks. This increases the efficiency of trading, clearing and settlement and lowers costs. Our information business empowers customers to make trading decisions with market information across key asset classes.

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; and
- the information and data sales business.

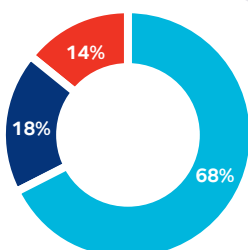
More than 500 customers use our post trade risk services.

Our scale and diversity

Two thirds of our operating profit* comes from our electronic markets and post trade risk and information services

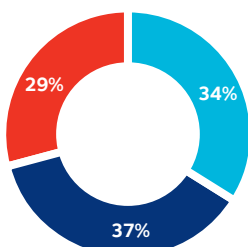
Revenue by business

	£m
Global Broking	997
Electronic Markets	268
Post Trade Risk and Information	207
Total	1,472



Operating profit* by business

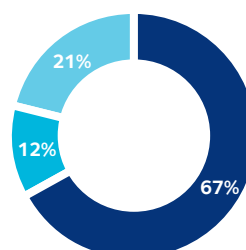
	£m
Global Broking	105
Electronic Markets	113
Post Trade Risk and Information	90
Total	308



* Before acquisition and disposal costs and exceptional items.

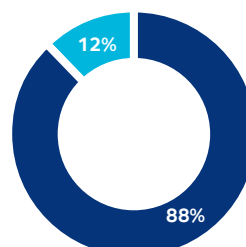
Revenue by bank/non-bank

Bank execution	67%
Subscription	21%
Non-bank execution	12%



Revenue by type

Transaction	88%
Subscription	12%



Daily trading volume transacted by our customers through our systems

\$1.3 trillion

Reducing risk

Since its launch in 2003 TriOptima has terminated more than **\$338 trillion** in total notional volume.

Average daily number of transactions processed by Traiana's Harmony network increased by 37% to **1.4 million**.

Our geographic reach

We have a strong presence in all the major financial centres – with a local footprint in 32 countries and more than 70 locations worldwide



Group Chief Executive Officer's review of the year

Michael Spencer
Group Chief
Executive Officer



This has been the toughest trading environment in my nearly 40-year career in the wholesale financial markets. ICAP's performance during 2012/13 reflects these extraordinarily difficult market conditions but also the diversity and resilience of the Group we have built.

The wholesale financial markets are facing a number of cyclical and structural challenges. Against this backdrop we have kept our focus. While taking a tough stance on costs we are managing and re-engineering the business for the long term, delivering on our strategic goals and priorities. We continue to invest, innovate and adapt to ensure the business will thrive in the new financial landscape that is being shaped by regulatory reform. With these changes come new opportunities for ICAP. Our business has and will continue to evolve. We have a diversified business, global reach and proven ability to respond to changing customer needs. ICAP remains a profitable and very cash generative business with a strong balance sheet. Today we are a more efficient and collaborative business than a year ago. This will stand us in good stead for the future.

Macroeconomic context

During the past year, the growth in global trade has decelerated significantly as a result of private sector deleveraging and government fiscal constraint. While US economic growth has been resilient and Japan has experienced some modest recovery, in China and Europe there has been a marked slowdown, with many peripheral Eurozone economies experiencing deepening recession.

The Eurozone continues to present the most significant threat to the global economy, although policy initiatives have lessened the risk of a major crisis.

Against this backdrop, interest rates in many advanced economies have remained at, or close to, their historic lows and quantitative easing, in its various forms, has been widely employed.

Changing market landscape

As an industry leader, ICAP continues to benefit from greater scale and diversity than many of our competitors. Our perspective helps inform regulators and policy makers as they implement reform. The competitive landscape in which we operate is changing. Regulation is redefining certain aspects of our business and our customers' needs. As capital requirements drive banks to deleverage and standardised derivatives are pushed towards central clearing, the markets are developing in response, even though the final shape of some aspects of regulatory reform remains uncertain.

ICAP is well positioned to take advantage of these changes. The regulatory push towards electronic trading plays to our strengths and provides us with new opportunities for growth. We have invested across all our businesses, in people, technology and product innovation, maintaining our competitive advantage. In our newly created Global Broking business (formed by amalgamating the three regionally-managed voice broking businesses) every asset class has electronic capability and we are already the world's leading provider of electronic platforms for the trading of spot FX and fixed income. We believe there are significant opportunities to expand further our electronic offering and plan to leverage our existing platforms and connectivity to meet the needs of our evolving customer base.

Last year saw the conversion of swaps into futures contracts in the US energy market. While we anticipate that there may be further 'futuresisation' in certain asset classes, we believe there will be a strong and continued demand for swaps, particularly in rates, which provide the customised hedging solutions that our customers want and need.

As a leading provider of post trade and risk mitigation services, the regulatory focus on better risk management will also benefit our business. We are seeing increasing demand for our post trade services and expect this to continue as firms seek to comply with new regulatory requirements.

A stronger ICAP

We intend to build on our market leading positions and leverage our assets to deliver shareholder value. We have made significant changes to our Group structure, our products and our services to ensure we emerge from this market downturn in a strong position.

In September, we created a new Global Broking division under the leadership of David Casterton. We previously operated our broking business on a regional basis in EMEA, the Americas and Asia Pacific. This reorganisation mirrors the way we manage our electronic markets and post trade businesses and enables us to execute a global broking strategy and better serve our customers.

EBS, our market leading electronic spot FX platform, has been strengthened and repositioned under the leadership of its new Chief Executive Officer, Gil Mandelzis. Following a wide-ranging review of the business and extensive consultation with customers, EBS announced new dealing rules in July. These new rules promote greater transparency, fairness and executable liquidity for all participants. This was the beginning of a set of enhancements for EBS which continued throughout the year, including a move away from decimalisation in some currency pairs. These changes have been well received by our customers.

In November 2012, we announced our intention to launch EBS Direct, a new relationship-based disclosed liquidity service which gives users the choice of trading in the main markets or obtaining quotes from their relationship banks.

* Before acquisition and disposal costs and exceptional items.

** Statutory profit for the period after acquisition and disposal costs and exceptional items.

*** Adjusted basis EPS is based on earnings before acquisition and disposal costs and exceptional items.

Financial performance

For the year ended 31 March 2013, the Group reported revenue of £1,472 million, 12% below the prior year. Trading activity across all asset classes was negatively impacted by a combination of factors including the depressed global economy, a low interest rate environment and regulatory uncertainty.

Group net operating expenses* of £1,164 million were 11% lower than the previous year. In response to the challenging market conditions, a comprehensive review of the cost base was undertaken. This initially identified total cost savings of £50 million for the year, annualised at £60 million, from a reduction in overall headcount, renegotiation of broker contracts and compensation rates and the consolidation and rationalisation of infrastructure support. Excellent progress was made and the initial targets were exceeded with total cost savings of £60 million delivered during the year, annualised at £80 million (£20 million higher than initial estimates). The cost saving initiatives have improved the ongoing flexibility of the cost base.

The additional annualised cost savings of £20 million are expected to be reinvested in a number of initiatives across the business. ICAP has continued to invest for future growth including the development of EBS Direct, expansion by Traiana into new products and asset classes and ongoing product innovation within TriOptima.

By the year end the number of employees had declined from 5,123 to 4,976. The overall net reduction of 147 employees reflects the departure of 344 voice brokers partly offset by 197 new hires principally in high growth areas.

The Group reported an operating profit* of £308 million, down 17% on the prior year. The Group's operating profit* margin for the year ended 31 March 2013 decreased to 21%. In the year ended 31 March 2013, the proportion of Group operating profit* generated from Global Broking, Electronic Markets and Post Trade Risk and Information was 34%, 37% and 29% respectively.

Profit before tax* of £284 million was down 20% on the prior year. Profit before tax on a statutory** basis fell by £151 million to £66 million reflecting the decline in operating profit* and the recognition of £60 million of exceptional costs of which £30 million was incurred in delivering the cost saving programme.

Financial summary

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Change %
Revenue	1,472	1,681	(12)
Operating profit*	308	372	(17)
Profit before tax*	284	354	(20)
Profit before tax (statutory)**	66	217	(70)
	pence	pence	Change %
EPS (adjusted basic)***	33.0	40.1	(18)
EPS (basic)	6.7	21.1	(68)
Dividend per share	22.0	22.0	—

[Read more on our financial results on page 20](#)

Group CEO's review continued

Our award-winning trading platform, i-Swap, which allows brokers to trade euro IRS electronically, has seen trading activity grow significantly since its launch in September 2010. In February, we launched i-Swap in the US in anticipation of the publication of the final rules for SEFs under the Dodd-Frank Act. Today around a third of all ICAP's 1–30 year euro IRS trades are executed through i-Swap and we aim to replicate this success in US dollars and other currencies.

In June we acquired Plus Stock Exchange plc, one of only six RIEs in the UK. It was relaunched in October as ISDX. The core offering for ISDX is its Growth Market which is dedicated to helping entrepreneurial companies access equity capital to finance their businesses. ICAP is well positioned to leverage ISDX's exchange status to offer new products and solutions for its customers including, in time, listed derivatives.

We have continued to develop our risk mitigation businesses which are now a core and embedded part of our customers' processes and infrastructure. During the year TriOptima completed the largest triReduce compression cycle in Japanese yen IRS and its first portfolio compression cycle at the Singapore Exchange.

TriOptima continues to innovate and provide its customers with new solutions. triBalance, which is expected to be launched towards the end of 2013, is a new service designed to reduce systemic risk and improve counterparty risk management. Since not all trades by banks are eligible for clearing, triBalance will provide a solution for firms to manage bilateral risk for their uncleared portfolios. TriOptima is also working with customers to pilot a new counterparty credit risk analytics service for OTC derivatives called triQuantify.

Both ReMatch and Reset launched new products, including a new cross currency basis service from Reset and a new product to help traders manage risk in the index market from ReMatch.

Traiana is a key infrastructure provider within the global FX industry. Eight of its customers have invested in approximately 13% of the company aligning our interests and solidifying our partnership with the leading players in the industry. As partners they will assist us in developing new initiatives as Traiana expands into other asset classes. Traiana's Harmony network, which has become an integral part of FX transaction processing, is now connected to nine of the top ten futures brokers, positioning it well to expand further its services into that asset class.

Our information services division has an unrivalled portfolio of authoritative and independent OTC data services. We increased our product offering by 15% this year to incorporate new and innovative data solutions as the market demands greater transparency and accuracy. These new products include a series of trade-backed, volume-weighted indices based on real market transactions that we have launched with partners including RepoFunds Rate for the European repo market and the Tankard Index for European natural gas.

We continue to co-operate with international regulators as they further investigate the banks that set Libor and other international benchmarks. ICAP clearly does not have any direct role in the setting of Libor nor does it profit from the level at which it is set. The Company is aware, however, that one of its Global Broking entities is under investigation. Any allegation of wrongdoing by any of our employees is an extremely serious matter for us, and one that we continue to investigate. It is

Key developments

This year we have demonstrated that we have the appetite and the ability to innovate, invest and develop new products and services.

Global Broking

- creation of Global Broking division enabling the Group to execute a global strategy for all broking services
- acquisition of CTI Shipbrokers (India) Pvt
- expansion of global financial futures and options team

Electronic Markets

Transformation of EBS

- management structure strengthened
- undertook an extensive customer consultation and business review
- published new dealing rules
- unveiled significant changes to the EBS Market platform, including a move away from decimalisation in most currency pairs

- announced EBS Direct, a relationship-based platform that allows users to choose the counterparties they trade with and provides tailored pricing
- acquired ClientKnowledge, a leading liquidity optimisation advisory firm specialising in FX

Acquisition and launch of ISDX

- one of only six RIEs in the UK, the others being LSE, LIFFE, LME, ICE and BATS Chi-X Europe
- aim to expand our business in the capital-raising market space and look for opportunities to leverage ICAP's derivatives expertise

Launch of i-Swap in the US

- replicating the successful electronic euro IRS trading platform in US dollars

essential that there is confidence in financial markets and we support the objectives of regulators and market participants themselves as they seek to restore trust.

Charity Day

We believe it is important that we make a positive contribution to the communities in which we operate. On one day each year all of our revenue and brokers' commissions are donated to charity. On 5 December 2012 we celebrated ICAP's 20th Charity Day. This year we raised £11 million, bringing the cumulative total that we have raised in the past 20 years to more than £100 million benefiting 1,400 charities around the world. This momentous milestone would not have been possible without the incredible and ongoing support of our customers, suppliers and employees. I am extremely proud of what we have been able to achieve together and genuinely believe it reflects the culture and spirit of the Company more accurately than anything else.

Dividend

The directors recommend a final dividend of 15.4p per share. The full-year dividend will be 22.0p (2011/12 – 22.0p). This reflects the Group's continuing ability to fund this level of dividend as a result of its strong cash generation and the board's confidence in the medium-term prospects for the business.

The final dividend is lower than the prior year of 16.0p which is simply a result of this year's interim dividend being slightly higher, at 6.6p compared with 6.0p. The full-year dividend per share of 22.0p is covered 1.5 times (2011/12 – 1.8 times) by adjusted basic EPS of 33.0p. If approved, the final dividend will be paid on 19 July 2013 to shareholders on the register on 28 June 2013. The shares will be quoted ex-dividend from 26 June 2013.

Interim dividends are calculated as 30% of the prior year's full-year dividend. This approach is expected to continue for the 2013/14 financial year.

Outlook

The new financial year has started encouragingly with an upturn in trading activity seen in April. Market conditions, however, remain fragile and unpredictable. In the short term, this situation is unlikely to change until greater confidence in the markets is re-established and there is more clarity around regulatory reform. ICAP is one of the world's leading financial market operators and our platforms and services are central to the daily needs of the wholesale financial markets. We are working closely with our customers to ensure we can take full advantage of the evolving market landscape and the improvement in financial markets when it comes.

We continue to drive efficiencies within the organisation and improve the ongoing flexibility of the cost base. That said, investment for future growth remains a key priority, financed by the strong cash generation of the business and the delivery of cost savings.

I would like to take this opportunity to thank Doug Rhoten who has decided to retire after 14 years of service to ICAP. Doug has made an enormous contribution to ICAP's development, especially to our North American business. He has been a longstanding and valuable member of our senior executive team and we wish him well for the future.

Finally, I would also like to thank every ICAP employee for their focus, hard work and commitment. It has not been an easy year for any of us and I have, as always, been impressed by their professionalism.

Michael Spencer

Group Chief Executive Officer

Post Trade Risk and Information

Customer investment in Traiana

- eight of its customers invested in approximately 13% of the company aligning our interests and solidifying our partnership with the leading players in the FX industry

TriOptima risk elimination and clearing

- completed its first portfolio compression cycle at the Singapore Exchange
- completed the largest ever triReduce compression cycle in Japanese yen IRS 271.6 trillion (\$3 trillion) in cleared IRS notional principal outstandings

Extended product offering from ICAP Information Services

- RepoFunds Rate, launched with BrokerTec and MTS, is the first index to reflect the effective cost of secured funding in key Eurozone countries
- Tankard, a series of indices for UK and European natural gas hubs, is calculated from trades arranged by ICAP, Marex Spectron and Tullett Prebon. The trades are physically-settled natural gas forwards, transacted between utilities, natural gas producers, hedge funds, banks and trading houses

- a joint company credit rating service with Rapid Ratings, an alternative rating, research and analytics firm. Bringing together two independent sources of market-leading information, this product delivers a unique view of the credit derivatives market
- hazard rates and survival probabilities added to CDS pricing service to create an expanded version of this end-of-day product which enables customers to manage issuer credit risk efficiently
- ICAP Container Forward Freight Agreements, a risk management tool that enables third party logistics and beneficial cargo owners to fix their containerised freight cash flows up to two years in advance
- executed benchmark pricing from Reset, a leading global risk mitigation service enabling banks and their traders to transact a variety of interest rate derivatives to offset, remove or reduce the outstanding reset (or fixing) risk from their trading portfolios

Our business model

How we create value for our customers

ICAP plays a pivotal role in bringing buyers and sellers together in the global wholesale financial markets. We help our customers manage and mitigate their risks and provide them with a choice of trading venues and methods ranging from fully electronic to broker assisted trades.

This allows them to select the most appropriate execution method depending on the liquidity of the product and their specific needs. They also have access to an unrivalled source of financial markets data. Our risk mitigation services help customers reduce both their operational risk and market exposure.

We continue to innovate and develop new products and services as the markets and our customers' needs evolve.

Transparency and market information



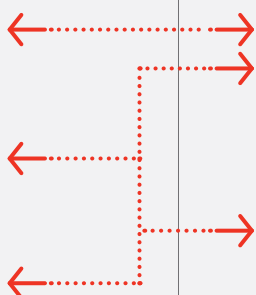
Live trading data and bids/offers displayed on ICAP proprietary systems



Live trading data, indicative data and analysis via ICAP proprietary systems



Transaction-based indices, indicative and trading data distributed via third party data vendors



Venues and opportunities for trade execution

Electronic platforms

Broking including e-capability



Transparency

Market participants access live and historic trading and indicative data to inform their trading decisions and 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.

The value we bring our customers

- unrivalled depth and breadth of data for wholesale financial markets
- a unique data set from our Global Broking business and the world's leading FX (EBS) and fixed income (BrokerTec) platforms
- innovative new data products that complement our established, industry leading OTC derivatives data
- indicative and trade-backed, volume-weighted indices

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 market participants. ICAP also acts as an executing broker for exchange products.

The value we bring our customers

- exceptional depth of liquidity
- access to global counterparties and an orderly market
- greater speed of execution
- increased certainty of trade
- efficient and fair access to prices for all participants
- improved risk management
- secure, reliable networks

Generating revenue

The majority of our revenue comes from commissions which vary in line with customers' trading activity. Approximately 12% of our revenue comes from subscription-type services. We do not engage in proprietary trading or make markets using our balance sheet. Two thirds of our operating profit* comes from our electronic and post trade risk and information businesses.

Automated links and services provided to other parts of market infrastructure



Automated links to:

- Clearing
- User risk systems
- Settlement systems including Central Banks, LCH.Clearnet, Depository Trust and Clearing Corporation and the derivatives exchanges



Portfolio risk reduction and messaging

Management and netting of high velocity market transaction details

Systemised mitigation of customer risks by identifying and removing:

- Trade mismatches
- Unwanted exposures
- Transactions that no longer have a commercial purpose

Reconciliation of transactions to allow accurate reporting to regulators and clearing houses

Support to other infrastructure

ICAP has created links from its electronic broking and post trade systems to clearing houses, customer risk and position keeping systems and settlement venues. It also provides services to clearing house members and clearing houses and trade repositories/depositories themselves.

The value we bring our customers

- customer trades are sent automatically to clearing houses and repositories/depositories
- systemic risks are reduced

Risk reduction and messaging

The Traiana service automates links from any high speed execution system, not just ICAP's. It also operates the netting service on behalf of CLS Bank, the world's FX settlement system. 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. TriOptima allows trading counterparties and trade repositories to reconcile trade details to ensure accurate calculation of risk.

The value we bring our customers

- reduce operational system wide risk
- increase the efficiency of trading clearing and settlement and reducing costs
- Reset and ReMatch help customers manage risk in their portfolios

* Before acquisition and disposal costs and exceptional items.

We help customers execute trades and access clearing

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 broking businesses. 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.

Name give-up broking

ICAP identifies and introduces counterparties who have indicated their willingness to trade with each other, and who have reciprocal credit or clearing, and/or where two or more customers' orders match. These counterparties contract directly with each other and/or the relevant clearing house 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 broking



Risk

No credit risk or contractual link between ICAP and dealers.

Matched principal broking

ICAP enters into simultaneous or near-simultaneous purchase and sale transactions on behalf of customers and is responsible for settlement. Primarily this is to provide access to clearing and/or maintain post trade anonymity. 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 broking



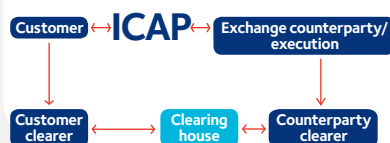
Risk

Delivery versus payment model minimises settlement risk. Any unmatched positions are closed out as soon as reasonably practicable.

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 broking – give-up



Risk

ICAP has minimal settlement risk.

Technology is at the heart of our business

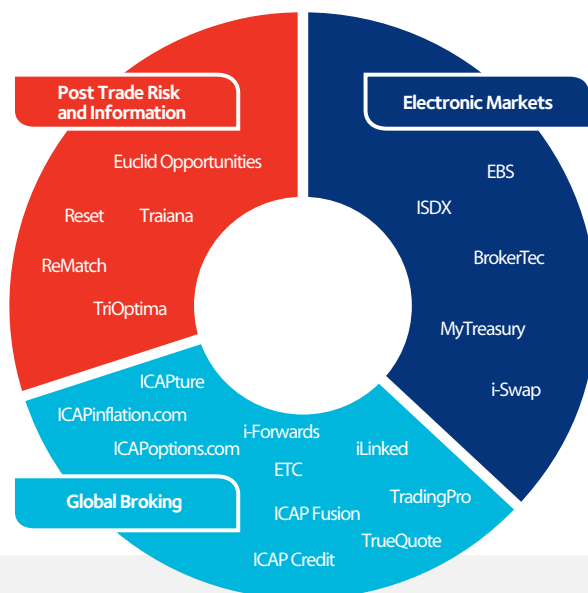
ICAP invests heavily in technology and user market infrastructure to build and maintain our market-leading positions. In 2012/13, 13% of our revenue was invested in technology and 20% of our people are involved in technology.

The ability to transact on systems with the highest level of stability is of vital importance to our customers. We ensure that our global broking, electronic and post trade platforms not only meet the current needs of our customers but also anticipate the greater reliance on electronic transactions as regulatory changes come into force in Europe and the US. As part of the SEF requirements we will provide both surveillance and transaction monitoring where required.

ICAP's technology spend is not purely focused on the provision of access to market liquidity but increasingly provides services that are embedded in our customers' operational flows and regulatory compliance. As well as straight through processing, we provide links to transaction data repositories and CCPs. We also help our customers manage their own and their clients' risk limits. Examples of greater integration between ICAP and its customer base are:

- Traiana – already a key component in post trade market infrastructure it supports trade life cycle and risk management and has recently launched a suite of new services for regulatory compliance for OTC derivatives;
- EBS Direct – as well as provision of interbank trading capability, EBS will provide its customers with the technology to stream executable prices direct to their clients; and
- i-Swap – already launched in Europe in anticipation of an increase in electronic trading of IRS, this co-operative venture between ICAP and a group of major dealers has now been launched in the US for the support of US dollar IRS.

ICAP's electronic capabilities



Technology spend as a percentage of revenue %

13	2013
13	2012
12	2011



We attract and invest in high quality people

People and values

Our people

Our success as an organisation is dependent on the calibre and skills of the people we employ. As the organisation has grown both in size and complexity the breadth of skills we require has increased to match. We look for people who, in addition to having a range of technical skills, are customer and solutions focused, entrepreneurial, professional and able to perform in a pressurised environment.

Our business provides significant opportunities for development and cross functional working through a range of project teams. 40% of our people have been in ICAP for more than five years, driving our business and underpinning our organisational growth.

The changing climate and the demands that come from this require us to ensure that we have within ICAP a culture that drives and encourages appropriate behaviour for ICAP, its customers, shareholders and employees. Regulators, customers and the wider society are demanding that financial services organisations continuously improve their cultures. At ICAP we are giving additional training to highlight the reasons behind regulatory changes and compliance obligations.

Performance and reward

ICAP's remuneration policy is performance based and is structured to be both consistent with, and promote, effective risk management in respect of ICAP's activities.

Employee compensation costs are the most significant part of ICAP's cost base. In the current economic environment we are ensuring that our compensation packages remain competitive, while at the same time being commensurate with and linked to the Company's performance.

Broker compensation is directly linked to commission which varies from desk to desk. Such arrangements are structured to ensure that no more than a minimal risk remains outstanding at the time of payment. In 2013, given the more demanding trading conditions and the changing regulatory environment, increased scrutiny has been placed on commission terms for new contracts.

In 2012/13 we expanded the long term incentive plan to a wider group of managers below GEMG level. This has introduced an element of deferral with rewards being linked to both past and future performance. Such schemes encourage the building of a profitable, stable and low risk business over the long term with wider equity participation.

Training and development

This year we have increased our focus on training and development, with particular emphasis on our leadership and management. It is critical that our managers and leaders have the skills they need to take us to the next stage of business growth.

We have extended and enhanced our comprehensive training programme for our senior broking managers and desk heads which reinforces ICAP's cultural values.

Training is delivered on an ongoing basis to make employees aware of important issues including anti-money laundering, bribery, corruption and market abuse. All employees must complete their e-learning and training records are monitored to ensure compliance.

Graduate recruitment

ICAP is committed to maintaining an active global graduate recruitment and development programme, even in these slower market conditions. First launched in 2006, ICAP's programme aims to provide a steady flow of talent into the business. Since inception, a total of 289 graduates have joined ICAP, with 48 graduates joining in the past year. We also run a range of internship and placement programmes to ensure we attract the brightest early on, the most successful of whom are offered full-time positions once they graduate. All our programmes cover the breadth of our global businesses.

Diversity and inclusion

ICAP is committed to providing and promoting equality of opportunity in employment and advancement and an environment that ensures tolerance and respect for all employees. ICAP's policy is that no employee, contractor 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.

Our values and culture guide the way we do business

There are four key values on which we focus to deliver our strategic goals. These define the culture of ICAP.

Leadership

ICAP aims 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 foster and reward ambition in our employees and managers.

Entrepreneurship

ICAP seeks 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 must attract, motivate and retain creative people, manage itself and its infrastructure and processes in a way which fosters agility and controlled experimentation and an environment where employees charged with supporting the business are heard and valued.

Integrity

ICAP endeavours 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 appropriately.

Respect for control

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

Regulatory landscape and market trends

Well positioned to benefit from the changing market landscape

Regulatory reforms are being implemented across the globe and the competitive landscape is changing in response. New trends are emerging as banks adjust to meet more stringent capital and liquidity requirements, standardised derivatives are pushed towards electronic trading and the role of post trade and risk mitigation services becomes more crucial.

ICAP has the scale and diversity to succeed in this new environment. Much of ICAP's business is unaffected by the forthcoming regulatory reform and in some areas, for example bank deleveraging, the impact of regulatory reform has already been felt. In our post trade and risk mitigation businesses we are confident there are significant opportunities for growth.

Basel III

Higher regulatory capital requirements and tighter liquidity constraints are driving banks to restructure their balance sheets. This deleveraging has already had an impact with US bank holdings of corporate bonds 80% below peak levels. The revenue from Global Broking, excluding commodities, has fallen by approximately 35% since 2008/09. Although there may be further bank deleveraging ahead of Basel III, we believe this has now largely taken place and going forward there will be an increase in the size of the broker/exchange intermediated part of the derivatives markets as the level of internalisation of flows by banks declines significantly.



Our strategy in action

ICAP launches i-Swap in the US

Driven by the new regulatory landscape, trading in IRS is moving progressively electronic. In February 2013, ICAP launched i-Swap in the US for the electronic trading of US dollar IRS, building on the success of the award winning i-Swap euro platform.

i-Swap is becoming an increasingly important part of the market infrastructure, providing a cost-efficient and transparent electronic trading venue for customers. The i-Swap US dollar platform provides new levels of transparency with a full audit trail and marks a significant milestone in the development of the wholesale financial markets. Market participants will benefit from using i-Swap in the US through reduced operational risk, lower costs and greater execution options.

Electronic markets

ICAP is the leading provider of spot FX and fixed income electronic markets through EBS and BrokerTec and these cash products remain largely outside the scope of the Dodd-Frank Act.

The regulatory push towards more transparent, automated execution and clearing in derivatives markets is a positive driver for our business. By innovating and leveraging our existing electronic platforms and connectivity we are better positioned than our traditional competitors. The move to electronic trading is likely to result in new competitors in many asset classes. We believe, however, that the requirement under US regulation that certain derivatives must be traded on SEFs or exchanges will result in a fall in the level of internalisation by banks in these markets. This could result in a greater share of overall flows going through market infrastructure providers such as ICAP.

In interest rate derivatives ICAP's market-leading electronic i-Swap platform has already gained traction in euro IRS. We have recently launched electronic trading of US dollar IRS with a planned roll-out in additional currencies over the coming months. In FX we are able to leverage the unique distribution of EBS as NDF and forwards markets move increasingly electronic. Our equities and energy businesses already exist in an exchange-traded environment servicing customers in block futures and less liquid bespoke swaps.

Swaps versus futures

In October 2012, the US energy markets saw a shift from swaps into futures. We believe, however, that the primary driver of futurisation in the energy swaps market was the stricter reporting requirement for Major Swap Participants (MSP) under CFTC rules. Many energy companies were reluctant to register as MSPs, while uncertainty remains around the cross-border application of many of the CFTC's rules.

Given the lower margin requirement that US regulation has prescribed for futures versus swaps, there is the possibility that other asset classes will move to futures. For ICAP, the futurisation debate is most relevant to IRS. The European IRS market is larger than its US counterpart and European regulation is more nuanced in its approach towards margining. We therefore expect less divergence in margin requirements in Europe across swaps and futures. i-Swap has already gained significant traction in euro IRS and has a shareholder base which includes leading banks. Moreover IRS markets also have a higher proportion of end-user customers that need bespoke hedging

solutions of specific durations. We expect an increase in electronic trading in the benchmark points with a relatively large off-the-run brokered market in other durations where there is insufficient liquidity to support screen trading. US Treasuries is a prime example of a major financial product which has longstanding electronic markets but where ICAP also has an extremely successful broker franchise in off-the-run issues.

As an executing broker, ICAP has recently significantly expanded its financial futures broking business and, in markets such as US energy where business has shifted from swaps towards futures, it has transitioned to being a block futures broker.

ICAP's ISDX is one of only six RIEs in the UK. ISDX is currently focused on strengthening its Growth Market for small and mid-cap companies. In the future it could be used to launch new derivatives contracts leveraging off ICAP's substantial existing electronic and derivatives expertise.

Risk mitigation

Regulators are increasingly focused on the need for firms to improve their management of risk measures such as portfolio reconciliation and OTC derivative trade compression. ICAP is the leading provider of post trade risk and information services and we have seen increasing demand from customers who are seeking to comply with these new regulatory requirements. We expect the demand for risk mitigation services to grow across a broader range of financial institutions.

Financial transactions tax

In the EU, eleven Member States have provisionally agreed to introduce a financial transactions tax (FTT). As proposed, this would have a very damaging effect on the cost of funding for governments and corporates, particularly those in the FTT zone. There could also be negative consequences for financial stability.

As part of ongoing efforts to contribute to the regulatory debate, in April 2013 ICAP published an analysis of the potential impact of the FTT. This concluded that the FTT as proposed would increase funding costs for government and corporates, in particular those in the FTT zone, and have a negative effect on financial stability. Read the paper at www.icap.com/ftt.

Negotiations are ongoing and, while at this stage the outcome is uncertain, we are hopeful that, if introduced, the FTT would be designed in such a way as to mitigate any detrimental impact.

Anticipating the changing marketplace and customer needs

Corporate goals

ICAP's goal is to be the leading provider of trade execution services and market infrastructure to the global wholesale financial sector.

We recognise that wholesale financial markets are changing and regulatory developments are redefining certain aspects of our business. During this period of fundamental change for the financial services industry, we will continue to be responsive to the evolving needs of our customers and will align our interests accordingly.

In the markets in which we operate, we aim to be at the forefront of product and technological innovation. We remain focused on driving the future growth of the business through the development of new products and services and the expansion into new markets. We continue to invest in all aspects of our business including the ongoing development of electronic trading platforms and post trade services.

We aspire to be recognised as an organisation with a strong, positive and responsible culture that plays an important role in the community.

Our aim continues to be to deliver sustainable long-term growth and shareholder value.

Strategic priorities

In pursuit of the corporate goals the following key strategic priorities have been identified:

Leverage the comparative advantage of our global businesses

Progress

- i-Swap utilises the combination of our interest rate voice market flow and liquidity with market leading technology
- In collaboration with Global Broking and Electronic Markets, the development of a combined Asian NDF offering
- The consolidation of product groups within Global Broking

Ensure our businesses are ready for regulatory change

Progress

- Launch of i-Swap in US ahead of final SEF rules/Dodd-Frank Act
- Introduction of trade-backed volume-weighted indices in response to demand from the market for more transparent auditable benchmarks
- Expansion of our global financial futures and options team

Continue investment in products and technological innovation

Progress

- Development of new products and services including EBS Direct, TriOptima's triBalance and Traiana's CreditLink
- Expansion of post trade risk and information services into new asset classes, for example the addition of exchange traded derivatives, fixed income, cleared swaps, cash equities and equity swaps on to Traiana's Harmony network
- Maintaining investment in technology at 13% of revenue

Improve the efficiency and cost effectiveness of the organisation

Progress

- Amalgamation of our three regionally-managed voice broking businesses into one Global Broking division
- Integration of Reset and ReMatch operations
- Delivery of £60 million of cost savings in 2012/13, annualised at £80 million
- More flexible cost base through renegotiation of broker compensation and consolidation and rationalisation of infrastructure services

Reinforce cultural values and best business practices

Progress

- Ongoing commitment to employee development and graduate recruitment programme
- Extension and enhancement of mandatory compliance training programmes for all ICAP employees
- The cumulative total amount donated in 20 years of ICAP Charity Day is £100 million

Key performance indicators

Solid progress in difficult markets

Operating profit* split %

34	37	29	2013
41	34	25	2012
46	33	21	2011

■ Global Broking ■ Electronic Markets ■ Post Trade Risk and Information

Definition Operating profit* split between ICAP's business segments of Global Broking, Electronic Markets and Post Trade Risk and Information.

Performance ICAP aims to have a split of operating profit* that is evenly distributed between its Global Broking, Electronic Markets and Post Trade Risk and Information businesses. In 2012/13 we moved closer to this goal with the Electronic Markets and Post Trade Risk and Information businesses now representing 66% of operating profit*.

Diversified revenue %

67	12	21	2013
69	10	21	2012
71	10	19	2011

■ Bank execution ■ Subscription ■ Non-bank execution

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

Performance ICAP aims to reduce the volatility of earnings through growth in businesses whose revenue is less susceptible to fluctuations in market volumes. A number of ICAP's Electronic Markets and Post Trade Risk and Information businesses generate revenue through a combination of execution services and recurring subscription fee income.

The increase in the proportion of subscription fees reflects their recurring nature and the decline in execution revenue.

Adjusted basic EPS pence

33.0	2013
40.1	2012
39.9	2011

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. Adjusted basic EPS fell this year to 33.0p, ending a long run of consistent year-on-year growth. The fall reflected operating profit* decline in difficult trading conditions. Given the quality of ICAP's business we remain confident that superior EPS growth is an achievable and realistic medium-term goal.

Conversion of profit to cash %

130	2013
103	2012
81	2011

Definition Conversion of profit to cash is calculated as cash generated from operations before acquisition and disposal costs and exceptional items less cash flows from operations relating to non-controlling interests, interest, tax, capital expenditure plus dividends received from associates and investments measured 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 to converge. Cash conversion remains strong and this year has increased to 130% primarily as a result of an improved working capital position.

* Before acquisition and disposal costs and exceptional items.

Revenue per broker £'000

439	2013
498	2012
542	2011

Definition Global Broking revenue divided by the average number of voice brokers for the year.

Performance Revenue per broker provides a measurement of broker productivity. The reduction in revenue per broker in 2012/13 reflects the decline in global broking revenue partially offset by a 6% fall in broker headcount.

Technology spend as a percentage of revenue %

13	2013
13	2012
12	2011

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 platforms. This enables us to anticipate and respond to our customers' needs. Technology spend as a percentage of revenue remains constant at 13% reflecting ICAP's ongoing investment in its electronic capabilities.

Global market share %

21–23	2013
23–25	2012
23–25	2011

Definition ICAP estimates its share of the overall available market (excluding global cash equities).

Performance Global market share is estimated at between 21–23% based on a total available market of \$11 billion. The decline in market share during the year partly reflects the varying revenue performance and product mix of ICAP's three business segments.

Operating profit* margin %

21	2013
22	2012
22	2011

Definition Operating profit* divided by revenue from continuing operations.

Performance The overall operating profit margin* fell by one percentage point reflecting the decline in revenue partially offset by £60 million of cost savings. The operating margins of the Electronic Markets and Post Trade Risk and Information businesses were maintained at 42% and 44% respectively.

* Before acquisition and disposal costs and exceptional items.

Results for 2012/13

Our diversified business is a key strength

Review of operations

For the year ended 31 March 2013, the Group reported revenue of £1,472 million, 12% below the prior year. Trading activity across all asset classes was negatively impacted by a combination of factors including the depressed global economy, a low interest rate environment and regulatory uncertainty.

Group net operating expenses* of £1,164 million were 11% lower than the previous year. In response to the challenging market conditions, a comprehensive review of the cost base was undertaken. This initially identified total cost savings of £50 million for the year, annualised at £60 million, from a reduction in overall headcount, renegotiation of broker contracts and compensation rates and the consolidation and rationalisation of infrastructure support. Excellent progress was made and the initial targets were exceeded with total cost savings of £60 million delivered during the year, annualised at £80 million (£20 million higher than initial estimates). The cost saving initiatives have improved the ongoing flexibility of the cost base.

The additional annualised cost savings of £20 million are expected to be reinvested in a number of initiatives across the business. ICAP has continued to invest for future growth including the development of EBS Direct, expansion by Traiana into new products and asset classes and ongoing product innovation within TriOptima.

By the year end the number of employees had declined from 5,123 to 4,976. The overall net reduction of 147 employees reflects the departure of 344 voice brokers partly offset by 197 new hires principally in high growth areas.

The Group reported an operating profit* of £308 million, down 17% on the prior year. The Group's operating profit margin* for the year ended 31 March 2013 decreased to 21%. In the year ended 31 March 2013, the proportion of Group operating profit* generated from Global Broking, Electronic Markets and Post Trade Risk and Information was 34%, 37% and 29% respectively.

Profit before tax* of £284 million was down 20% on the prior year. Profit before tax on a statutory** basis fell by £151 million to £66 million reflecting the decline in operating profit* and the recognition of £60 million of exceptional costs of which £30 million was incurred in delivering the cost saving programme.

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 Global Broking, which we report by geographic region, Electronic Markets and Post Trade Risk and Information.

Consolidated Group revenue by asset class	2013 £m	Change %
Rates	586	(10)
FX and money markets	339	(9)
Commodities	190	(7)
Emerging markets	142	(15)
Credit	108	(30)
Equities	107	(20)
Total	1,472	(12)

ICAP Energy was voted “Overall Energy Broker of the Year” for the 8th successive year in the Energy Risk 2013 Commodity Rankings.

ICAP has won “Interdealer Broker of the Year” award for the 4th time in the past five years as voted by AsiaRisk magazine.

* Before acquisition and disposal costs and exceptional items.

** Statutory profit for the period after acquisition and disposal costs and exceptional items.

Focused on higher growth markets

In September 2012, a new Global Broking division was formed amalgamating the three regionally-managed voice broking businesses in EMEA, the Americas and Asia Pacific under the leadership of David Casterton. This reorganisation mirrors the way the Electronic Markets and Post Trade Risk and Information divisions are managed and enhances the division's ability to serve its global customer base.

Our Global Broking business is active in wholesale markets across all asset classes with the geographic performance shown below. Built on customer relationships, ICAP's 2,195 brokers help identify potential trading interest and in so doing create liquidity and facilitate price discovery in a vast array of financial instruments.

ICAP's strategy is to invest in growth markets and seize opportunities as they arise, to expand market share in products where it is not the leader, to maintain its market share where it is the leader and to extend its technological capabilities across its product set.

Revenue and operating profit* by region	Revenue £m	Change %	Operating profit* £m	Change %
EMEA	488	(13)	77	(27)
The Americas	397	(17)	34	(19)
Asia Pacific	112	(15)	(6)	n/m
Total	997	(15)	105	(31)

* Before acquisition and disposal costs and exceptional items.

For the year ended 31 March 2013 revenue decreased by 15%. Revenue was impacted by a combination of macroeconomic, country and product specific factors including the ongoing Eurozone crisis,

uncertainty created by the US fiscal cliff negotiations, historically low interest rates, regulatory uncertainty around the Dodd-Frank Act and the effect of the Basel III capital adequacy requirements.

Operating profit* reduced by 31% to £105 million and the operating profit margin* decreased to 11%. This reduction in margin of two percentage points on the previous year reflects an improvement in the second half of the year as the financial results of the division benefited from the implementation of the cost saving programme and the achievement of run-rate break-even in the operations in Brazil. Given the challenging market conditions, we continue to adjust the Global Broking cost base and increase its ongoing flexibility. Broker headcount has declined from 2,347 to 2,195. In addition, individual broker compensation has been restructured across all regions to enhance the variable nature of broker costs.

The table below illustrates Global Broking revenue by asset class. Rates and FX and money markets represent 47% of total Global Broking revenue.

Revenue by asset class	2013 £m	Change %
Rates	355	(12)
FX and money markets	111	(17)
Commodities	190	(7)
Emerging markets	142	(15)
Credit	93	(28)
Equities	106	(20)
Total	997	(15)



Our strategy in action

Development of a global Asian NDF offering

During 2012/13 we have seen significant growth in the electronic trading of Asian NDFs on the EBS Market platform. We are looking to build on this success by combining ICAP's Global Broking and EBS's respective Asian NDF resources and expertise to create a uniquely powerful and competitive product offering that will leverage the brokers' customer relationships and EBS's extensive electronic network and capabilities. This offering will enable us to capitalise on the growth potential of the Asian NDF market.

Global Broking continued

Rates

The rates business comprises interest rate derivatives, government bonds, repos and financial futures.

Rates products contribute the largest share of Global Broking's revenue. These products experienced reduced activity levels throughout the year reflecting the historically low interest rate environment and flat yield curves which particularly impacted interest rate derivatives and futures. The Eurozone crisis and the uncertainty around the SEF rules and the impact of Basel III future capital requirements on ICAP's customers have been a further drag on market confidence and risk appetite.

There was a modest improvement in the US government bonds secondary market in the second half of the year following the Federal Reserve's announcement to extend the third round of quantitative easing in September 2012. This was further cemented by the Federal Open Market Committee's announcement in December that low rates would continue into the foreseeable future.

Given the ongoing uncertainty in the Eurozone region, the European government bond markets have been extremely risk averse. Trading activity was boosted by short-term periods of volatility driven by the European Sovereign debt crisis and Central Bank actions.

Despite lower volumes, the expanded global financial futures and options team gradually increased its market share over the year and is well placed for an improvement in trading conditions.

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

The IRS teams in London and New York have worked in collaboration with our electronic businesses to develop i-Swap, an electronic platform which leverages interest rate swap voice market flow and liquidity from the largest dealers with market-leading trading technology. ICAP plans to extend this type of cross-divisional collaboration to other products.

FX and money markets

The FX and money markets business comprises spot and forwards, cash products and a joint venture in FX options.

Market conditions were difficult throughout the year as FX volumes in spot, forwards and options all declined, largely due to reduced exchange rate volatility but primarily as a result of central bank intervention. In addition, the low interest rate environment resulted in less carry trade activity further depressing volumes. Although forwards continued to be a popular tool for managing balance sheet requirements, trading activity, particularly in EMEA, declined from the exceptionally high levels recorded in the previous year to more normal levels. Trading activity in money markets was subdued as interest rates remained at historical lows.

Commodities

The commodities business comprises energy (including power and electricity, oils, natural gas, coal and alternative fuels), shipping, metals, intellectual property and other products (including cotton, wool and sugar).

In October 2012 a significant proportion of ICAP's US electricity and natural gas customers migrated from swaps to futures as the Intercontinental Exchange converted its energy swap contracts into regulated futures contracts. ICAP's energy swaps and futures brokers are fully registered and licensed to broker energy products as futures or swaps and can execute futures and listed options on a variety of exchanges. ICAP has been a leading brokerage house for block-sized futures in crude, refined products, softs and agricultural futures for many years and has deep pools of liquidity to execute block futures in these products.

Our strategy in action

Creation of the Global Broking division

ICAP's ability to innovate and adapt enables us to respond effectively to challenging market conditions and the evolving influence of technology and regulatory change. In September 2012, ICAP created the Global Broking division, an amalgamation of ICAP's three regional voice broking businesses. The division consists of more than 2,000 voice brokers across 20 offices. A single, global broking division enables us to serve our existing and potential customers better. In addition, responsibility for the development of technological solutions for our global customer base has been concentrated into a single group, allowing us to streamline our systems and resources to deliver operating efficiencies in the global marketplace.



Continued market volatility helped drive revenue in oils and alternative fuels. Market conditions remained challenging for shipping with little prospect for improved freight rates and sale and purchase continued to be impacted by a lack of trade finance. This resulted in impairing the value of goodwill in the dry chartering business to nil.

During the year a number of new initiatives were launched to develop the commodities business including the expansion of the soft commodities group to include a full-service cotton broking team and the extension of TrueQuote, ICAP's voice-electronic broking service for OTC crude, fuel oil and middle distillate swaps, to wet freight derivatives. ICAP expanded its metals business to provide middle office services to clients and plans to grow this service to cover other exchanges. The acquisition of CTI Shipbrokers (India) Pvt in September 2012 strengthened ICAP's position in India with offices in New Delhi and Mumbai employing 28 people.

Emerging markets

ICAP is active in emerging markets across Asia Pacific, Latin America, Central and Eastern Europe and Africa. Emerging market revenue includes domestic activity in local markets and cross border activity in globally traded emerging market money and interest rates products.

While the revenue from emerging markets was down, a number of local markets remain robust. ICAP's operations in Brazil reached run-rate break-even towards the year end. This was achieved after a modest improvement in revenue, a restructuring of its cost base and changes to the senior management team. In the Asia Pacific region, trading activity was particularly robust in India, the Philippines and Thailand. Other emerging market initiatives included the application to the Securities and Exchange Board of India for a licence to set up a corporate bond and fixed income exchange. Deliverable CNH products continue to be an area of focus and growth in the region and, in China, ICAP's joint venture with CFETS continues to perform well. Growth in EMEA was held back by capital adequacy issues particularly in Russia and Turkey.

Credit

The credit business comprises corporate bonds and credit derivatives.

Credit markets were extremely challenging. A lack of risk appetite and secondary market activity, as well as increased competitive pressure, had a significant negative impact on revenue, particularly in credit derivatives.

Corporate bonds, which represent more than 75% of Global Broking's credit revenue, saw a short-term improvement in activity in January with the start of the bank customers' new financial year, reflecting new debt issuance and an increase in risk appetite. Market conditions, however, remained fragile and the increase in activity experienced in January was not maintained. In response to market conditions, ICAP reduced broker headcount within its credit businesses and continues to review its cost base to identify further efficiency gains.

Equities

The equities business principally comprises equity derivatives.

Equity derivatives continued to experience very difficult market conditions, in part arising from the significant number of active broking firms operating in the market, leading to reduced customer trading and further margin compression. This resulted in an impairment in the value of intangible assets relating to the Link business by £72 million to £6 million.

In response to these difficult market conditions, ICAP has restructured its equities business. In the US, the Link and ICAP corporate equity businesses have been combined under one management team resulting in a single equity offering for customers. In Tokyo, half the equity derivatives group was relocated to Hong Kong and combined with the Hong Kong team, mirroring the move by its international customer base.



Our strategy in action

Increased focus on emerging markets

A key facet of Global Broking's strategy is to develop its emerging markets' business. Investment in people, systems and infrastructure has delivered strong revenue growth in India and China (through our CFETS joint venture) over the past 12 months. Our operations in Brazil achieved a run-rate break-even position towards the end of the financial year.

ICAP recognises that future growth in FX volumes will largely be driven by the emerging markets including Brazil, Russia, India and China. We have focused our resources accordingly and the results are encouraging. Following the launch in India of our EBS spot US dollar/ Indian rupee FX business in February 2013, we continue to see strong growth both in trading counterparties and average daily volume.

Electronic Markets

Capturing increasing demand for electronic trading

ICAP operates EBS Market platform and BrokerTec, the world's leading electronic trading platforms in spot FX and government fixed income. The platforms offer efficient and effective exchange-like trading solutions to more than 2,800 customers in over 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 ICAP's bespoke networks which connect participants in wholesale financial markets.

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

Revenue	£m	Change %
EBS	137	(11)
BrokerTec	121	(7)
Other electronic	10	(33)
Total	268	(11)
	£m	Change %
Operating profit*	113	(11)

* Before acquisition, disposal costs and exceptional items.

For the year ended 31 March 2013 revenue decreased by 11%. Combined average daily electronic volumes for the EBS Market for spot FX and the BrokerTec fixed income platform for the year ended 31 March 2013 were \$702 billion, a decrease of 12% on the previous year. Operating profit* reduced by 11% to £113 million. The operating profit margin* of the electronic businesses was maintained at 42% reflecting the benefit of cost savings delivered during the year.

Last year EBS won Best Matching Platform at the Profit and Loss Reader's Choice Digital Market Awards and Best Broker for Spot FX at the FX Week Best Banks Awards.

EBS

The award-winning EBS Market platform provides efficient and fair access to global markets for spot FX, precious metals and NDF traders around the world. For the year ended 31 March 2013 revenue decreased by 11% reflecting a decline in transaction revenue which represents approximately 65% of total EBS revenue.

Average daily FX electronic broking volume on the EBS Market platform was \$116 billion, a 24% decrease on the prior year. Despite the reduction in volume, EBS Market platform has maintained its market leading position in some of the world's most actively traded currency pairs, including euro/US dollar and US dollar/Japanese yen.

Volume on the EBS Market platform was subdued for most of the year due to lower trading activity across all major currency pairs reflecting the low interest rate environment, reduced exchange rate volatility, in part caused by Central Bank intervention, and the scaling back of proprietary trading. A change in Japanese monetary policy in early 2013 provided a short-term boost to Japanese yen volumes in January and February.

Activity in NDFs continued to grow, both in average daily volume, which increased by 645% over the prior year, and in the average number of daily trading counterparties, which increased by 70% over the prior year. In partnership with Global Broking, a combined Asian NDF offering is being developed that will leverage both the brokers' customer relationships and EBS's unique electronic network and capabilities. In February, EBS executed the first trade in US dollar/Indian rupee for onshore bank customers in India. The rupee is already one of the top 20 most traded currencies globally and this position is set to rise when it becomes fully convertible.

In March 2012, Gil Mandelzis was appointed Chief Executive Officer of EBS and subsequently restructured the business including the senior management team. During the course of the year, and following consultation with the EBS customer base, new dealing rules and platform changes were implemented to improve customers' trading experience and ensure that EBS remains the source of genuine, executable spot FX liquidity. These enhancements included a move to half pips and full pips in core pairs and revised quote and hit fill ratio targets. These changes have been positively received by EBS's customers.

In November 2012, ICAP announced the upcoming launch of EBS Direct, a new relationship-based disclosed liquidity service which will widen the current customer base. EBS Direct, which is now live with its

beta programme and four liquidity providers, delivers increased trading opportunities by enabling the streaming of tailored prices direct to liquidity consumers. EBS Direct has already signed up more than 200 customers in 44 countries with commitment from over 20 liquidity providers and expects to go live in the second half of 2013/14.

In December 2012, EBS acquired Global Research and Consulting Limited, known as ClientKnowledge, the leading advisory liquidity optimisation firm specialising in FX. ClientKnowledge has been integrated into EBS's operations under the name EBS Liquidity Optimization. This has added a wide range of unique quantitative and analysis services, alongside existing products, to support efficiency, best execution and improved profitability for EBS's customers. Working closely with EBS Direct, this will help extend EBS's customer base as an aggregator of FX liquidity and embed EBS more deeply within its customers' value chain.

BrokerTec

BrokerTec is the leading electronic trading platform for the fixed income markets, providing innovative technology solutions across a wide range of products to more than 500 customers round the world. BrokerTec delivers efficient, transparent, anonymous and orderly electronic fixed income trading opportunities for all market participants.

For the year ended 31 March 2013 revenue decreased by 7% compared to the prior year, partly as a consequence of a change in the product and customer mix. Total average daily volume in US Treasury products, EU repo and US repo was \$587 billion, a decrease of 9% compared to the prior year. Following BrokerTec's migration to a new trading platform in March 2012, it benefited from an increase in market share in US actives, the key product it trades.

Lower volume on the BrokerTec platform was driven by historically low yields, resulting in tighter trading ranges, as well as unease over the state of the global economy. A number of factors from the US and Europe contributed to this, including quantitative easing, reduced investor confidence due to the ongoing Eurozone crisis, fiscal cliff concerns, the debt ceiling and, more recently, the US budget sequestration. A modest improvement in the US economy and an active new issuance programme in Eurozone markets improved volumes towards the year end.

Repo volumes improved in the last quarter of 2012/13 as some banks returned cash to the European Central Bank under the long-term refinancing operation and securities returned to secondary markets. Pressure on credit lines between banks, particularly in Spain and Italy, continued to drive business electronically via central counterparties as there was an increased need to trade bilaterally and therefore to use the clearing facilities of a central counterparty as offered over BrokerTec. The increase in repo volumes in the last quarter of 2012/13 resulted in a less pronounced improvement in revenue due to the relatively inelastic pricing structure.

In November 2012, in line with its ongoing investment in technology, BrokerTec launched a new, high speed market data protocol called ITCH for the US Treasury market. ITCH allows customers to track the status of an order from the time it is first entered until its execution or cancellation.



Our strategy in action

Progress at EBS

Following the appointment of Gil Mandelzis as the new Chief Executive Officer in March 2012, EBS conducted an in-depth review of its business. After extensive consultation with customers it announced new dealing rules in July which promote transparency, fairness and executable liquidity for all participants. This was part of a new series of initiatives for EBS that included a move away from decimalisation for most of its currency pairs. In November EBS announced its intention to launch EBS Direct, a relationship-based platform that allows users to choose the counterparties they trade with and provide tailored pricing. These initiatives, together with a restructuring of its operations, have strengthened the overall EBS offering which has been well received by customers.

Electronic Markets continued

i-Swap

i-Swap, ICAP's global electronic trading platform for IRS, has continued to build on its leading market position and has brought increased transparency and greater efficiency, as well as lower transaction costs, to the world's largest OTC derivative market.

From July 2012, volumes on i-Swap in Europe improved as volatility subsided and spreads narrowed following comments by the President of the European Central Bank that it was ready to intervene in the sovereign debt markets. While growth in this nascent electronic market remains delicate, momentum is building and electronic volumes in the final quarter of 2012 have trended higher. On individual days the number of trades exceeded the highs that were reached prior to the Eurozone crisis of June 2011, representing 35% of ICAP's overall 1–30 year euro swap transactions.

In December 2012, ICAP announced that Citigroup had taken an equity stake in iSwap Limited by diluting the other shareholding banks. Citigroup will support the platform with streaming prices, alongside the other shareholding banks, Bank of America Merrill Lynch, Barclays, Deutsche Bank and JPMorgan.

On 15 February 2013, i-Swap launched in the US with 14 banks submitting credit limits and permissioned to trade electronically. Since its launch, the platform has operated efficiently and customers have taken the opportunity to familiarise themselves with the new style

of trading in readiness for full implementation following the upcoming regulatory reforms. The publication of the final SEF rulebook will define the parameters under which SEFs will operate and act as an additional catalyst for the utilisation of i-Swap going forward.

The next stage in the development of i-Swap will be the extension of the platform to cover other currencies, including the British pound and the Australian dollar.

MyTreasury

MyTreasury, ICAP's electronic money market trading platform for corporate treasury investors, is the largest third-party electronic trading platform in offshore MMF and is steadily building its presence in the onshore US market with both its MMF and time deposit trading activities. MyTreasury has experienced steady growth in the value of assets being serviced through the platform. In the past 12 months, MyTreasury operations have been extended into the US and term deposits and certificates of deposit have been added to the range of instruments that can be traded via the platform.

ISDX

In June 2012, ICAP acquired Plus Stock Exchange plc, which was relaunched as ISDX in October 2012. ISDX comprises three markets, the ISDX Growth Market, the ISDX Main Board and the ISDX Secondary Market. The core offering for ISDX is its Growth Market, which is dedicated to helping entrepreneurial companies access equity capital to finance the development of their businesses, while providing investors with exciting and potentially rewarding investment opportunities. There are 130 companies listed on ISDX. The ISDX Secondary Market was relaunched on 31 October 2012 with four market makers offering an alternative venue for trading approximately 300 AIM and other London Stock Exchange listed stocks. The changes made at ISDX have been well received by market participants. The acquisition of ISDX, an RIE and RSE, provides additional flexibility in a changing regulatory environment.

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.



Our strategy in action

Launch of ISDX

In June 2012 we acquired Plus Stock Exchange plc, one of only six RIEs in the UK, the others being LSE, LIFFE, LME, ICE and BATS Chi-X Europe. It was relaunched in October as ISDX. The core offering for ISDX is its Growth Market which is dedicated to helping entrepreneurial companies access equity capital to finance their businesses. There are 130 companies listed on ISDX. In the future it could be used to launch new derivatives contracts leveraging off ICAP's substantial existing electronic and derivatives expertise.

Expanding our customer base and product portfolio

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 which together provide services to more than 3,000 customers. Demand for improvements in the efficiency of post trade processing and for reductions in the capital allocated to existing positions continued to provide opportunities for ICAP's Post Trade Risk and Information business which now represent a core and embedded part of its customers' processes and infrastructure.

ICAP's aim is 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 to increase efficiency, return on capital and capacity to process trades.

Revenue	£m	Change %
Reset and ReMatch	47	(10)
TriOptima	44	2
Traiana	43	19
Information	73	(3)
Total	207	—
	£m	Change %
Operating profit*	90	(2)

* Before acquisition and disposal costs and exceptional items.

For the year ended 31 March 2013 revenue of £207 million was in line with the prior year. Operating profit* decreased by 2% and the operating profit margin* was flat at 44%.

Reset and ReMatch

Reset is the market leading provider of risk mitigation services, reducing the basis risk within portfolios from fixings in the interest rate, FX and inflation markets. This risk results from the structure of the instruments traded and a mismatch of exposure over time. It also addresses structural imbalances within trading portfolios. ReMatch, the operations of which are now fully integrated into the Reset business, rebalances the illiquid basis and market risk inherent in credit derivative portfolios.

For the year ended 31 March 2013 revenue decreased by 10%. Revenue growth was held back by the low interest rate environment in all major currencies, Libor volatility at all time lows and flat yield curves. Against these difficult market conditions Reset and ReMatch continue to grow their customer bases. Reset is now used by more than 375 banks and over 3,000 individual users. Any anticipated change to the interest rate outlook should increase basis risk in Reset and ReMatch's customers' portfolios and therefore increase demand for their services.

Both Reset and ReMatch have launched innovative new products during the year. These include a new cross-currency basis service from Reset and a new product to help traders manage risk in the index market from ReMatch. ReMatch continues to cement its position in the CDS market for both western European and emerging market sovereigns and has recently launched its service in Asia.

Post Trade Risk and Information continued

TriOptima

TriOptima, through triReduce and triResolve, is the market leader in risk termination and risk mitigation solutions for OTC derivatives, primarily through the reconciliation and elimination of outstanding transactions.

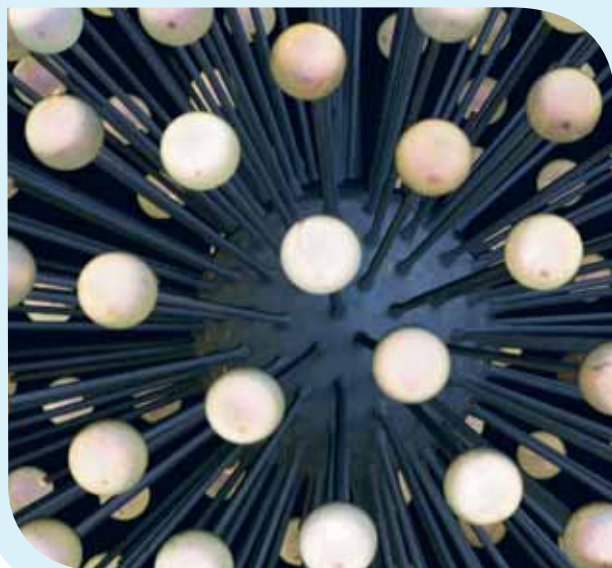
Aligned with the G20 policy objective of reducing systemic risk, triReduce enables market participants to decrease counterparty credit risk, the number of outstanding contracts and the gross notional value, through early termination of existing contracts for rates, credit and commodity swaps. Since its launch in 2003, it has terminated more than \$338 trillion in total notional volume.

The portfolio reconciliation service, triResolve, operates a community network facilitating efficient collateral management and dispute resolution and reduction in operational risk in line with regulatory requirements.

For the year ended 31 March 2013 revenue increased by 2% and by 8% on an underlying basis (at constant exchange rates). Revenue growth was mostly driven by an increase in the use of our reconciliation service, triResolve, a subscription based service, has benefited from the proactive implementation of best practice in risk management and portfolio reconciliation ahead of changes in regulation. triResolve has more than 250 firms in its network, regularly reconciling more than seven million OTC derivative trades. In addition to terminating \$70 trillion of gross notional outstanding (2011/12 – \$72 trillion), TriOptima completed its first portfolio compression cycle for precious metal swaps and its first portfolio compression cycle at the Singapore Exchange.

TriOptima continues to innovate and provide its customers with new solutions. triBalance, which is expected to be launched in October 2013, is a new service designed to reduce systemic risk and improve counterparty risk management. Since not all trades by banks are eligible for clearing, triBalance will provide a solution for firms to manage bilateral risk for their uncleared portfolios. TriOptima is also working with customers to pilot a new counterparty credit risk analytics service for OTC derivatives called triQuantify.

Last year TriOptima received the Energy Risk Technology House of the Year award for triReduce and triResolve.



Our strategy in action

TriOptima's new triQuantify service

In January 2013, TriOptima announced its new triQuantify service for counterparty credit risk analytics and initial margin calculations for OTC derivatives. This has been positively received by the market. A multitude of factors including new regulatory initiatives in risk management and collateral, the wealth of portfolio data in triResolve, and recent significant advances in state-of-the-art large scale parallel computing (itself enabling a unique approach to risk calculations) have combined to create an ideal opportunity for the introduction of triQuantify. TriOptima has recruited several pilot customers who will help shape the final service.

Traiana

Traiana provides financial institutions with services to automate post trade processing of transactions in listed and OTC markets. Traiana's post trade solutions have become the market standard for FX. Traiana is focused on growing its FX business and exploiting the strengths of its Harmony network by adding new asset classes including exchange traded derivatives, fixed income, interest rate swaps, cash equities and equity swaps. Traiana's Harmony network connects more than 550 global banks, broker/dealers, buy-side firms and trading platforms.

For the year ended 31 March 2013 revenue increased by 19%. Revenue growth was driven by an increase in the number of transactions processed by Harmony. The average number of transactions processed per day for the year ended 31 March 2013 was 1.4 million (2011/12 – 1.1 million), an increase of 37% on the previous year. In addition, Traiana's trade aggregation joint venture with CLS Group, CLSAS, processed on average more than 360,000 transactions per day in the year ended 31 March 2013, having increased by more than 45% over the past 12 months.

The expansion of Traiana's platform to new asset classes and segments continues to provide it with growth opportunities. Harmony is now connected to nine of the top ten futures brokers, positioning Traiana to expand services to buy-side firms and reinforce its value proposition to sell-side firms. Working with leading buy-side firms, Traiana has implemented a FIX/SWIFT compliant solution to reduce costs and create more efficient straight through processing in cash equities and fixed income markets. In September 2012, Traiana expanded its Harmony CreditLink initiative with the addition of real-time limit monitoring and a kill switch capability for exchange traded derivatives.

On 14 January 2013, ICAP announced that it had sold a 12% stake in Traiana to seven of its leading customers giving the business an implied valuation of \$300 million. Collectively, the investors also have an opportunity, under certain conditions, to acquire an additional 20% equity in Traiana at a cost of up to \$82.5 million. More recently, Goldman Sachs has joined the bank customer/shareholder consortium and bought a 1.67% stake in Traiana on the same terms. While ICAP retains control of Traiana (86.6%), the sale will solidify the relationship between Traiana and its customers, align their interests and help accelerate product adoption.

In 2013, Traiana won the Markets Media Choice Award for Best Post Trade Processing Solutions.



Our strategy in action

Traiana's strategic partnership with leading global banks

Traiana provides financial institutions with services to automate post trade processing of transactions in listed and OTC markets. ICAP solidified its partnership with major players in the global FX industry when eight of its leading customers invested in approximately 13% of Traiana. This partnership ensures that our interests are aligned and will help accelerate the growth of Traiana, enabling the transformation of the markets we serve and making them more robust for our customers and their clients.

Post Trade Risk and Information continued

Information

ICAP Information Services (IIS) is the leading provider of OTC market information, delivering independent data solutions to financial market participants. It employs a subscription-based charging structure providing a regular revenue stream.

For the year ended 31 March 2013 revenue decreased by 3%. This decline was primarily due to the loss of a proportion of data sales following a change to EBS's product offering. Market data generated via the EBS platform and sold by the IIS business amounted to 40% of IIS's revenue for the current year (2011/12 – 43%). Excluding the EBS related sales, IIS's revenue grew by 3%.

During the year, IIS's product offering has grown to incorporate new and innovative data solutions as the market continues to demand greater transparency and accuracy. IIS launched a credit rating service with Rapid Ratings, an alternative rating, research and analytics firm. This product delivers a unique view of the credit derivatives market. In addition to this new pricing service, IIS added hazard rates and survival probabilities enabling customers to manage issuer credit risk more efficiently.

IIS has worked to develop a series of trade-backed, volume-weighted indices and launched RepoFunds Rate as well as the Tankard Index. RepoFunds Rate, launched with BrokerTec and MTS, is the first index to reflect the effective cost of secured funding in key Eurozone countries. Tankard, a series of indices for UK and European natural gas hubs, is calculated from trades arranged by ICAP, Marex Spectron and Tullett Prebon. The trades are physically-settled natural gas forwards, transacted between utilities, natural gas producers, hedge funds, banks and trading houses.



Our strategy in action

Indices – meeting the demand for more transparent benchmarks

ICAP has positioned its index business to capitalise on forthcoming market and regulatory developments. A number of trade-backed, volume-weighted indices have been launched in response to demand from the market for more transparent benchmarks that are fully auditable. RepoFunds Rate and iRepo reflect a market progression from unsecured to secured forms of funding. These robust indices are calculated from actual trades made on centrally cleared regulated trading systems. The Tankard Index was also launched following demand for increased transparency in the UK and European gas markets.



Our strategy in action

Euclid Opportunities – technology innovation for financial markets

Innovation is central to ICAP's growth. Through Euclid Opportunities, ICAP provides funding as well as tailored support and guidance to entrepreneurs to help them deliver strategically viable financial technology solutions to market.

In November 2012, we increased our investment in Model Two Zero Limited (trading as Duco), an early stage software firm, to develop a next generation reconciliation service built on the company's innovative matching and data-translation technologies. This hosted service utilises intelligent algorithms to reduce the time and cost involved in setting up reconciliations, improving operational risk controls, efficiency and flexibility across the industry. Launched in April 2013 the service is expected to be a key development in the post trade technology landscape.

Other Post Trade Risk and Information investments

ICAP's Post Trade Risk and Information business invests in new companies developing innovative technology-led offerings via Euclid Opportunities. Euclid Opportunities is majority owned by ICAP and has assessed more than 300 early stage firms since its launch in March 2011. Its portfolio includes minority stakes in Model Two Zero Limited, trading as Duco, an early-stage software firm pioneering the next generation of innovative matching, reconciliation and data-translation technologies (invested in December 2011 and November 2012), OpenGamma, a real-time risk analytics provider (invested in August 2012) and Global Valuation, a next generation provider of portfolio valuation and simulation software (source code agreement January 2013).

We are highly cash generative and have a strong balance sheet

Profit for the year

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit before tax*	284	354
Acquisition and disposal costs	(158)	(137)
Exceptional items	(60)	–
Profit before tax (statutory)**	66	217
Tax	(23)	(77)
Profit for the year	43	140

* Before acquisition and disposal costs and exceptional items

** After acquisition and disposal costs and exceptional items

Statutory profit after tax (after acquisition and disposal costs and exceptional items) was £43 million (2011/12 – £140 million).

Acquisition and disposal costs

Acquisition and disposal costs in the year were £158 million, consisting primarily of amortisation of intangibles of £69 million and impairment charges of £81 million. Amortisation of intangibles was in line with the prior year and no material intangibles were acquired in the year. The impairment of goodwill attributable to the Link business in the prior year meant that any worsening of the outlook for that business would trigger a further impairment. Further weakening in the equity derivatives markets in the year has led to an impairment charge of £72 million in Link. The remaining impairment was in respect of shipping where market conditions for dry cargo remained difficult.

Exceptional items

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

For the year to March 2013 exceptional items before tax were £60 million (2011/12 – £nil charge). Exceptional costs of £30 million were incurred in delivering the Group's cost saving programme which delivered £60 million of savings in the year and an expected £80 million on an annualised basis. Exceptional costs of £18 million arose as a consequence of key strategic decisions in the EBS business. Further exceptional costs of £12 million related to legal and professional fees for advice in responding to requests for information and in co-operating with some government agencies as part of an industry-wide investigation.

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 for the year on profit, excluding acquisition and disposal costs and exceptional items, was 26% (2011/12 – 27%).

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.

Balance sheet

The Group's net assets at 31 March 2013 were £1,156 million (2011/12 – £1,210 million).

Cash and cash equivalents totalled £602 million (2011/12 – £547 million) and gross debt was £577 million (2011/12 – £629 million). In the year the Group moved from net debt of £82 million to net cash of £25 million, due largely to its strong cash generation with ongoing free cash flow of £274 million before cash flows from exceptional items of £34 million and dividend payments of £145 million. Committed headroom under the Group's RCF at 31 March 2013 was £580 million (2011/12 – £324 million), representing the full extent of that facility as free cash flow generated and £193 million of debt raised in the year allowed full repayment of funds drawn on the RCF. At 31 March 2013, the earliest debt maturity date was on a bilateral loan for £71 million equivalent due on 27 September 2013.

Restricted funds at 31 March 2013 were £37 million (2011/12 – £50 million). This represents cash to which the Group does not have immediate and direct access, such as margins posted at CCP clearing houses. This balance fluctuates with trading.

At 31 March 2013, the Group's Pillar 1 regulatory capital headroom remained stable at £0.9 billion (2011/12 – £0.9 billion) as a result of the low market and credit risk in the Group. The Group continues to benefit from the BIPRU Investment Firm waiver which will fall due for renewal in 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 excludes the impact of acquisition and disposal costs and exceptional items.

Adjusted basic EPS fell by 18% to 33.0p reflecting the fall in operating profit* offset by a lower tax charge. The Group's basic EPS fell from 21.1p to 6.7p.

Dividend

The directors recommend a final dividend of 15.4p per share. The full-year dividend will be 22.0p (2011/12 – 22.0p). This reflects the Group's continuing ability to fund this level of dividend as a result of its strong cash generation and the board's confidence in the medium-term prospects for the business.

The final dividend is lower than the prior year of 16.0p which is simply a result of this year's interim dividend being slightly higher, at 6.6p compared with 6.0p. The full-year dividend per share of 22.0p is covered 1.5 times (2011/12 – 1.8 times) by adjusted basic EPS of 33.0p. If approved, the final dividend will be paid on 19 July to shareholders on the register at the close of business on 28 June 2013. The shares will be quoted ex-dividend from 26 June 2013.

Interim dividends are calculated as 30% of the previous year's full-year dividend. This approach is expected to continue for the 2013/14 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. Free cash flow conversion for the year was 130%. This is higher than the 103% conversion in the prior year due largely to a reduction in operational working capital requirements in the Group.

Free cash flow

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Cash from ongoing operations**	387	425
Interest and tax	(81)	(113)
Cash flow from operating activities**	306	312
Capital expenditure	(39)	(52)
Dividends from associates and investments	7	8
Ongoing free cash flow	274	268

** Before exceptional items

Cash generated from ongoing operations was £387 million, £38 million lower than the previous year largely as a result of lower operating profit* offset by a reduction in the working capital employed in the business.

Net payments in respect of interest and tax reduced by £32 million to £81 million, primarily reflecting a reduction in tax payments flowing from the lower tax charge.

Capital expenditure incurred during the year of £39 million was £13 million lower than the prior year reflecting a combination of timing differences at the year end and the short-term deferral of expenditure during the course of the strategic review of ongoing product and trading platform development within EBS. Future capital expenditure is to broadly follow historical levels of depreciation. Capital expenditure on IT development was broadly in line with prior year levels.

The Group distributed £145 million of its free cash flow to shareholders through dividends and bought back 97,523 shares which are held as Treasury Shares at a cost of £0.3 million.

Events after the balance sheet date

There are no material events subsequent to the balance sheet date.

* Before acquisition and disposal costs and exceptional items

Making markets more resilient, safer and transparent

As an integral part of 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 and government and companies raise capital.

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.

Our principal contribution is to help ensure the efficient functioning of the global markets. Our broking and electronic platforms provide transparency, source liquidity and enable price discovery for our customers. The move towards electronic trading 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.

Customers

ICAP has a wide and growing customer base. No single customer represents more than 5% of Group revenue. ICAP's broking customers are primarily banks with the relative size of specific customers varying considerably by product and geography. Revenue from our customers is derived from a wide range of products in different asset classes across both execution and risk mitigation services.

A significant proportion of ICAP's revenue comes from non-bank customers. In the year ended 31 March 2013 execution revenue from non-bank customers was 21% of Group revenue and subscription revenue was 12% of Group revenue. Non-bank execution revenue is largely generated from transaction activity on EBS and BrokerTec and from Global Broking's commodities and futures broking business. The majority of commodities revenue comes from energy producers, users and trading firms. Subscription revenue comes from data vendors and is mainly generated from our Electronic Markets and Post Trade Risk and Information businesses.

Health and safety

ICAP has a health and safety policy which is approved by the board and owned by the Group Finance Director. 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 Finance Director. ICAP's operations cause minimal environmental impact. Wherever possible, ICAP takes 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. As in previous years we commissioned Carbon Neutral Limited, an environmental consultancy, to estimate the residual emissions of the Group in terms of carbon dioxide equivalents. Based on the analysis performed by Carbon Neutral Limited, we estimate that the Group emits the equivalent of 31.5 thousand tonnes of carbon dioxide or 6.3 tonnes per employee per annum (2011/12 restated – 7.0 tonnes per employee). The reduction in our greenhouse gas emissions reflects the use of more efficient lighting and air conditioning in our offices, a focus on more environmentally friendly buildings when moving offices, the recycling of waste and by the purchase, where possible, of electricity from renewable sources. Our travel commitments have remained relatively constant during the year and we continue to promote the use of video conference facilities.

As in previous years, we will be mitigating our total carbon emissions by investment in carbon reducing projects.



ICAP's voluntary carbon capture programme

ICAP's voluntary carbon capture programme has funded the restoration and protection of 224 hectares of peatland in the Scottish highlands that had degraded due to generations of draining and use for livestock. The work involved extensive scientific surveys and the blocking of more than 10 miles of man-made drainage ditches in order to restore the water table.

The peat now acts as a carbon sink and is expected to store, over the next 100 years, more than ICAP's 2011 and 2012 carbon emissions.

ICAP Charity Day

£100m
donated since 1993

ICAP Charity Day has had an enormous impact. By donating all our revenue on one day each year, we have positively changed the lives of hundreds of thousands of people around the world. Thanks to the efforts of our customers, suppliers and employees, an incredible £11 million/US\$17.7 million was raised on 5 December 2012 bringing the total amount donated over 20 years to more than £100 million.



“We are enormously proud to have donated more than £100 million since we started. This momentous milestone would not have been possible without the incredible and ongoing support of our customers, suppliers and employees benefiting hundreds of charities around the world.”

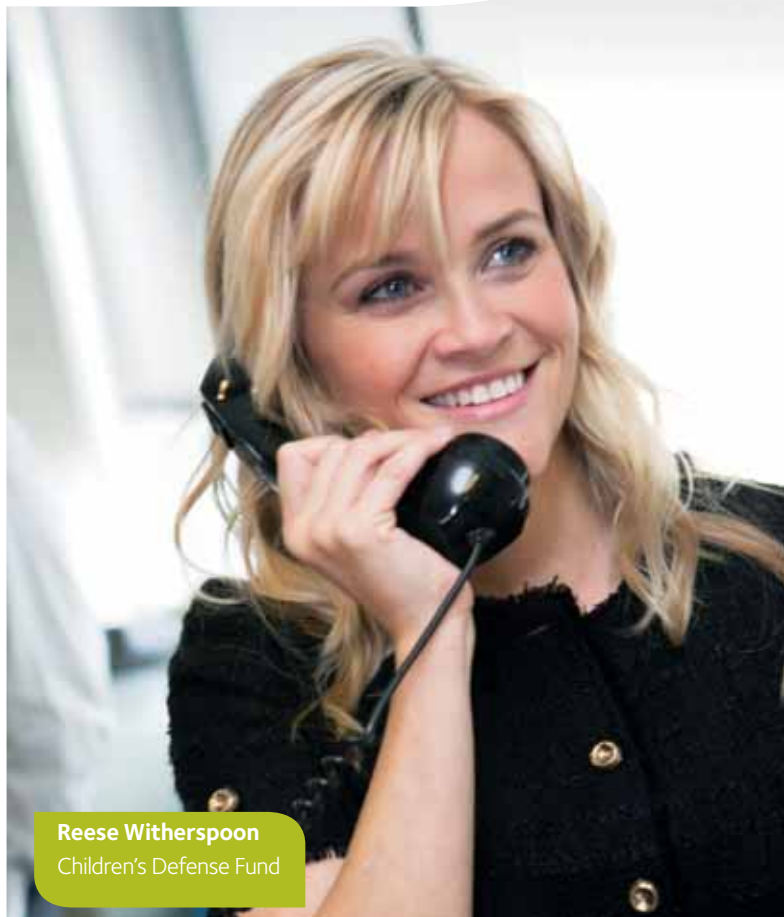
Michael Spencer Group Chief Executive Officer



Samantha Cameron
KIDS



Ben Fogle
Tusk Trust



Reese Witherspoon
Children's Defense Fund



Gillian Anderson
Sohana Research Fund



Twiggy
Rambert Dance
Company



Liv Tyler
David Lynch Foundation



Mo Farah
Mo Farah Foundation



Kevin Spacey
The Kevin Spacey
Foundation

Making a big impact

Charity Day has made a significant difference by supporting more than 1,400 projects worldwide.

It has enabled us to fund projects such as an out-patient programme for ex-service men and women, a cancer care centre for young people and gene-modified cell therapy which is the next step in vital clinical trials for healing recessive dystrophic epidermolysis bullosa.

Read about the projects ICAP Charity Day has supported in the 'Success Stories' section of the website.

www.icapcharityday.com/success-stories

Missing People Europe

250,000 people go missing every year in the UK alone, 140,000 of those are children. Missing People provides free 24-hour confidential support, help and advice by phone, email, text and online, including the opportunity to reconnect missing people with their families. A donation from Charity Day has enabled the transformation of Missing People with the launch of 116 000, the new EU helpline for missing children.

"We are immensely grateful to ICAP for funding the launch of 116 000. ICAP's transformational donation has changed Missing People for ever, a better outcome has been integral to reaching a wider audience of vulnerable people. We could not have hoped for better outcomes."

Jo Youle Chief Executive, Missing People



BLUE Marine Foundation UK

ICAP is now the lead sponsor for supporting a conservation and sustainability project never undertaken before in the UK. Fishermen and conservationists have created a unique alliance to manage Lyme Bay, on the south coast of England, a project driven by the BLUE Marine Foundation. This project demonstrates that livelihood development and conservation can work in harmony. This will create a blueprint for managing Britain's 127 proposed marine areas without destroying the economies of fishing communities.

"It was a huge honour to be selected as ICAP's first marine conservation charity beneficiary. The impact ICAP's support has had on our work is immeasurable. ICAP's support has enabled a ground-breaking project on the Jurassic Coast of Dorset, which is now being used as a blueprint for nationwide marine conservation. Without their support such rapid progress would not have been made."

Rachel Etherington Managing Director, BLUE Marine Foundation



Boys & Girls Clubs of Hudson County New York

The Boys & Girls Clubs of Hudson County promotes the development of young people by instilling in them a sense of confidence, responsibility and belonging. The club offers positive experiences, and is a compelling alternative to youth crime, gang memberships and other negative influences. ICAP has supported the charity since 2008, and ICAP employees from the New York office volunteered to spend time with the young people at the Boys & Girls Clubs of Hudson County to gain a closer understanding of what the charity is about. The volunteers played a selection of childhood games with the youngest members and then challenged the High School kids to a fast paced game of basketball.

"Before you do something you have never done before, you have an idea in your mind about what to expect... what I didn't expect was my emotional reaction to the overwhelming response of appreciation from those people we met that day and how ICAP's involvement with these charities has helped make lives better."

Felicia Nicholas ICAP North America.

GREAT FUTURES START HERE.



Inspirasia Foundation Singapore

The Inspirasia Foundation is a philanthropic portfolio investing in health and education projects which have a high potential for growth. They help some of the most marginalised social groups in India, Indonesia and Thailand, including the disabled, poor young women and unschooled children with the aim to teach them skills that will enable them to go on to lead more independent lives.

The Inspirasia Foundation invests in small organisations that have strong leadership and a commitment to help the most disadvantaged in society. With the help of ICAP funding Inspirasia will focus on areas such as health, education and poverty alleviation supporting groups that create opportunities through scholarships, rehabilitation and work placements in cities throughout India, Indonesia and Thailand.

Inspirasia
FOUNDATION



Watch the video
www.icapcharityday.com



Visit our Facebook page
www.facebook.com/icapcharityday



Read the tweets
www.twitter.com/icapcharityday

Risk management



Risk management

ICAP's risk profile

As a leading markets operator and provider of risk mitigation and information services ICAP has a very different risk profile from that of a bank, investment bank, asset manager, insurance company or hedge fund. ICAP does not undertake proprietary risk in the course of its business and only enters into transactions when executing on behalf of customers or providing customer access to clearing services. 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. The majority of ICAP's businesses have a fast conversion of revenue to cash.

As a result of its business model, ICAP is exposed to a variety of risks: strategic, operational, liquidity, credit, legal and compliance, financial, reputational and market.

As a predominantly fee earning organisation, third-party relationships and reputation are central to ICAP's continued success. The Group remains focused on maintaining and constantly strengthening relationships with shareholders, customers, regulators, lenders, clearing and settlement providers, market infrastructure providers and employees.

The primary risk to ICAP's financial success is adverse impacts on the commission revenue generated from its customers.

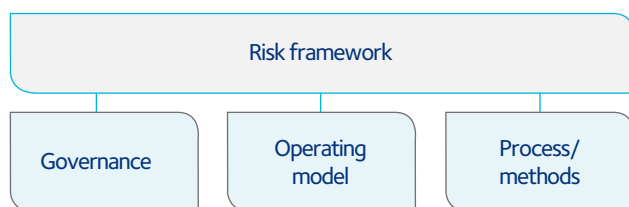
Group's business activities	Business model is reliant on	Risks
Global Broking	Relationships – customers, employees Regulatory licences Short-term credit exposure to customers in the settlement cycle (<T+3) Liquidity to settle trades Infrastructure (including for clearing and settlement, IT) Market data infrastructure	Reputational damage Strategic event Counterparty failure Lack of liquidity Operational event
Electronic Markets	Relationships – customers, employees Infrastructure (including for clearing and settlement, IT) Short-term credit exposure to customers prior to clearing (<30 minutes) Regulatory licences Liquidity to meet margin calls	Reputational damage Operational event Counterparty failure Strategic event Lack of liquidity
Post Trade Risk and Information Services	Relationships – customers, employees Infrastructure (including IT) Regulatory licences	Reputational damage Operational event Strategic event

Governance and risk management framework

The board has overall responsibility for the Group's risk management framework and sets the Group's risk appetite based on an annual assessment of the Group's strategy and analysis of known and potential emerging risks.

The board monitors the risk profile of the Group using eight risk categories: strategic, operational, liquidity, credit, legal, financial, reputational and market.

Our risk management framework is designed to manage and mitigate the risks that could impact on our ability to execute our strategy. To ensure a consistent risk management approach globally, the framework is used across all risk disciplines with the following pillars:



Governance – in addition to appropriate governance at all levels of the Group as detailed in the corporate governance statement, this pillar incorporates continued fostering of the corporate risk culture.

Operating model – includes the underpinning guidelines and procedures, control environment, and risk department structure.

Process/methods – identification, assessment and mitigation of risk at Group and business level.

Example of risk management – Hurricane Sandy

Business continuity plans were initiated on a global basis as a result of Hurricane Sandy, which struck the Eastern Seaboard of the US with devastating force in late October 2012. The storm surge and flooding destroyed roads and power lines and made ICAP's main New Jersey office and much of lower Manhattan inaccessible for several days. As well as several other businesses, ICAP's BrokerTec system, the world's largest regulated venue for the trading of US Treasury instruments, is run from the New Jersey office, with back-up and failover sites at remote locations. All ICAP's systems continued to operate successfully and key staff operated from pre-prepared disaster recovery sites. ICAP remained in close and regular dialogue with the US Federal Reserve and Treasury Department in order to ensure the orderly clearing and settlement of transactions that had been entered via the BrokerTec system and to maintain the operation of the market.

Evolving risk profile

Our approach for managing risk is underpinned by our understanding of the risk exposure for the Group, our risk appetite and how our risks are changing over time.

The Group's key risks remain broadly unchanged from 2012 with our most significant risks remaining strategic, operational and liquidity. The balance has however changed with strategic risk increasing due to continued uncertainty around regulation and the inconsistent application of G20 objectives. This has been coupled with stuttering economic growth. Despite the uncertainty, this presents opportunities for the Group to provide and expand services that contribute to the efficient operation of capital and financial markets.

As strategic risk has become more important in the continued growth and evolution of the business based on the current dynamic regulatory environment, so has the necessity of ensuring all aspects of regulatory risk are specifically identified and addressed effectively.

Iterative approach to risk management

The Group views risk management as a dynamic iterative process and continually seeks to improve it. The following areas have been of particular focus for the Group and will continue to be so:

- enhanced stress testing capabilities across all risk disciplines, particularly focusing on the impact of potential regulatory changes on specific entities within the Group;
- more detailed probability analysis determining effects of market changes in customer behaviour;
- operational risk framework enhancements to strengthen global consistency; and
- continued refinement of risk monitoring processes including potential revision of key risk indicators to ensure appropriate management information.

Risk management continued

Risk overview

The table below is a high level overview of how the Group's risk profile has changed over the past year due to external events and internal mitigation. This is intended as an indicative summary of the Group's risk profile only.

Risk	Rating	Appetite	Description of change
Strategic	High	Proactive	Changing market landscape in addition to regulatory reforms potentially impacting the business model.
Operational	High	Cautious	Greater reliance on technology. More intrusive and enforcement lead regulation. Improved processes and employee training to reduce inherent risk.
Liquidity	High	Cautious	Significant mitigation has been implemented but has been partially offset by increased liquidity requirements from clearing houses.
Credit	Medium	Minimal	Enhanced monitoring system infrastructure globally is partially offset by deterioration in counterparty quality given macroeconomic conditions.
Legal and compliance	Medium	Averse	New regulations have been introduced in addition to increased regulatory scrutiny of markets where ICAP has regulated entities.
Financial	Low	Minimal	Profile remains stable with no major changes in operations or appetite.
Reputational	Medium	Averse	Increased due to the continued uncertainty in the regulatory environment.
Market	Low	Minimal	Remains stable as a second order impact risk.

Principal risks

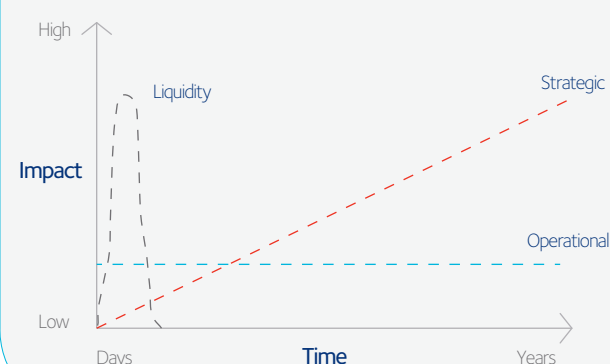
The following three risks have been identified by the board as the principal risks faced by the Group. Each has a different impact on the Group based on the time horizon (see opposite).

Strategic – manifests over a medium time frame which allows for management action to reduce the impact.

Operational – inherent in the business model, however significant controls are in place to lessen the impact of any event.

Liquidity – although unexpected large liquidity drains are considered unlikely, these could manifest themselves over an extremely short time frame (1–2 days).

Risk impact time horizon



Principal risks

Strategic risk

Overview

Inherent risk that Group services become obsolete to existing or future customers.

First order risk driven by external (regulators, customers, competitors etc) and internal (governance) factors.

Potential manifestations and tolerance

The competitive landscape is continually changing with regulation redefining certain aspects of our business and changing customer needs. Of particular note is the move towards electronic trading, central clearing of derivatives and the continued uncertainty of the final shape of the reforms.

ICAP has a material tolerance of this risk given the strong appetite to explore the introduction of new innovative products and service lines through organic growth and acquisitions and a desire to lead its competition.

Mitigation

ICAP maintains constant dialogue with customers and regulatory bodies in order to leverage environmental and changing customer needs. ICAP is therefore able to use its unique position at the heart of the wholesale financial markets to provide and enhance services that are:

- relevant;
- scalable;
- flexible; and
- have realistic opportunities for growth and longevity.

Operational risk

Overview

Inherent risk of financial (losses, fortuitous gains, fines) or non-financial impact (reputational, opportunity, costs) resulting from human errors, inadequate or failed internal processes or systems, or external events.

First order risk driven by internal (human error, system failure) and external (terrorism, fraud) events.

Potential manifestations and tolerance

Trade execution or processing errors. Extended failure of IT networks, systems, or communication.

Internal or external events affecting buildings or people.

Loss of critical staff.

Inadequately managed projects including new business initiatives.

ICAP has limited tolerance of financial loss as a result of operational risk as ICAP accepts that even after mitigating controls there will be residual risk which could lead to losses.

Mitigation

A control framework exists within which risks and controls are identified, assessed and monitored.

The Group continues to invest heavily in infrastructure to mitigate its own risks.

Formal business continuity plans and appropriate remote data back-up and disaster recovery facilities are available for each key location.

Liquidity risk

Overview

Inherent 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.

First order risk driven by internal (operating model) factors. Second order impact from potential operational and credit events.

Potential manifestations and tolerance

In exchange traded and matched principal business, as a result of a counterparty not fulfilling its obligations or due to timing issues, ICAP may be required to place margin or collateral at clearing houses of which it is a direct member and at third-party clearing providers who act on the Group's behalf.

ICAP has no tolerance of financial loss as a result of liquidity risk given that temporary funding requirements are usually for only a short period of time and any funding is typically returned to ICAP either intraday or the following day.

Mitigation

There is a centralised provision of contingency funding for Group trading entities; each entity additionally has access to appropriate liquidity.

Risk management continued

Other significant risks

Credit risk

Overview

Inherent risk of a counterparty failing in its obligations.

First order risk driven by external (counterparty default) events which may create a second order liquidity event.

Potential manifestations and tolerance

A counterparty failure may result in ICAP having:

- an open market position;
- unpaid receivables; and
- loss of access to or loss of funds that the Group has deposited with financial institutions.

ICAP has minimal tolerance for financial loss as a result of credit risk noting that this credit risk is intrinsic across all business activities.

Mitigation

Processes and controls are in place to limit and monitor potential and actual credit exposure including:

- client on-boarding and limit setting process based on internal ratings; and
- regional accounts receivable teams monitoring non-receipt of commissions and fee income.

Legal and compliance risk

Overview

Inherent legal risk of a loss of legal, human or financial integrity, reputation or capital as the result of government action, legislation, contract or other laws or regulations.

Inherent compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that may be suffered as a result of failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities.

Potential manifestations and tolerance

An ICAP entity may:

- defend a claim after having a loss through inappropriate or incorrect documentation or responsibility in the conduct of its business;
- receive a regulatory enquiry or information request as a result of operational or human failures; or
- employee breaches of company policy or regulatory rules.

ICAP has limited tolerance of financial loss as a result of this risk as we accept that due to the nature of the complex commercial and regulatory environment in which ICAP operates its companies may become involved in contentious matters and litigation and may be required to respond to regulatory inquiries.

Mitigation

ICAP has 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.

The Group maintains an independent compliance function which mitigates compliance risk by way of the compliance risk management framework which is operated globally.

Advice is regularly taken from appropriately qualified external advisers and professionals.

Training is provided to staff at induction, on an annual, thematic and on-going basis. Legal and compliance risks are assessed and mitigated in the processes and procedures of risk, compliance and audit.

Financial risk

Overview

Inherent risk that the Group is exposed to losses due to adverse movements in interest rates or FX.
First order risk driven by external (changing market rates) events.

Potential manifestations and tolerance

The Group presents its consolidated financial statements in pound sterling and conducts business in a number of other currencies. Consequently the Group is exposed to currency risk due to exchange rate movements (see note 11 to the financial statements).
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 has no tolerance of financial loss as a result of this risk.

Mitigation

Details of the Group's interest rate and currency risk hedging strategy are contained in note 11 to the financial statements.

Reputational risk

Overview

Inherent risk of financial loss arising from negative perception on the part of third party relationships including customers, counterparties, shareholders, investors or regulators.
Second order event as a result of the perception that the Group either had material, persistent operational defects or was unable to appropriately identify and mitigate its other risks.

Potential manifestations and tolerance

Third-party relationships would be impacted resulting in events such as:
– a significant decline in share price;
– fewer willing lenders;
– potential credit downgrade;
– greater difficulty in hiring and retaining high quality staff; and
– a decline in customer activity.
ICAP has no tolerance for financial loss as a result of this risk as ICAP builds and maintains relationships of openness and trust with its customers and regulators.

Mitigation

The primary mitigation is the appropriate mitigation and management of the other risks as this is a second order impact.

Market risk

Overview

As ICAP does not take active market risk in the pursuit of its business activities, this category is a second order impact of a credit or operational event which results in exposure to a change in the value of the trade.

Potential manifestations and tolerance

As a result of providing its clients with matched principal brokerage and exchange execution ICAP may be exposed to a variety of market risks:
– price;
– interest; and
– FX.
ICAP has minimal tolerance for financial loss as a result of market risk.

Mitigation

Matched principal-out trades are minimised wherever possible and every effort is made to liquidate the position as practicably as possible.
Exchange traded business control functions monitor all unmatched positions on an ongoing basis; issues are escalated appropriately.





Governance

In this section

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Directors' profiles

A highly experienced team

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.

Charles Gregson

Non-executive Chairman, appointed in 2001. Chairman of the Governance and Nomination Committees.



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. Member of the Governance and Nomination Committees.



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. 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 director of Tungsten Corporation plc and a director of Bordeaux Index Ltd. Michael is the chairman of The Conservative Party Foundation Ltd.

John Nixon

Group Executive Director, Americas, appointed in 2008.



Skills and experience

John Nixon represents the ICAP Americas businesses to the board. He has joint management oversight and responsibility for ICAP's fixed income Electronic Broking business and is chairman of the i-Swap business. 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 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. Member of the Governance Committee.

**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 responsible for the Group's finance, company secretarial, investor relations, compliance, business services and human resources functions. He 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 and a Chartered Secretary.

Other appointments

Iain is a director of Totan Holdings Co Ltd.

John Sievwright

Senior independent director, appointed to the board in 2009. Chairman of the Audit and Risk Committees and a member of the Governance and Nomination Committees.

**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 director of FirstGroup plc and chairman of its audit committee.

Hsieh Fu Hua

Independent non-executive director, appointed in 2011. Member of the Remuneration and Nomination Committees.

**Skills and experience**

Hsieh Fu Hua served as President and a director of Temasek Holdings in Singapore until January 2012 and Chairman of Fullerton Fund Management until January 2013. 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, Tiger Airways Holdings Ltd, Far Eastern Bank Limited and Government of Singapore Investment Corporation Pte Ltd.

Robert Standing

Independent non-executive director, appointed in 2010. Chairman of the Remuneration Committee and a member of the Audit, Risk and Nomination Committees.

**Skills and experience**

Robert Standing is a principal of LDF Advisers LLP 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. Member of the Audit, Risk, Remuneration and Nomination Committees.

**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 of Africa – New York Branch.

Other appointments

Diane is an independent director of Penson Worldwide Inc.

The management team

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 represents the ICAP Americas businesses to the board. He has joint management oversight and responsibility for ICAP's fixed income Electronic Broking business and is chairman of the i-Swap business. 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 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



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 responsible for the Group's finance, company secretarial, investor relations, compliance, business services and human resources functions. He is a member of 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 and a Chartered Secretary.

Mark Beeston

Chief Executive Officer,
Portfolio Risk Services



Mark Beeston is responsible for the Post Trade Risk and Information business and, since October 2012, he has had responsibility for co-ordinating the Group's response to regulatory reforms. 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,
Global Broking



Since September 2012, David Casterton has been responsible for the new Global Broking division with regional management teams reporting to him. David had previously 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.

Gil Mandelzis
Chief Executive Officer, EBS
and Executive Chairman,
Traiana



Since March 2012, Gil Mandelzis has been responsible for the Group's electronic FX business, EBS. Gil co-founded Traiana in April 2000 and he remains 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.

Hugh Gallagher
Chief Executive Officer,
Asia Pacific



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.

Duncan Wales
Group General Counsel



Duncan Wales oversees the legal, risk and government affairs functions. He has occupied a number of senior roles within ICAP, including director of government affairs, General Counsel EMEA and Asia Pacific and senior counsel to the electronic broking division. Prior to its acquisition by ICAP in 2003, Duncan was director of legal affairs at BrokerTec. He spent five years at Clifford Chance as a derivatives and markets specialist. Duncan is a member of the GOC and the GRACC. He is a member of the GC 100 Group, the Council of the Wholesale Markets Brokers' Association and the City of London's International Regulatory Strategy Group.

Seth Johnson
Co-head, BrokerTec and
Chief Executive Officer, ISDX



Seth Johnson joined ICAP's electronic markets in November 2011 to lead the expansion of its product portfolio. In this role he is the co-head of BrokerTec and the Chief Executive Officer of ISDX. He has been a member of the GEMG since May 2012. He joined ICAP as a graduate trainee and has worked in the Company for more than 20 years. For ten years, Seth was the Managing Director of the interest rates options and inflation swaps desks. He oversaw the introduction of new and innovative trading solutions including the volume match system.

Committed to strong oversight

Charles Gregson
Chairman



On behalf of the board, I am pleased to introduce ICAP's corporate governance report.

There rightly continues to be a focus on corporate governance from across a broad spectrum of the business world and this has resulted in various consultations and the introduction of new regulations across our business operations.

As a board, we continue to demonstrate our continuing commitment to strong oversight and, to ensure such focus, we have established a Governance Committee with responsibility for the governance framework on a global basis. Due to the continuing increase in responsibilities of audit and risk committees, the board decided to separate these responsibilities and form a separate Audit Committee and a Risk Committee. This structure became effective from 1 April 2012.

The board considers that it has complied with the principles and provisions of the Code throughout the year. In this statement, and the corporate governance statement that follows, we report on how we have complied with the Code.

Leadership

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 2013, these activities included approval of the Group's strategy, review of its delivery and development of the risk management structure. In light of trading conditions in the year, the board supported the changes to the Group's management structure aligned to changes in our business divisions, including the creation of a Global Broking business and the implementation of a cost saving programme. We also spent time reviewing ICAP's strategic response to developments in the regulatory and competitive environment and being briefed on the various projects underway to deliver on this strategy.

Effectiveness

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 continue to engage with the management teams across the global businesses and have had opportunities to challenge performance and the control framework within each business. The board's knowledge and understanding of the views of major investors and stakeholders, the markets in which the Group operates and the technology issues facing the Group were all positively rated by the respondents to this year's board effectiveness review which was undertaken by Lintstock, an external facilitator.

The results of the review also indicated that board meetings were effective in encouraging candid discussion and critical thinking and the board's use of the competencies of the non-executive directors was rated highly. The board is committed to continuous improvement and one of its priorities for 2013/14 is to review its size and composition, taking into account the increased diversity of ICAP's business, to ensure that the board has an appropriate mix of experience to achieve the Group's strategic goals.

Following his appointment as chairman of United Overseas Bank Ltd, Hsieh Fu Hua will not be standing for re-election at the annual general meeting in July 2013. On behalf of the board, I would like to thank him for his valuable contribution since his appointment in 2011.

In accordance with the Code, all other directors will be offering themselves for re-election at the annual general meeting in July 2013. The board has agreed that all directors are qualified to stand for re-election and that the non-executive directors remain independent.

Further discussion on the leadership and effectiveness of the board is detailed on pages 54 to 57 of the corporate governance statement.

Accountability

The business review sets out and describes the Group's principal business activities, the performance of the business during the year and the principal risks and uncertainties facing the business. The board is accountable for risk and is responsible for the oversight of the risk management process. As much of this oversight is delegated to the Audit and Risk Committees, details of the governance around these processes are set out on pages 58 to 63 of the corporate governance statement. The directors' statement of responsibilities for the preparation of the Annual Report and the going concern statement can be found on page 67.

Remuneration

The board supports the principle that levels of remuneration should be sufficient to attract, retain and motivate ICAP's employees. The remuneration report further details the Group's policy on executive remuneration and how these policies were implemented during the year to reflect the financial performance of the Group. Significant changes were introduced to the bonus scheme for this reporting year following consultation with shareholders and the remuneration report describes the implementation of these changes and their impact on executive remuneration for this year.

Relations with shareholders

The executive directors, Robert Standing, as chairman of the Remuneration Committee, and I have met with representatives of our major shareholders during the year. As a board we are committed to open dialogue with all our shareholders and we welcome the opportunity this engagement offers. The corporate governance statement contains further detail as to the topics discussed, these included the impact of regulatory change on the business and the cost saving programme.

Regulatory focus

ICAP has regular contact and maintains a strong and transparent relationship with the FCA, its lead regulator. Globally, ICAP operates in many jurisdictions and is regulated by multiple financial regulators, many of whom are implementing regulatory change which impacts both ICAP and its customers. ICAP takes a proactive approach to assessing developments and working with and, where appropriate, lobbying relevant parties in order to ensure that the Group's leading position in the wholesale financial markets is understood.

As a board we will continue, particularly in light of external and regulatory developments, to ensure that the corporate governance framework is robust and supports the ICAP Group.

Charles Gregson
Chairman

Corporate governance statement

The corporate governance statement details ICAP's governance framework and its management practices and, together with the remuneration report on pages 68 to 78, sets out how the Company has complied with the Code for the year ended 31 March 2013. The Code is publicly available at www.frc.org.uk.

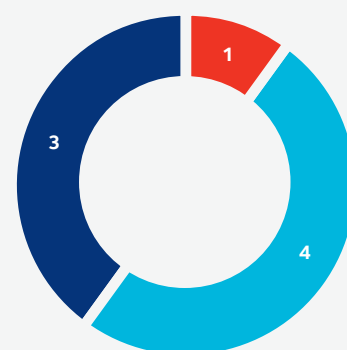
ICAP is headed by an appropriately experienced board which comprises a non-executive Chairman, the Group Chief Executive Officer, the Group Executive Director Americas, the Group Finance Director and four independent non-executive directors. All ICAP's directors have a good understanding of ICAP's markets, the regions and regulatory frameworks in which it operates and its technology. Details of the directors who held office during the year and the skills and experience each director brings to the board are set out on pages 48 and 49.

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

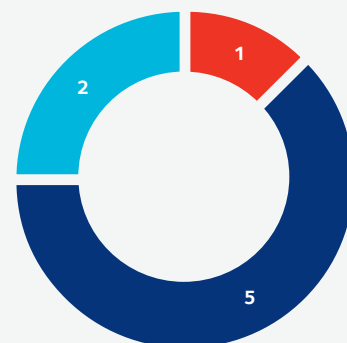
There are three executive committees – the Global Executive Management Group, the Global Operating Committee and the Group Risk and Capital Committee.

These executive committees are mandated by and report to the board. The executive committees operate under terms of reference approved by the Governance Committee and minutes of the meetings are circulated to the board.

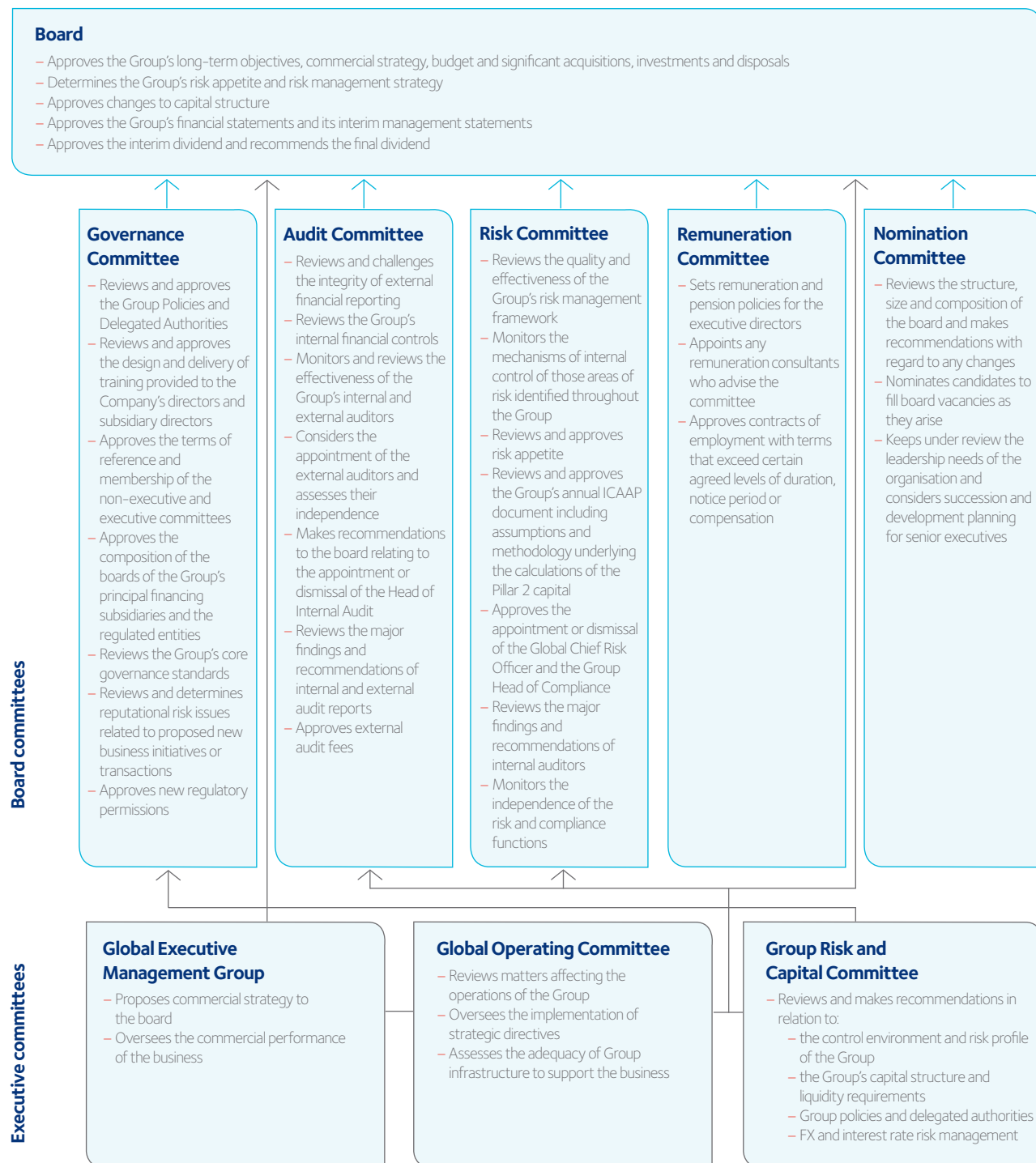
Balance of the board



Directors' tenure



Governance framework



Full details of the terms of reference for the board committees can be found at www.icap.com.

Corporate governance statement continued

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 the business review on pages 8 to 13 and 16 and 17. 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 on page 55.

There is a clear division between the role of Chairman, who is responsible for the leadership of the board and for ensuring effective communication with shareholders, and the Group Chief Executive Officer, who is responsible for leading and managing the business 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 table opposite sets out the number of meetings of the board attended by directors in office at 31 March 2013.

	Board meetings	
	Total	Attended
Charles Gregson	6	6
Michael Spencer	6	6
John Nixon	6	6
Iain Torrens	6	6
Hsieh Fu Hua	6	5
Diane Schueneman	6	6
John Sievwright	6	6
Robert Standing	6	6

Apologies had been received in advance for the unavoidable absence from a board meeting by Hsieh Fu Hua.

The Chairman, in consultation with the executive directors and the Group Company Secretary, sets the agenda for board meetings. All directors receive documentation prior to each meeting on the matters to be discussed to enable them to exercise their judgement in discharge of their duties. Where directors are unable to attend a board or committee meeting, mainly as a result of long-standing prior engagements, they are encouraged to give the chairman of the meeting their views or comments. Directors also 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 standard items covering its regular review of the business.

Summary of board business during the year ended 31 March 2013

May 2012 London

Report and accounts for the year ended 31 March 2012

- report from chairman of Audit Committee
- going concern paper
- final dividend recommendation

ICAP Group strategy

HR strategy

Review of IT strategy and key cost projects

July 2012 London

Financial futures and options presentation

Structured products business presentation

ICAP electronic business presentation

Review of HR strategy and succession plan

Restructure of the ICAP Brazil business

Update on regulatory, litigation and reputational risks

September 2012 Tokyo

Approval of interim management statement

Review of investments

Update on financial regulatory reform, including SEF and EMIR

Asia Pacific regional update

November 2012 London

Half-year report for the six months to 30 September 2012

- report from chairman of Audit Committee
- interim dividend recommendation

Strategy review following EBS restructure

Update on financial regulatory reform, including SEF and EMIR

Approval of succession plan

February 2013 London

Approval of interim management statement

Board and committees' effectiveness review

Competitor analysis review

ISDX strategy presentation

Global Business Services and Infrastructure IT update

March 2013 Jersey City

Approval of pre-close statement

Review of shareholder perception survey

Global Broking customer analysis

Strategy process

Induction and continuing professional development

On appointment, 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.

During the year, 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. This year there has been a particular focus on the global financial regulatory reform. All directors are encouraged to identify specific development needs. Directors also attend external courses of specific relevance to their responsibilities.

Board evaluation

In 2011/12 the board undertook its first evaluation using an external facilitator, Lintstock. A number of items were identified in the evaluation for board focus during 2012/13 and included in the summary of board business on page 56. Significant progress was made in a number of these areas, for example increased efficiency from the business model – business restructuring and the cost saving programme and the regulatory environment – SEF and EMIR.

During 2012/13, an evaluation of the board and the board committees was again conducted using Lintstock as the external facilitator, while an evaluation of the Chairman was conducted by the senior independent director. Lintstock did not provide any other advisory services to ICAP during the year. The evaluation was conducted via a questionnaire of each board member and the Group Company Secretary. The objective of the evaluation was to provide insight into the effectiveness of the board and to review actions for improving performance. The evaluation for 2012/13 recognised that some of the items previously identified continued to be work-in-progress and would remain on the board's agenda as focus items.

The outcome of the review confirmed that the board has a good knowledge and understanding of the views of major investors and stakeholders, the markets in which the Group operates and the technology issues facing 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 2013/14:

- the Group's strategy;
- key customer analysis;
- developing technology and IT strategy; and
- shareholder perception.

Governance Committee

The board is committed to strengthening the Group's governance framework and to operating a well controlled and appropriately governed business. During the year, the board established the Governance Committee to further support this commitment.

The Governance Committee is made up of the Chairman of the board, the senior independent director, the Group Chief Executive Officer and the Group Finance Director. The Chairman of the board is the chairman of the committee and the Group General Counsel is a standing attendee of the Governance Committee.

The role of the Governance Committee is to review, offer recommendations and make decisions in relation to all aspects of the governance environment of the Group and its principal subsidiaries.

The following table sets out the directors who served on the Governance Committee since its formation in September 2012 and their committee meeting attendance.

	Governance Committee meetings	
	Total	Attended
Charles Gregson (chairman)	3	3
John Sievwright	3	3
Michael Spencer	3	2
Iain Torrens	3	3

Apologies had been received in advance for the unavoidable absence from a committee meeting by Michael Spencer.

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

During the year, the committee met to discuss governance oversight of the Group's regulated entities, the Americas governance framework and it reviewed the Group's policies and delegated authorities. The terms of reference of the Remuneration Committee and the executive committees were reviewed by their committees during the year and the new terms of reference were subsequently approved for adoption by the Governance Committee.

The committee was formed in September 2012 and, as it has not been active for a full year, it did not form part of this year's board effectiveness review. The effectiveness of the Governance Committee will be reviewed during the course of next year.

Corporate governance statement continued

Audit Committee

The Audit 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 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 Committee during the year and their committee meeting attendance.

	Audit Committee meetings	
	Total	Attended
John Sievwright (chairman)	5	5
Diane Schueneman	5	4
Robert Standing	5	5

Apologies had been received in advance for the unavoidable absence from a committee meeting by Diane Schueneman.

Other attendees at the Audit Committee include:

Chairman of the board
 Group Finance Director
 Deputy Group CFO
 Group Head of Internal Audit
 Group General Counsel
 CFO Group Finance
 External audit partner

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

The principal areas of the committee's work during the year are summarised below.

Financial reporting

The Audit Committee reviews the Group's accounting policies, it monitors the integrity of the Group's financial statements, including the half-year and annual reports and interim management statements, and other announcements relating to the Group's financial performance to ensure that these present a balanced and clear assessment of the Group's financial position and outlook. This external reporting uses data produced by the regional finance teams and relies on systems and processes functioning correctly. A filing assurance review process, reporting to the Audit Committee, is in place in respect of half-year and full-year reporting.

The Group's finance function is organised on a business division 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. The Audit Committee has delegated responsibility for the day-to-day financial management and monitoring of financial controls to the GRACC. Further details of the responsibilities of this executive committee are included on page 55.

The Audit Committee reviews the Group's internal financial controls and the reports of management and the internal auditors on the effectiveness of these systems for internal financial control and financial reporting.

The results of the evaluation of the Audit Committee showed that the effectiveness of the Audit Committee at reviewing the quality of the Group's financial reporting and assessing the Group's system of internal controls was highly rated.

Evaluation of external auditors

During the financial year, the Audit Committee reviewed and approved the proposed audit fee and terms of engagement for the 2012/13 audit and recommended to the board that it proposes to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditors for 2013/14.

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 tax and fixed-term regulatory 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 Committee's prior approval and fees below this limit are approved by the chairman of the Audit Committee and reported to the committee. Note 5 to the financial statements details the fees paid to the external auditors for audit and non-audit services. The total spend on non-audit services as a percentage of the audit fee was 20% (2011/12 – 32%). This is compliant with ICAP's policy of non-audit spend not exceeding 75% of the audit fee.

As part of its consideration of the 2012/13 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 2011/12 was undertaken following the completion of the audit for that year. The results of this assessment were reviewed by the Audit Committee in November 2012 and a number of actions were agreed. The assessment of the effectiveness of the external audit process for 2012/13 will be undertaken in June 2013.

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 kept under review particularly in light of the FRC's changes to the Code. There are no contractual obligations restricting the Company's choice of external auditors.

Following the board's decision in 2011/12 to extend the term of the lead audit partner on the basis that such continuity was necessary following a number of board changes and the increase in regulatory scrutiny, the lead audit partner was rotated in 2012/13 following the completion of the audit of the 2011/12 financial statements.

The performance of the Audit Committee was rated highly overall in this year's evaluation and separating the responsibilities of the Audit and Risk Committees has been beneficial to the focus of the Audit Committee and to its effectiveness. As a result of the evaluation the Audit Committee has added the following items to their workplan for 2013/14:

- assessment of the impact of the changes in regulation on financial controls; and
- review of the obligations of a recognised investment exchange.

Risk Committee

The Risk Committee members are all independent non-executive directors, appointed by the board on the recommendation of the Nomination Committee. The following table sets out the directors who served on the Risk Committee during the year and their committee meeting attendance.

	Risk Committee meetings	
	Total	Attended
John Sievwright (chairman)	7	7
Diane Schueneman	7	5
Robert Standing	7	7

Apologies had been received in advance for the unavoidable absence from committee meetings by Diane Schueneman.

Other attendees at the Risk Committee include:

Chairman of the board
Group Finance Director
Deputy Group CFO
Global Chief Risk Officer
Group Head of Compliance
Group Head of Internal Audit
Group General Counsel
External audit partner

The Global Chief Risk Officer presents his assessment of ICAP's risks to the Risk Committee at least twice a year without any executive management being present. The chairman of the Risk Committee maintains contact with attendees throughout the year.

The committee also meets with the Group Head of Internal Audit without any executive director or member of management present.

In addition to the regular topics detailed in the terms of reference, the committee also discussed a number of additional matters during the 2012/13 year including:

- impact of external risk events and changes in the regulatory environment;
- integrated assurance review of the Brazil business;
- clearing and settlement agents' risk review;
- business risk updates;
- IT internal audits;
- ISDX risk analysis;
- presentation from business on control issues; and
- business control updates.

The Risk Committee increased its number of meetings during the year in order to give additional focus to the ICAAP.

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

The Risk Committee has delegated the day-to-day risk management of the Group to the GRACC, an executive committee which meets at least ten times a year. The GRACC's responsibilities are centred on the monitoring of liquidity, credit, market and financial risks. Details of the committee's responsibilities are shown on page 55.

The Audit Committee, the Risk Committee 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 and Group Head of Compliance are members of the GRACC and the Group Head of Internal Audit is a standing attendee of the GRACC. The Global Chief Risk Officer is also a member of the GOC, the executive committee with responsibility for the operations of the Group.

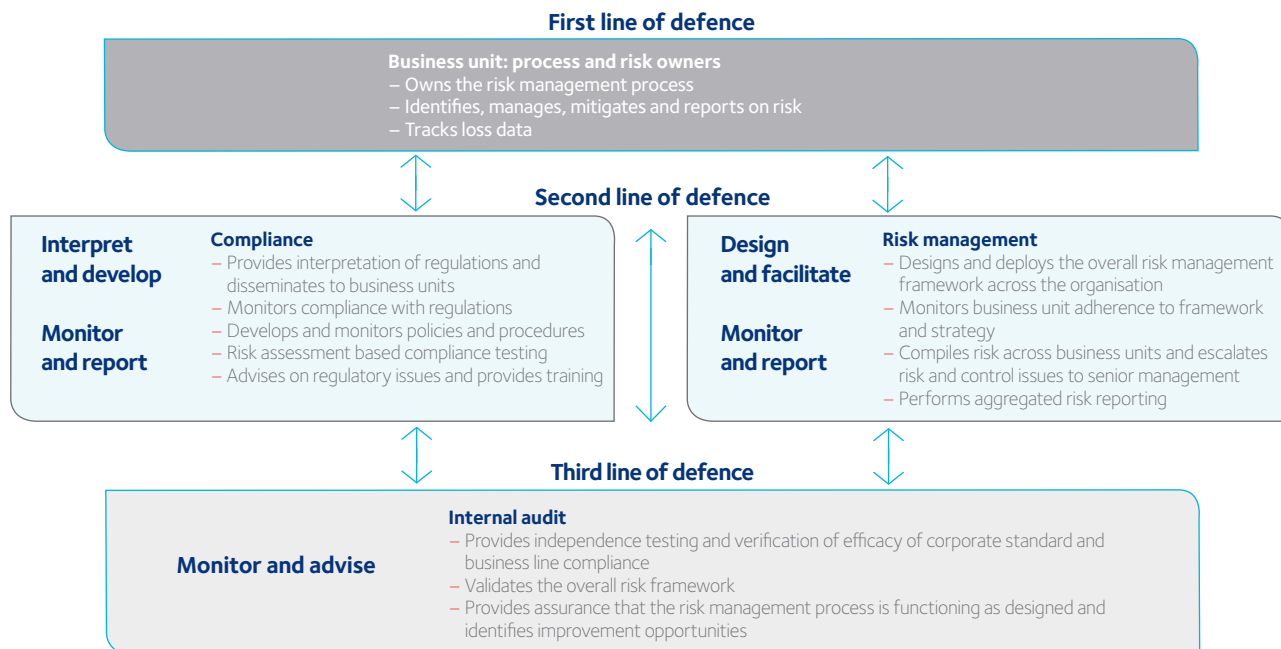
In addition to the Audit Committee, the Risk Committee, the GOC and the GRACC, all lines of business and regions have risk committees which are responsible for supervising risk levels in their respective businesses and regions and acting as the interface between front office management and the Group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

As a result of the evaluation of the effectiveness of the Risk Committee, the following priorities were identified for 2013/14:

- continue to provide support to the Global Chief Risk Officer; and
- impact of regulatory change on the Group's risk and controls framework.

Corporate governance statement continued

Risk control and management framework



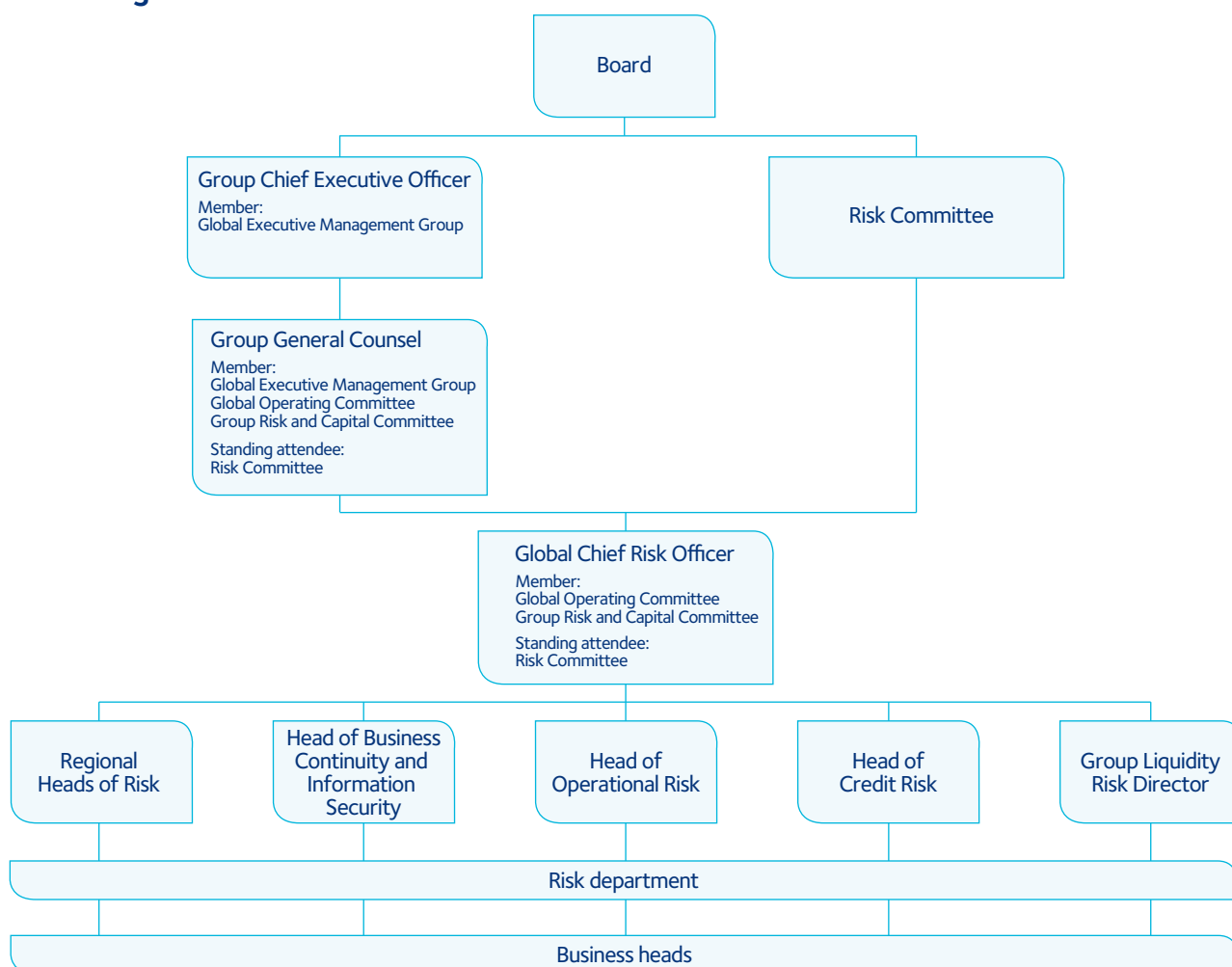
The significant risks of the Group are continually monitored, assessed and managed by operating a three lines of defence model for the risk management and control of the businesses. The first line of defence comprises senior business and executive management who own the risks and controls for their respective 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 predominantly through a risk and control self-assessment process.

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

The Group has created an integrated control framework for the three key control functions of risk, compliance and internal audit. In providing assurance as to the effectiveness of the system of internal controls to the GRACC, the Audit Committee, the Risk Committee and the board, these 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 General Counsel. Under the leadership of regional heads, with guidance from the global risk function to ensure standard best practice, risk departments support each of the businesses globally and are members of business level and regional risk committees. The Global Chief Risk Officer is a member of the GOC and the GRACC and is a standing attendee of the 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 reviews the Group's activities both functionally and globally.

These tools include:

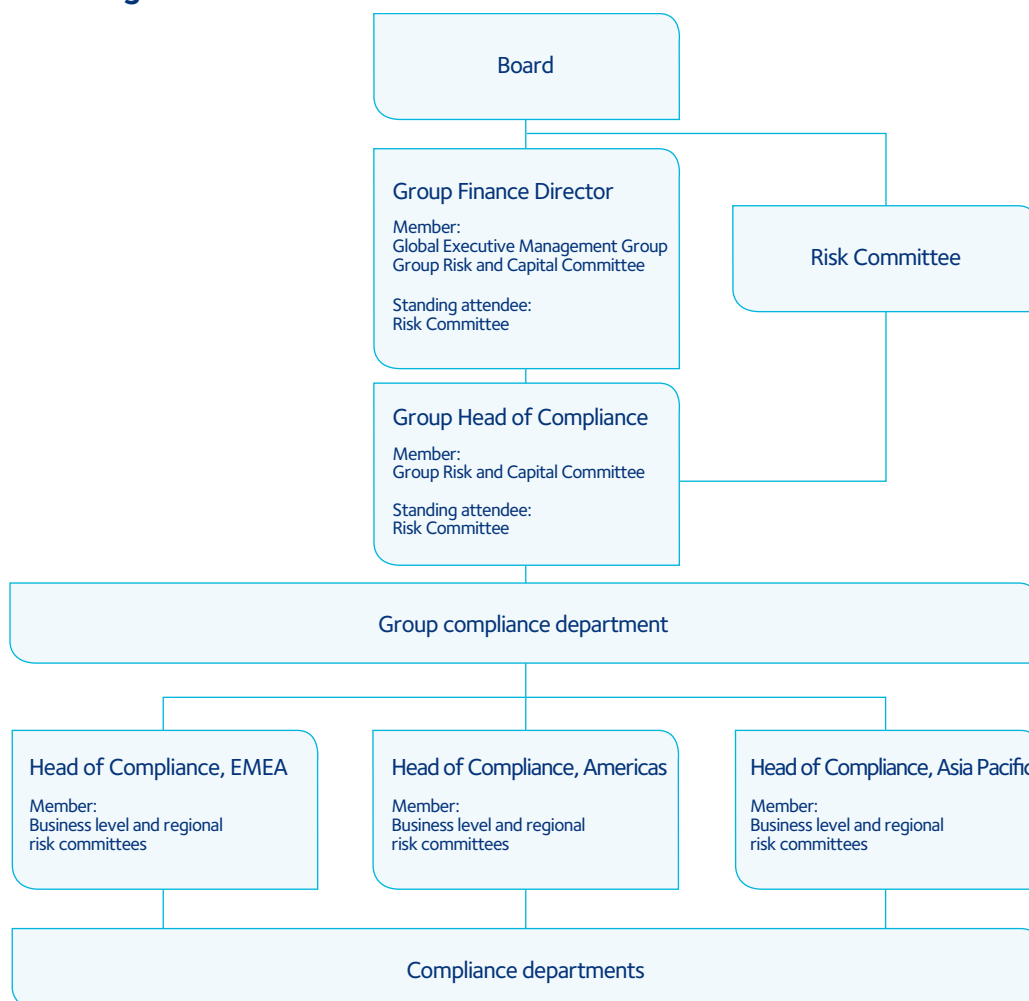
- independent monitoring and analysis of the Group's current and projected liquidity exposures;

- credit risk limits based on an internal scoring system with near real-time monitoring of credit exposure globally;
- management information, including key risk indicators and product and region specific dashboards;
- global risk management policies and procedures;
- operational risk framework;
- periodic risk and control self assessments and process maps; and
- stress testing on current exposure and scenario and probability analysis.

A number of qualitative and quantitative measures are monitored by risk management to ensure that the businesses' risks remain within acceptable risk appetite and tolerances. Using these measures, the Group produces a number of risk intelligence reports which are disseminated through the governance structures at all levels as appropriate.

Corporate governance statement continued

Compliance management



The Group's compliance department reports to the Group Head of Compliance who in turn reports to the Group Finance Director. 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 GRACC and is a standing attendee of the Risk Committee.

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 control

The board is responsible for reviewing the effectiveness of the risk management and the internal control system, which management is responsible for maintaining, and it does this through the Audit Committee and the 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 rest 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. The internal audit function reports to the Risk Committee, the Audit Committee with respect to financial controls and functionally to the Group Finance Director. Internal audit establishes an annual audit plan based on discussions with management and an assessment of the risks inherent in the Group's activities. The results of these audits provide assurance to executive management and the Audit Committee and Risk Committee that the system of internal control achieves its objectives and highlights gaps and areas for improvement. The internal audit function is outsourced to KPMG. An evaluation of the KPMG internal audit team was undertaken during the year and the results of the client service review were reviewed by the Audit Committee. The results of the evaluation confirmed that challenge from the internal audit process is robust and effective and process improvements, which were identified by the review, are being implemented.

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	2
Hsieh Fu Hua	1	1
Diane Schueneman	2	1
John Sievwright	2	2
Robert Standing	2	2

Apologies had been received in advance for the unavoidable absence from a committee meeting by Diane Schueneman.

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

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 discuss board composition and also to consider succession planning in respect of the Group Chief Operating Officer who resigned during the year.

As a result of the evaluation of the Nomination Committee, the following priorities were identified for 2013/14:

- review and revise succession planning; and
- review the size and composition of the board.

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 focus on board diversity, we do not support the implementation of quotas and all appointments will continue to be based on merit.

Corporate governance statement continued

Executive committees

Global Executive Management Group

The committee members are:

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

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 Finance Director
Deputy Group CFO, chairman
Group General Counsel
Global Chief Risk Officer
Global Head of HR
Head of Global Business Services
Head of Infrastructure IT
Business Chief Operating Officers

The GOC reports to the board, the Audit Committee, the Risk Committee and the GEMG, 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
Deputy Group CFO
Group General Counsel
Group Head of Compliance
Global Chief Risk Officer
CFO Group Finance
CFO Global Broking

The CFO Americas and the Group Head of Internal Audit are standing attendees of GRACC meetings.

The GRACC reports to the board, the Governance Committee, the Audit Committee and the 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 which are undertaken by external consultants. The movements on the share register are reviewed at board meetings.

The Chairman of the board and the executive directors have met with key shareholders during the year to understand investor views on the Company. Investors use these meetings to raise issues such as the impact of regulatory change on ICAP's business, the changes in the competitive environment, the potential for consolidation within the interdealer broker market, the impact of management changes on the EBS business, the dividend policy and the cost saving programme.

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. Investor seminars on specific areas of ICAP's businesses are arranged during the year and these presentations are made available on ICAP's website.

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 2012 annual general meeting.

Substantial shareholders

At 31 March 2013, and at 10 May 2013, the last practicable date prior to publication, the Company has been notified of the following voting rights in its issued share capital disclosable under the FCA's Disclosure and Transparency Rules:

Substantial shareholders	Percentage of voting rights		
	Indirect %	Direct %	Total %
Michael Spencer, together with INFBV and INCAP Overseas B.V.*	16.26	0.55	16.81
Schroders plc	12.05	–	12.05
Silchester International Investors LLP	5.16	–	5.16
FIL Limited	5.06	–	5.06
Blackrock Inc.	5.01	–	5.01
Newton Investment Management Limited	–	4.94	4.94
AXA SA	3.80	0.81	4.61

*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 B.V., 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 3,516,558 shares are held by EES Trustees International Ltd 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 3,284 share options under the SAYE scheme and holds 7,061 shares in his own name.

Annual general meeting

The fifteenth annual general meeting of the Company will be held on Wednesday, 10 July 2013. 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.

Share capital

The Company's share capital comprises ordinary shares of 10p each, all of which are fully paid. 664,537,006 shares were in issue at 31 March 2013, 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.

18,346,181 (2011/12 – 18,294,235) Treasury Shares were held by the Company at 31 March 2013 representing 2.76% 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 97,523 of its own shares during the period under review at a price of 357.727p per share, representing 0.015% of the issued share capital. These shares are held as Treasury Shares. As at 31 March 2013, and at 10 May 2013, the Company had an unexpired authority to repurchase shares up to a maximum of 64,509,631 ordinary shares of 10p each. All changes in share capital are detailed in note 19 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 2013, share awards and options existed over 16,117,790 of the Company's ordinary shares in relation to employee share awards and option schemes. Of this figure, 6,193,738 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 21 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.

Corporate governance statement continued

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 28 to the financial statements.

Political donations

No political donations were made during the year (2011/12 – nil).

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 2012. 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 5 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 FCA 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 8 and 7 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

14 May 2013

From the chairman of the Remuneration Committee

On behalf of the board, 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 2013 and the proposals for their remuneration for 2013/14.

As we reported in the 2012 Annual Report, significant changes to the bonus scheme were implemented for 2012/13 and these, combined with the difficult trading conditions during the year, have produced a lower financial outcome resulting in a reduction of more than 27% in the bonus pool for the three executive directors from the previous year.

Total compensation paid to the Group Chief Executive Officer for 2012/13 was 23.7% below the prior year compared with a profit before tax* decrease of 20%. Full details of the remuneration paid to the executive directors are set out on pages 75 and 76.

The main changes to the bonus scheme were as follows:

- the new scheme has substantially higher hurdles for the same level of bonus with the introduction of a cap on the bonus pool;
- the new scheme rewards profit growth and success; and
- from 2013/14 more challenging performance conditions with no cliff-vesting.

The gross bonus pool for the executive directors is based on a targeted profit before tax* of £354 million and a payout curve as follows:

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

* Before acquisition and disposal costs and exceptional items

From this curve the gross bonus pool is calculated, of which 75% relates to the achievement of the financial target and 25% to the achievement of the strategic objectives over which the committee exercises its discretion as to the level of achievement.

With the achievement of profit before tax* of £284 million, the payout curve produces a gross bonus pool of £7.2 million.

As detailed in the business review the difficult trading conditions across both Global Broking and Electronic Markets resulted in the delivery of a lower than targeted financial outcome. The committee, however, recognised the work that had been undertaken in the year in delivering other strategic objectives, in particular the restructuring of Global Broking and EBS and the delivery of £60 million in the cost saving programme which would provide long-term benefit to shareholders going forward.

The key achievements of other strategic objectives included:

- investment in growth areas – acquisition and integration of ISDX, EBS's acquisition of ClientKnowledge and development of new products by Post Trade Risk and Information;
- rebuild of ICAP's pre-eminent position in FX – review of EBS strategy, including technology strategy;
- review of infrastructure to align with restructured business model – first phase in the establishment of the Global Business Services and Infrastructure IT divisions; and
- the strengthening of the global governance framework – review of terms of reference and membership of executive committees and the establishment of an appropriate framework incorporating Global Business Services and Infrastructure IT.

The committee considered the current status of the Libor investigation and agreed that the position would be reviewed and any appropriate adjustments to the remuneration of the executive directors would be made when the outcome of these enquiries is known.

The committee agreed that 91% of the strategic objectives for 2012/13 had been achieved. The element of the gross bonus pool which relates to the achievement of strategic objectives (25%) was reduced resulting in a bonus pool of £7.05 million.

The committee discussed the participation in the bonus pool which had included the cash bonus element for the Group Chief Operating Officer but, following his resignation, it was no longer appropriate for this position to be included. The responsibilities were restructured under the Group Finance Director, the Deputy Group CFO and the Group General Counsel. As a result, the committee agreed that participation in the bonus pool should be restructured to include only the three executive directors and the bonus pool reduced by 12.5%.

Taking this adjustment into the calculation produces a net bonus pool for 2012/13 of £6.17 million. This represents a reduction of 27.4% in the bonus pool for the three executive directors for the previous year and compares with the reduction in profit before tax* of 20.0% and a reduction in adjusted basic EPS of 18.0%.

There has been no increase in base salaries for the executive directors during the year. As detailed above, the bonus pool for 2012/13 has decreased by 27.4% from the prior year reflecting the difficult trading conditions.

In addition, the performance condition for the matching award for the 2010 BSMP has not been met and these awards will lapse in May 2013. This is the second consecutive year that the matching awards under the BSMP have not vested reflecting both the challenging market conditions that the Company faces and that the BSMP is structured to reward only long-term growth.

The committee has supported executive directors' and senior management's actions in reducing the remuneration costs of the Group by the renegotiation of certain broker contracts with, wherever possible, a reduction in the fixed cost element of such contracts. Infrastructure staff costs have also been reviewed and the committee has approved senior management's recommendation of no salary increases, except in exceptional circumstances, and a targeted reduction in the discretionary bonus pool and the introduction of a senior management long term incentive plan.

These criteria were applied to the remuneration of the executive directors who received no increase in base salary and a reduced bonus pool.

The committee's responsibility is the oversight of the remuneration strategy for the Group, to ensure that ICAP's approach to remuneration is aligned with the interests of employees and shareholders and to comply with current best practice and regulatory requirements.

We welcome this opportunity to report to shareholders the work that the committee has been engaged in over the past 12 months and on the remuneration structure for our executive directors. We were pleased that there was a positive reaction from our shareholders at the 2012 annual general meeting to the changes made to the remuneration structure and we look forward to your continuing support.

Robert Standing
Chairman
Remuneration Committee
14 May 2013

* Before acquisition and disposal costs and exceptional items.

Remuneration Committee report

The following report contains both audited and unaudited information. PricewaterhouseCoopers LLP has audited the tables on pages 75 to 78.

The committee members are appointed by the board and comprise independent non-executive directors. The chairman of the committee is appointed by the board. On 11 July 2012 John Sievwright resigned from the Remuneration Committee and Hsieh Fu Hua was appointed.

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
Hsieh Fu Hua	4	3
Diane Schueneman	7	6
John Sievwright	3	3

Apologies had been received in advance for the unavoidable absence from a committee meeting by Hsieh Fu Hua and Diane Schueneman.

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:

- review and approve executive directors' and GEMG members' bonuses for the year to 31 March 2012;
- consideration of impact of departure of Group Chief Operating Officer on the bonus pool;
- review and approve the remuneration of FCA Remuneration Code Staff;
- setting executive directors' and GEMG objectives for the year ended 31 March 2013;
- assessment of the achievement of the objectives for the year ended 31 March 2013;
- confirmation that the performance condition for the 2010 BSMP matching awards had not been met;
- review of the Group's remuneration governance framework;
- review of highest earner compensation arrangements across the Group to ensure the link to performance is maintained;
- review of legislation (and proposed legislation) relating to remuneration reporting;
- approval of the Traiana Equity Option Plan as part of the Traiana strategic investment transaction; and
- bonus in lieu of dividend payments.

Remuneration report continued

During the year, the committee considered 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.

The committee is supported by the Group Finance Director, the Global Head of HR and the Group Company Secretary. A number of external advisers, Towers Watson, Stephenson Harwood LLP and Deloitte LLP, all appointed by the committee, have provided advice during the year. Stephenson Harwood LLP also provided advice on a range of legal issues to the Group and Deloitte LLP provided tax and regulatory advice to the Group during the year to 31 March 2013.

The evaluation of the effectiveness of the Remuneration Committee undertaken in 2011/12 had identified the committee's priorities as support for the new Global Head of HR, to gain a more in-depth understanding of competitor remuneration and to engage further with shareholders on executive remuneration. The evaluation undertaken in 2012/13 indicated that the quality of the information provided to the committee had been improved as a result of the appointment of a Global Head of HR and that there should be ongoing focus on the recruitment and development of talent within the organisation. The committee will also focus on the changing regulatory environment and the resulting impact on remuneration throughout the Group.

Remuneration is aligned with ICAP's risk profile.

As a leading financial markets operator and provider of services, 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 earned on revenue that is certain. Due to the nature of ICAP's role as an intermediary, post trade services 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.

Capital impacts are considered in the management and planning of ICAP's activities.

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 FCA, 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.

Remuneration and bonus arrangements for the year ended 31 March 2013

The remuneration and bonus arrangements for the executive directors for the year ended 31 March 2013 are set out on pages 75 and 76.

Of the bonus pool for 2012/13 of £6.17 million, half is paid in cash and the executive directors are required to acquire shares in the Company with the remainder of their after tax bonus amount as investment shares under the 2013 BSMP. A matching award of shares will be granted under the 2013 BSMP to executive directors with a value equal to half their pre-tax cash bonus. The matching award is subject to a performance condition and the retention of the investment shares. The rules of the 2013 BSMP include 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.

Executive directors' remuneration for the year ended 31 March 2013 and 31 March 2012

Performance-related pay %

Michael Spencer	2013	34	66
	2012	29	71
John Nixon	2013	26	74
	2012	15	85
Iain Torrens	2013	18	82
	2012	13	87

■ 2013 Fixed percentage ■ 2013 Performance-related percentage
■ 2012 Fixed percentage ■ 2012 Performance-related percentage

Share-based remuneration %

Michael Spencer	2013	50	50
	2012	52	48
John Nixon	2013	54	46
	2012	60	40
Iain Torrens	2013	58	42
	2012	61	39

■ 2013 Share-based percentage ■ 2013 Cash percentage
■ 2012 Share-based percentage ■ 2012 Cash percentage

Performance condition

2010 award

The performance condition for the release of the 2010 matching award under the long term incentive plan is that adjusted basic EPS must grow 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 2010 BSMP matching award (actual adjusted basic EPS of 33.0p was achieved against a target of 42.71p) and, as a result, the matching awards will not vest and will lapse in May 2013.

2013 award

The committee continues to believe that the use of adjusted basic 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.

The performance condition for the 2013 BSMP matching award and other long term incentive plans is based on graduated vesting where 10% of the matching award would vest at RPI + 6% increasing to 100% vesting at RPI + 15% over a three-year period.

The Company has the 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.

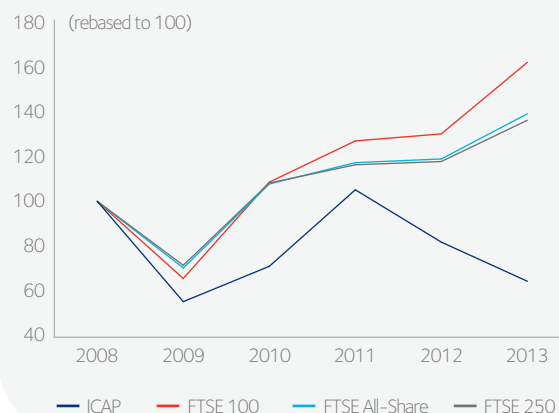
Total shareholder return

The total shareholder return on a holding of the Company's ordinary shares compared with the FTSE 100, FTSE 250 and the FTSE All-Share indices for the five financial years to 31 March 2013 is shown in the graph below. As a constituent of the FTSE 100 index from June 2006 to September 2012, the Company considers both the FTSE 100 and the FTSE 250 the appropriate indices for comparison.

During this period the performance condition, which is based on EPS, for the long term incentive awards made in 2009 and 2010 were not met. Executive directors therefore did not receive the shares relating to these awards.

Performance graph – value of £100 invested

Five financial years ended 31 March 2013



Remuneration report continued

Proposed remuneration and bonus for the year ending 31 March 2014

The bonus scheme is structured to incentivise executive directors to increase profit and to align their interests with those of shareholders. As such the bonus scheme includes 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.

For 2013/14 the payout curve has been increased by RPI +3% which will have the effect of increasing each tier by a multiple of the floor level. 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 2013/14 %
1 floor	0 – 79	0
2	80 – 159	2.75
3	160 – 239	3.50
4	240 – 318	4.25
5	319 – 375	5.00
6 target – maximum	376 – 450	10.00
7	451 +	0

From this schedule the gross bonus pool, which will be reduced by 12.5% to reflect the current participation of the three executive directors, is calculated. Of this figure, 75% relates to the achievement of the financial objective and 25% to the achievement of the strategic objectives over which the committee will exercise its discretion as to the level of achievement.

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 strategic objectives. As an example, achieving profit before tax* of £284 million in 2013/14, with a 91% achievement level of strategic objectives, the same level as 2012/13, would result in the bonus pool decreasing from £6.17 million to £5.89 million.

	50% achievement	75% achievement	91% achievement	100% achievement
Target PBT* –10% (£338m)	£7.14m	£7.65m	£7.97m	£8.16m
PBT* in line 2012/13 (£284m)	£5.27m	£5.65m	£5.89m	£6.02m
Target PBT* (£376m)	£8.59m	£9.21m	£9.60m	£9.82m
Target PBT* +10% (£413m)	£11.50m	£12.32m	£12.85m	£13.14m

* Before acquisition and disposal costs and exceptional items.

The qualitative objectives, to be assessed by the committee, for the year ending 31 March 2014 will be based on five key areas – customer alignment, product innovation, people development, operational efficiency and governance. Each key objective will be led by a member of the GEMG and will comprise a number of key deliverables.

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 amount as investment shares. A matching award of shares will be granted under the 2013 BSMP to executive directors with a value equal to half their pre-tax cash bonus. 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 investment shares purchased with his net of tax bonus amount and the performance condition has been met.

The 2013 BSMP was approved by shareholders at the annual general meeting in 2012.

Chairman and 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. Following a review by the board, which included market information and commentary from Towers Watson, the Chairman's fee was increased from £250,000 to £300,000 per annum with effect from 1 October 2012. The fees paid to John Sievwright increased during the year following his appointment as senior independent director.

The Chairman and non-executive directors' fees are:

Chairman	£300,000
Non-executive director	£80,000
Additional fees	
Senior independent director	£10,000
Chairman of the Audit Committee	£10,000
Chairman of the Remuneration Committee	£10,000
Chairman of the Risk 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.

Directors' interests

The table details the interests of the directors in the Company's ordinary shares of 10p each as at 31 March 2013 and 31 March 2012. Directors' interests in options over Company shares are detailed on pages 77 and 78 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	2013	2012
Charles Gregson (Chairman)	223,596	221,631
Michael Spencer*	108,646,463	108,074,101
John Nixon	68,951	20,000
Iain Torrens	307,758	59,699
Hsieh Fu Hua	–	–
Diane Schueneman	–	–
John Sievwright	20,000	20,000
Robert Standing	10,000	10,000

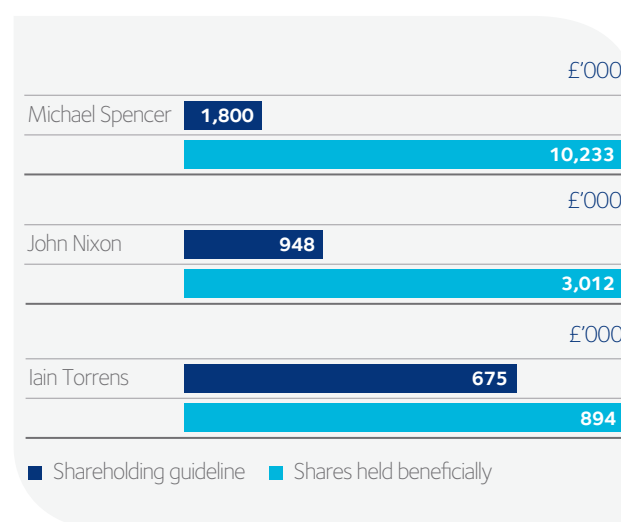
* Details of Michael Spencer's shareholding are set out in a note to the substantial shareholdings section on page 65.

Between 31 March 2013 and 10 May 2013 there were no changes to the above interests.

Shareholding guidelines

Last year, in order to align the interests of senior employees with those of shareholders, the committee introduced minimum shareholding guidelines for executive directors and members of the GEMG. These shareholdings will be built up over time and, for these purposes, will include vested share awards under long term incentive plans but will not include any unvested rights to shares awarded under long term incentive plans or any unexercised options.

The following table details the shareholding guidelines and the extent to which these have been met by the executive directors as at 31 March 2013:



For each executive director the target had been exceeded as at 31 March 2013 based on the share price at the close of business on that date. Shares that count towards the guideline are those that are beneficially owned and shares held by the ICAP Trust in respect of BSMP basic awards and any vested matching awards. Any interest in unvested BSMP matching awards, which are subject to the achievement of a performance condition, do not count towards the requirement. Michael Spencer's shareholding includes his holding derived from employment and does not include his other share interests which are detailed on page 65.

The shareholding guidelines for members of the GEMG who are not executive directors are 200% of base salary for those with business line responsibilities and 100% of base salary for those with functional responsibility.

Remuneration report continued

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 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	01.10.12	No notice	01.10.13
Hsieh Fu Hua	01.01.11	18.12.12	3 months' notice on change of control	11.07.13
Diane Schueneman	14.07.10	11.05.12	3 months' notice on change of control	14.07.14
John Sievwright	15.07.09	09.05.13	3 months' notice on change of control	15.07.15
Robert Standing	14.07.10	11.05.12	3 months' notice on change of control	14.07.14

Share schemes and long term incentive arrangements

The Company has a number of share schemes which are described in detail in note 21 to the financial statements. Since the approval of the BSMP (which has been replaced by the 2013 BSMP), executive directors no longer receive awards under any of the schemes with the exception of the sharesave scheme (SAYE) described in note 21. 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 22 to the financial statements.

Details of the Company's contributions to the pension arrangements of the executive directors are included in the tables on pages 75 and 76.

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 2013 was as follows:

Michael Spencer		£
Salary		360,000
Benefits		4,999
Bonus in lieu of dividend on 2003 BSMP awards		1,057,816
Annual bonus		2,780,000
Total for the year ended 31 March 2013		4,202,815
Total for the year ended 31 March 2012		5,506,487
Half of the annual bonus amount, after the deduction of tax and costs, will be applied in the purchase of investment shares under the 2013 BSMP		1,390,000
Amount over which matching award will be granted under the 2013 BSMP		1,390,000
Pension (defined contribution)		18,000
Outstanding share options/awards under the BSMP and other long term incentive plans as at 31 March 2013		
2003 BSMP award		Shares/options
Basic	2,884,585	
Matching	2,277,042	5,161,627
SAYE option		3,284
John Nixon		£
Salary		316,136
Benefits		46,829
Bonus in lieu of dividend on 2003 BSMP awards		330,516
Annual bonus		1,940,000
Total for the year ended 31 March 2013		2,633,481
Total for the year ended 31 March 2012		3,417,710
Half of the annual bonus amount, after the deduction of tax and costs, will be applied in the purchase of investment shares under the 2013 BSMP		970,000
Amount over which matching promise will be granted under the 2013 BSMP		970,000
Pension contribution		–
Outstanding promises/awards under the BSMP and other long term incentive plans as at 31 March 2013		
2003 BSMP promise		Shares/options
Basic	968,078	
Matching	968,078	1,936,156
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 \$1.5816 (2011/12 – \$1.6049).

Remuneration report continued

Directors' remuneration continued

Executive directors continued

Iain Torrens	£
Salary	225,000
Benefits	2,694
Bonus in lieu of dividend on 2003 BSMP awards	90,557
Annual bonus	1,450,000
Total for the year ended 31 March 2013	1,768,251
Total for the year ended 31 March 2012	1,942,434
Half of the annual bonus amount, after the deduction of tax and costs, will be applied in the purchase of investment shares under the 2013 BSMP	725,000
Amount over which matching award will be granted under the 2013 BSMP	725,000
Pension (defined contribution)	12,556
Outstanding share options/awards under the BSMP and other long term incentive plans as at 31 March 2013	
2003 BSMP award	Shares/options
Basic 301,042	
Matching 301,042	602,084
SAYE option	3,125

Notes to executive directors' remuneration

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, 2011 and 2012 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 2013

Year ended 31 March	2013 £	2012 £
Executive directors		
Michael Spencer	4,202,815	5,506,487
John Nixon	2,633,481	3,417,710
Iain Torrens	1,768,251	1,942,434
Non-executive directors		
Charles Gregson (Chairman)	275,000	250,000
Hsieh Fu Hua	80,000	80,000
Diane Schueneman	80,000	80,000
John Sievwright	105,000	100,000
Robert Standing	90,000	90,000
Total	9,234,547	11,466,631

Bonus share matching plan (BSMP)

Under the 2003 BSMP, 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 the satisfaction of a performance condition in respect of the matching award. 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 the satisfaction of a performance condition in respect of the matching award. 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 as at 31 March 2013.

	Note	Options under the BSMP held at 1 April 2012	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 2013
Executive directors (UK)									
Michael Spencer	1		29.05.08	631,973	631,973	—	—	—	
	2		28.05.09	607,543	607,543	(607,543)	—	—	
	3		27.05.10	408,398	408,398	—	—	—	
	4		26.05.11	667,593	667,593	—	—	—	
	5	4,631,014	24.05.12	569,078	569,078	—	—	—	5,161,627
Iain Torrens	4		26.05.11	52,983	52,983	—	—	—	
	5	105,966	24.05.12	248,059	248,059	—	—	—	602,084
	Note	Promises under the BSMP held at 1 April 2012	Grant date	Basic award promises	Matching award promises, subject to performance condition	Lapsed	Released	Market value at release £m	Promises under the BSMP held at 31 March 2013
Executive director (US)									
John Nixon	2		28.05.09	63,951	63,951	(63,951)	(63,951)	0.2	
	3		27.05.10	68,066	68,066	—	—	—	
	4		26.05.11	476,852	476,852	—	—	—	
	5	1,217,738	24.05.12	423,160	423,160	—	—	—	1,936,156

All option/promise figures shown as at 31 March 2013 remain unchanged as at 10 May 2013.

Notes

- Performance year ended 31 March 2008; market price on date of grant – 610.0p; exercise period 18 May 2011 – 17 May 2016. The market price on 18 May 2011, the date the award became capable of being exercised, was 488.9p.
- Performance year ended 31 March 2009; market price on date of grant – 394.5p; exercise period for basic award 16 May 2012 – 15 May 2017. The matching awards/promise lapsed in May 2012 as a result of the performance condition for that award not being met. The market price on 16 May 2012, the date the basic award became capable of being exercised and the date the basic promise vested, was 336.5p.
- Performance year ended 31 March 2010; market price on date of grant – 391.7p; exercise period for basic award 14 May 2013 – 13 May 2018. The matching awards/promise due to vest in May 2013 will lapse as a result of the performance condition for that award not being met.
- 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 basic award promise will be released to the director following the announcement of the Company's annual results for the financial year ending 31 March 2014.
- Performance year ended 31 March 2012; market price on date of grant – 339.0p. 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 2015 and will last for five years. 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 ending 31 March 2015.

Remuneration report continued

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 2012 and 31 March 2013.

	Date of grant	Options held at 31 March 2012	Granted during the period	Exercised during the period	Options held at 31 March 2013	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
SAYE	14.06.12	–	3,284	–	3,284	01.08.15	31.01.16	274.0
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

The market price of the Company's shares on the date Michael Spencer exercised options under the 2009 SAYE scheme (15 January 2013) was 324.1p per share. No other options were exercised during the year. No share options awarded to directors under the UCSOP and the SAYE scheme lapsed during the year. All option figures shown as at 31 March 2013 remained unchanged as at 10 May 2013.

At the close of business on 28 March 2013 (the last business day of the financial year) the market price of the Company's ordinary shares was 290.4p per share and during the year fluctuated in the range 281.4p – 396.5p 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 Code and will be put to shareholders for an advisory vote at the annual general meeting to be held on 10 July 2013.

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 2013 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the 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 director's 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 2013 and of the Group's profit and 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 European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as

applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 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 director's 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, set out on page 67, 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 Rowland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 May 2013

Financial statements





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Consolidated income statement

Year ended 31 March 2013

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 23 (c)) £m	Exceptional items (note 4) £m	Total £m
Revenue	1	1,472	–	–	1,472
Operating expenses	5	(1,173)	(157)	(60)	(1,390)
Other income	24	9	–	–	9
Operating profit	1	308	(157)	(60)	91
Finance income	10	11	–	–	11
Finance costs	10	(40)	(1)	–	(41)
Share of profit of associates after tax	1	5	–	–	5
Profit before tax		284	(158)	(60)	66
Tax	9	(73)	38	12	(23)
Profit for the year		211	(120)	(48)	43
Attributable to:					
Owners of the Company		211	(120)	(48)	43
Non-controlling interests		–	–	–	–
		211	(120)	(48)	43
Earnings per ordinary share (pence)					
– basic	2				6.7
– diluted	2				6.6

Consolidated income statement continued

Year ended 31 March 2012

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 23 (c)) £m	Exceptional items (note 4) £m	Total £m
Revenue	1	1,681	–	–	1,681
Operating expenses	5	(1,335)	(150)	–	(1,485)
Other income	24	26	13	–	39
Operating profit	1	372	(137)	–	235
Finance income	10	10	–	–	10
Finance costs	10	(34)	–	–	(34)
Share of profit of associates after tax	1	6	–	–	6
Profit before tax		354	(137)	–	217
Tax	9	(95)	18	–	(77)
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 (pence)					
– basic	2				21.1
– diluted	2				20.8

Business review

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Other information

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit for the year		43	140
Other comprehensive income			
Net movement on cash flow hedges	20(a)	(13)	12
Net exchange adjustments on investments in overseas subsidiaries		50	(29)
Net exchange adjustments on investments in overseas associates		(1)	(2)
Revaluation gains in the year	20(a)	–	4
Net current tax recognised in other comprehensive income	9	–	(1)
Net deferred tax recognised in other comprehensive income	9	(3)	–
Other comprehensive income/(loss) for the year		33	(16)
Total comprehensive income for the year		76	124
Total comprehensive income attributable to:			
Owners of the Company		76	121
Non-controlling interests		–	3
		76	124

Consolidated and Company balance sheet

	Note	Group		Company	
		As at 31 March 2013 £m	As at 31 March 2012 £m	As at 31 March 2013 £m	As at 31 March 2012 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	6(a)	1,080	1,188	–	–
Intangible assets arising from development expenditure	12	83	68	–	–
Property and equipment	13	50	82	–	–
Investment in subsidiaries	30(a)	–	–	2,036	1,989
Investment in associates	14	59	54	1	1
Deferred tax assets	9	15	12	–	–
Trade and other receivables	16	6	11	124	–
Available-for-sale investments	15	29	31	–	–
		1,322	1,446	2,161	1,990
Current assets					
Trade and other receivables	16	16,898	79,254	98	95
Restricted funds	8(e)	37	50	–	–
Cash and cash equivalents	8(c)	602	547	–	–
		17,537	79,851	98	95
Total assets		18,859	81,297	2,259	2,085
Liabilities					
Current liabilities					
Trade and other payables	17	(16,880)	(79,184)	(429)	(68)
Borrowings	7(b)	(71)	(255)	–	(21)
Tax payable		(134)	(123)	–	–
Provisions	18	(1)	(1)	–	–
		(17,086)	(79,563)	(429)	(89)
Non-current liabilities					
Trade and other payables	17	(29)	(33)	–	(140)
Borrowings	7(a)	(506)	(374)	(124)	–
Deferred tax liabilities	9	(66)	(98)	–	–
Retirement benefit obligations		(3)	(1)	–	–
Provisions	18	(13)	(18)	–	–
		(617)	(524)	(124)	(140)
Total liabilities		(17,703)	(80,087)	(553)	(229)
Net assets		1,156	1,210	1,706	1,856
Equity					
Capital and reserves					
Called up share capital	19(b)	66	66	66	66
Share premium account		454	453	454	453
Other reserves		78	91	1	1
Translation		91	42	–	–
Retained earnings		414	516	1,185	1,336
Equity attributable to owners of the Company		1,103	1,168	1,706	1,856
Non-controlling interests		53	42	–	–
Total equity		1,156	1,210	1,706	1,856

The financial statements on pages 82 to 145 were approved by the board on 14 May 2013 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 20(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 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	–	–	–	(29)	–	(29)	–	(29)
Net exchange adjustments on investments in overseas associates	–	–	–	(2)	–	(2)	–	(2)
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
Own shares acquired for employee trusts	–	–	–	–	5	5	–	5
Ordinary shares issued (note 19(b))	–	1	–	–	–	1	–	1
Cancellation of ordinary shares	–	–	–	–	(2)	(2)	–	(2)
Share-based payments in the year (note 21)	–	–	–	–	3	3	–	3
Other movements in non-controlling interests	–	–	–	–	–	–	22	22
Dividends paid in the year (note 3)	–	–	–	–	(135)	(135)	(3)	(138)
Net Treasury Shares acquired in the year (note 19(e))	–	–	–	–	(56)	(56)	–	(56)
Balance at 31 March 2012	66	453	91	42	516	1,168	42	1,210
Comprehensive income								
Profit for the year	–	–	–	–	43	43	–	43
Other comprehensive income								
Net movement on cash flow hedges	–	–	(13)	–	–	(13)	–	(13)
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	50	–	50	–	50
Net exchange adjustments on investments in overseas associates	–	–	–	(1)	–	(1)	–	(1)
Net deferred tax recognised in other comprehensive income	–	–	–	–	(3)	(3)	–	(3)
Total comprehensive income for the year	–	–	(13)	49	40	76	–	76
Own shares acquired for employee trusts (note 19(d))	–	–	–	–	(3)	(3)	–	(3)
Ordinary shares issued (note 19(b))	–	1	–	–	–	1	–	1
Share-based payments in the year (note 21)	–	–	–	–	1	1	–	1
Other movements in non-controlling interests	–	–	–	–	5	5	11	16
Dividends paid in the year (note 3)	–	–	–	–	(145)	(145)	–	(145)
Balance at 31 March 2013	66	454	78	91	414	1,103	53	1,156

Company statement of changes in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total £m
As at 1 April 2011	66	452	1	1,282	1,801
Profit for the year	–	–	–	247	247
Total comprehensive income	–	–	–	247	247
Ordinary shares issued (note 19(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 19(e))	–	–	–	(56)	(56)
Balance as at 31 March 2012	66	453	1	1,336	1,856
Loss for the year	–	–	–	(3)	(3)
Total comprehensive income	–	–	–	(3)	(3)
Ordinary shares issued (note 19(b))	–	1	–	–	1
Dividends paid in the year (note 3)	–	–	–	(145)	(145)
Own shares acquired for employee trusts	–	–	–	(3)	(3)
Balance as at 31 March 2013	66	454	1	1,185	1,706

Consolidated and Company statement of cash flow

	Note	Group		Company	
		Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Cash flows from operating activities	8(a)	272	312	–	–
Cash flows from investing activities					
Investments in subsidiaries		–	–	(48)	–
Dividends received from associates		1	5	–	–
Other equity dividends received		6	3	–	–
Payments to acquire property and equipment		(7)	(17)	–	–
Intangible development expenditure		(32)	(35)	–	–
Net receipts on available-for-sale investments		5	1	–	–
Proceeds from sale of business net of cash disposed		22	13	–	–
Acquisition of interests in businesses net of cash acquired		(3)	(3)	–	–
Acquisition of associates and joint ventures		(9)	(24)	–	–
Net cash flows from investing activities		(17)	(57)	(48)	–
Cash flows from financing activities					
Dividends paid to non-controlling interest		–	(3)	–	–
Proceeds from exercise of share options		1	1	1	1
Cancellation of ordinary shares		–	(2)	–	(2)
Proceeds from issues of ordinary shares to non-controlling interest		–	22	–	–
Dividends paid to owners of the Company		(145)	(135)	(145)	(135)
Payments to acquire Treasury Shares		–	(56)	–	(56)
Payments to acquire own shares for employee trusts*		(3)	–	(3)	(6)
Repayment of borrowings		(251)	–	(21)	–
Funds received from borrowing, net of fees		193	57	–	21
Receipts from subsidiaries		–	–	218	256
Payments to subsidiaries		–	–	(2)	(79)
Net cash flows from financing activities		(205)	(116)	48	–
FX adjustments		14	(5)	–	–
Net increase in cash and cash equivalents		64	134	–	–
Cash and cash equivalents at the beginning of the year	8(c)	538	404	–	–
Cash and cash equivalents at end of the year	8(c)	602	538	–	–

* Payments to acquire own shares for employee share trusts is shown net of £5m (2011/12 – £6m) of contributions received from participants in the trusts.

Basis of preparation

Preparation of financial statements

The consolidated financial statements of the Group and the separate financial statements of ICAP plc have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body. In publishing the parent company financial statements here together with the Group financial statements, ICAP plc has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual income statement, individual statement of comprehensive income and related notes that form a part of these financial statements. The financial statements are prepared in pound sterling, which is the functional currency of the Company and presented in millions. ICAP plc is domiciled in the UK.

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

The preparation of financial statements requires management to apply judgements and the use of estimates and assumptions about future conditions. Management considers impairment of goodwill and other intangibles assets arising on consolidation (note 6) and tax (note 9) to be the areas where increased judgement is required. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant notes on the financial statements. 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. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 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 gains, losses or other associated costs on the full or partial disposal of investments, associates, joint ventures or subsidiaries and costs associated with a combination that do not constitute fees relating to the arrangement of financing; amortisation or impairment of intangibles assets arising on consolidation; 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. 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 have also been disclosed.

Basis of consolidation

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

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

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

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

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.

Basis of preparation continued

Basis of consolidation continued

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.

The Group classifies investments in entities over which it has significant influence, but not control, and that are neither subsidiaries nor joint ventures, as associates. Investments in associates are recognised using the equity method. Under this method, such investments are initially stated at cost, including attributable goodwill, and are adjusted thereafter for the post-acquisition change in the Group's share of 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.

Future accounting developments

At 31 March 2013, a number of standards and amendments to standards had been issued by the IASB which are not effective for these consolidated financial statements. In addition to the standards and amendments to standards described below, IASB is also continuing to work on projects on insurance, revenue recognition and lease accounting, which together with the following could represent significant changes to accounting requirements in the future.

- 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 has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- 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 has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- 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 has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- 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.
- In June 2011, the IASB issued amendments to IAS19 'Employee Benefits' ('IAS19 revised'). The revised standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IAS19 revised is required to be applied retrospectively.

Future accounting developments continued

- In December 2011, the IASB issued amendments to IFRS7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.
- In December 2011, the IASB issued amendments to IAS32 'Offsetting Financial Assets and Financial Liabilities' which clarify the requirements for offsetting financial instruments and address inconsistencies in current practice when applying the offsetting criteria in IAS32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.
- IAS27 (2011) 'Separate financial statements' carries forward the existing accounting and disclosure requirements of IAS27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS28 (2008) and IAS31 for separate financial statements have been incorporated into IAS27 (2011). The revised standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- IAS28 (2011) 'Associates and Joint Ventures' includes the requirements for joint ventures and associates, to be equity accounted following the issue of IFRS11 'Joint arrangements'. The revised standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.

The impact on the Group financial statements of adopting IFRS10, IFRS11, IFRS13, IAS19R, IAS32, IAS27 (2011) and IAS28 (2011) is currently under review. However, the adoption of these standards is not expected to have a material impact.

In November 2009, the IASB issued IFRS9 'Financial Instruments' which introduced new requirements for the classification and measurement of financial assets. The IASB is in the process of amending the requirements for classification and measurement to address practice and other issues. IFRS9 is required to be applied retrospectively but prior periods need not be restated. The final IFRS9 requirements for classification and measurement and impairment remain uncertain and so ICAP remains unable to provide a date by which it will apply IFRS9 as a whole and it remains impracticable to quantify the effect of IFRS9 as at the date of the publication of these financial statements.

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 11, liquidity risk in note 7 and credit risk in note 16.

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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 broking businesses in EMEA, the Americas and Asia Pacific, a global electronic markets 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 Global Broking business, brokerage or access fees from its Electronic Markets business and fees from the provision of post trade risk and information.

Global Broking

Matched principal and stock lending business

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

Agency business (name give-up)

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 16).

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 16).

Execution on exchange business

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

Electronic Markets

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 16).

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

Notes to the financial statements continued

1. Segmental information continued

	Year ended 31 March 2013					
	Global Broking			Electronic Markets £m	Post Trade Risk and Information £m	Total £m
	EMEA £m	Americas £m	Asia Pacific £m			
Revenue	488	397	112	268	207	1,472
Operating profit before acquisition and disposal costs and exceptional items	77	34	(6)	113	90	308
Reconciliation to the consolidated income statement						
Acquisition and disposal costs						(157)
Exceptional items						(60)
Operating profit						91
Finance income						11
Finance costs						(41)
Share of profit of associates after tax						5
Profit before tax						66
Tax						(23)
Profit for the year						43

	Year ended 31 March 2012					
	Global Broking			Electronic Markets £m	Post Trade Risk and Information £m	Total £m
	EMEA £m	Americas £m	Asia Pacific £m			
Revenue	562	479	131	301	208	1,681
Operating profit before acquisition and disposal costs and exceptional items	105	42	6	127	92	372
Reconciliation to the consolidated income statement						
Acquisition and disposal costs						(137)
Operating profit						235
Finance income						10
Finance costs						(34)
Share of profit of associates after tax						6
Profit before tax						217
Tax						(77)
Profit for the year						140

Revenue earned by asset class is disclosed below:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m*
Rates	586	649
FX and money markets	339	374
Commodities	190	204
Emerging markets	142	167
Credit	108	154
Equities	107	133
Total revenue	1,472	1,681

* 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.

1. Segmental information continued

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

The Group earned revenue of £523m (2011/12 – £628m) and £507m (2011/12 – £578m) from entities in the UK and US respectively. The remainder of £442m (2011/12 – £475m) came from various entities outside the UK and US.

The amortisation and impairment arising from development expenditure recognised by the Group on a segment basis is as follows: EMEA Broking £7m (2011/12 – £7m), Americas Broking £2m (2011/12 – £5m), Asia Pacific Broking £nil (2011/12 – £nil), Electronic Markets £11m (2011/12 – £16m) and Post Trade Risk and Information £6m (2011/12 – £1m).

The depreciation of property and equipment recognised by the Group on a segment basis is as follows: EMEA Broking £4m (2011/12 – £6m), Americas Broking £4m (2011/12 – £3m), Asia Pacific Broking £3m (2011/12 – £2m), Electronic Markets £7m (2011/12 – £8m) and Post Trade Risk and Information £2m (2011/12 – £2m).

2. Earnings per share

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

The weighted average number of ordinary shares in issue excludes the weighted average number of shares held as Treasury Shares of 18m (2011/12 – 11m) and those owned by employee share trusts relating to employee share schemes on which dividends have been waived, being 6m shares (2011/12 – 4m).

EPS relating to the Group's operations

	Year ended 31 March 2013			Year ended 31 March 2012		
	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic and diluted						
Basic	43	640	6.7	137	649	21.1
Dilutive effect of share options	–	10	(0.1)	–	9	(0.3)
Diluted	43	650	6.6	137	658	20.8

	Year ended 31 March 2013			Year ended 31 March 2012		
	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Adjusted basic and diluted						
Basic	43	640	6.7	137	649	21.1
Acquisition and disposal costs	120	–	18.8	123	–	19.0
Exceptional items net of tax (note 4)	48	–	7.5	–	–	–
Adjusted basic	211	640	33.0	260	649	40.1
Dilutive effect of share options	–	10	(0.5)	–	9	(0.6)
Adjusted diluted	211	650	32.5	260	658	39.5

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.

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2012 of 16.00p per ordinary share (2011 – 14.68p)	102	96
Interim dividend for the year ended 31 March 2013 of 6.60p per ordinary share (2012 – 6.00p)	43	39
Total dividend recognised in the year	145	135

The final dividend for the year ended 31 March 2012 and the interim dividend for the year ended 31 March 2013 were both satisfied in full with cash payments of £102m and £43m respectively.

The directors have proposed a final dividend of 15.4p per share for the year ended 31 March 2013. 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 £99m.

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. 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 2013 £m	Year ended 31 March 2012 £m
Exceptional items before tax		
Staff termination and property exits	30	–
Information technology	18	–
Legal and professional fees	12	–
Total exceptional items before tax	60	–
Tax	(12)	–
Total exceptional items after tax	48	–

As a result of the cost reduction programme announced in May 2012, the Group has recognised staff terminations and property exit costs of £30m.

On 12 March 2012, the Group announced a change in senior management of the Electronic Markets business. During the current period a strategic review of ongoing product and trading platform developments was undertaken, leading to an impairment of intangible assets and property and equipment of £18m.

The Group has incurred £12m of legal fees for advice in responding to requests received from and in co-operating with some government agencies as part of industry-wide Libor-related investigations. Further details of the investigations are provided in note 27.

5. Operating expenses

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit before tax is stated after charging:		
Employee costs (note 22(a))	824	960
Information technology costs*	136	159
Amortisation of intangible assets arising on consolidation (note23(c))	69	70
Impairment of intangible assets arising on consolidation (note23(c))	81	103
Other acquisition and disposal costs (note23(c))	7	(23)
Professional and legal fees (including auditors' remuneration)	20	16
Amortisation and impairment of intangible assets arising from development expenditure	3	–
Depreciation and impairment of property and equipment	7	7
Governance costs**	13	13
Clearing and settlement fees	14	15
Operating lease rentals – minimum lease payments	25	26
Exchange adjustments	(2)	(6)
Exceptional items (note 4)	60	–
Other	133	145
Total	1,390	1,485
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.7	0.6
Fees payable to the Company's auditor for other services:		
– the auditing of any subsidiary of the Company	2.9	2.8
– audit-related assurance services	0.1	–
– taxation compliance services	0.2	0.2
– taxation advisory services	0.5	0.2
– other assurance services	0.1	1.2
	4.5	5.0

* Information technology costs include depreciation and amortisation costs.

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

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 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.

Notes to the financial statements continued

6. Intangible assets arising on consolidation

Intangible assets arising on consolidation include goodwill and other separately identifiable intangible assets such as customer relationships, brands and customer contracts that arose on business combinations since 1 April 2004. The amortisation and any impairment is included in the consolidated income statement within the column 'acquisition and disposal costs'. 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, discounting expected future cash flows to present value or using replacement cost as appropriate.

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

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

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

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

(ii) Separately identifiable intangible assets

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

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

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

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

(iii) Impairment

Goodwill is not amortised but is tested for impairment annually and whenever there is an indicator of impairment. Goodwill and other intangible assets arising on consolidation are allocated to a cash-generating unit (CGU) at acquisition. A CGU is the smallest segment on which it is practicable to report, each of which represents one of the Group's businesses. Where the carrying value of the asset exceeds its value-in-use, an impairment charge is recognised immediately in the consolidated income statement, and the asset is stated at cost less accumulated impairment losses. For goodwill, impairment charges previously recognised are not reversed and impaired intangible assets are reviewed annually for reversal of previously recognised impairment.

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.

6. Intangible assets arising on consolidation continued

(a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2012	1,041	621	1,662
Additions	5	2	7
Reclassification	(4)	4	–
Exchange adjustments	31	7	38
As at 31 March 2013	1,073	634	1,707
Amortisation and impairment			
As at 1 April 2012	143	331	474
Amortisation charge for the year	–	69	69
Impairment in the year	31	50	81
Reclassification	–	4	4
Exchange adjustments	–	(1)	(1)
As at 31 March 2013	174	453	627
Net book value			
As at 31 March 2013	899	181	1,080
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

Notes to the financial statements continued

6. Intangible assets arising on consolidation continued

(b) Impairment testing of intangible assets arising on consolidation

Analysis of significant intangible assets

The Group recognises £1,080m of intangible assets arising on consolidation, with £899m relating to goodwill and £181m 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 88% of the total balance:

		As at 31 March 2013			
	Business segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
EBS	Electronic Markets	39	333	88	421
BrokerTec	Electronic Markets	13	145	–	145
Traiana	Post Trade Risk and Information	13	100	37	137
Reset	Post Trade Risk and Information	13	138	–	138
TriOptima	Post Trade Risk and Information	10	60	44	104
Total		88	776	169	945

		As at 31 March 2012			
	Business segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
EBS	Electronic Markets	36	317	109	426
BrokerTec	Electronic Markets	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 Broking	7	23	66	89
ICAP Shipping	EMEA Broking	2	25	1	26
Total		91	795	284	1,079

The remaining 12% (2011/12 – 9%) of goodwill and other intangible assets of £135m (2011/12 – £109m) arising on consolidation relates to 20 (2011/12 – 16) businesses across the global broking business.

The other intangible assets at 31 March 2013 all represent customer relationships, and have remaining amortisation periods of three years (EBS), four years (Traiana) and two years (TriOptima).

As a result of the sale of a stake in Traiana during the year, the business was subject to a full external valuation which was in excess of the net book value. For this reason, an annual impairment review of Traiana was not conducted.

Key assumptions

Discount rates and growth rates

The Group's long-term pre-tax weighted average cost of capital (WACC) remained at 11%. For broking businesses in Asia Pacific and businesses outside the core interdealer broker franchise, such as ICAP Shipping, management has continued to add 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 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 GDP after the fifth year, or for businesses which operate on a global scale, the global GDP.

6. Intangible assets arising on consolidation continued

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

Discount rates and growth rates continued

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

Key budget assumptions		Pre-tax discount rate %		Long-term growth rates %	
		2013	2012	2013	2012
EBS	– Macro economic outlook				
	– New products and markets				
	– Technology	11	11	2	3
BrokerTec	– Macro economic outlook				
	– Regulation	11	11	3	3
Reset	– New products				
	– Market share	11	11	2	2
TriOptima	– Customer base				
	– Regulation	11	11	3	3

Impairment testing

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group uses a five-year impairment model unless a longer 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 forecast. The forecast takes into account both the 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. Long-term growth rates are used to forecast cash flows and do not exceed the expected growth in the local economy GDP 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.

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 ICAP Shipping and Link models were either lower or more sensitive to changes in assumptions and are discussed further below.

Link

ICAP 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 financial crisis broke, the equity derivatives market has contracted, with industry data showing no return to the growth levels expected on acquisition over the next five years. These factors led to the impairment of the remaining goodwill by £23m to £nil. A separate impairment review of the intangible asset that represents the customer relationships acquired was also undertaken. As a result of the contraction in the market along with a number of customers leaving the market altogether, these relationships are now considered to have limited prospects for future revenue generation. These considerations led to the impairment of the intangible asset by £49m to a carrying value of £6m.

Notes to the financial statements continued

6. Intangible assets arising on consolidation continued

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

ICAP Shipping

Following the prior year impairment of £4m to the dry chartering operations of the business, market fundamentals continue to be challenging in this section of the business with little indication of prospects for improved freight rates over the coming period. As a result, the remaining goodwill in the dry chartering business was impaired by £8m to £nil. Within the tanker (wet) operations of the shipping business, the outlook is more positive, with anticipated growth in demand from developing countries such as China and India. The wet business is expected to remain profitable over the next three years and beyond, and the model for this business is relatively insensitive to changes in key assumptions as a result.

Ocean Tomo

During the year, the use of the Ocean Tomo brand was discontinued. As a result, the intangible asset relating to this brand has been impaired by £1m to £nil.

7. 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 as at 31 March 2013 £m	Group as at 31 March 2012 £m	Company as at 31 March 2013 £m	Company as at 31 March 2012 £m
As at 1 April	374	382	–	–
New long-term borrowings	124	–	124	–
Exchange adjustment	10	(15)	–	–
Fair value hedging adjustment	(2)	7	–	–
As at 31 March	506	374	124	–
Analysis of long-term borrowings				
Subordinated loan notes repayable 2015	127	120	–	–
Five-year senior notes	255	254	–	–
Retail bond repayable 2018	124	–	124	–
As at 31 March	506	374	124	–

During the year the Group issued a £125m retail bond repayable in July 2018 with a coupon of 5.5%. This bond was issued at par value and is presented on the balance sheet at amortised cost, net of fees of £1m. Additionally, the Group has in issue \$193m of guaranteed subordinated loan notes repayable in 2015 paying a coupon of Libor plus 1.95%. The Group also has in issue €300m of five-year senior notes (the Notes) repayable in July 2014 with a coupon of 7.5%. These Notes are shown net of both their original discount and fees of £1m (2011/12 – £1m) directly attributable to the issue. The carrying value of the Notes of £255m (2011/12 – £255m) includes a fair value hedging adjustment to increase the carrying value by £3m (2011/12 – £5m increase) relating to the mark-to-market of the interest portion of the Notes.

To enable the Group to manage the translational exposure which arises as a result of the Notes being denominated in euros and to meet its risk management objective of minimising both interest cost and the impact of interest volatility on its consolidated income statement, the Group entered into a number of cross-currency swaps to convert its obligations over the life of the Notes from euros to pound sterling 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 fixed to fixed swaps have been accounted for as a cash flow hedge and at 31 March 2013 have a fair market value of £2m liability (2011/12 – £4m liability). These swaps offset the effect of FX on the Notes, and so resulted in a £nil charge (2011/12 – £nil) being recognised in the consolidated income statement and a £nil credit (2011/12 – £2m credit) in other comprehensive income during the year.

7 Borrowings continued

(a) Long-term borrowings continued

The fixed to floating swaps have been treated as a fair value hedge, have a fair market value of £2m at 31 March 2013 (2011/12 – £3m) and resulted in a £nil (2011/12 – £2m 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 £nil (2011/12 – £3m credit).

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

The retail bond discussed above is held in the Company.

(b) Short-term borrowings

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m	Company as at 31 March 2013 £m	Company as at 31 March 2012 £m
Japanese yen loan	71	–	–	–
RCF – net of fees	–	225	–	–
European Commercial Paper	–	21	–	21
Overdrafts	–	9	–	–
	71	255	–	21

On 4 October 2012, the Group entered into a short-term loan arrangement with The Tokyo Tanshi Co. Limited through which it borrowed JPY10bn. The loan initially matured on 27 March 2013 at which time the maturity was extended to 27 September 2013. The loan carries interest at a rate of six month Japanese yen Libor plus 0.8% resulting in a weighted average effective interest rate of 1.1%.

The Group has a \$880m RCF incorporating up to a \$200m swingline facility with a maturity date of 31 May 2014. The drawings under the revolving credit facility as at 31 March 2013 were £nil (2011/12 – £225m). 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% (2011/12 – 2.2%).

The Group continues to issue commercial paper under its £500m European Commercial Paper (ECP) programme, providing a diverse source of finance during the year for the Group's working capital and margin requirements. At 31 March 2013 the Group had £nil in issue (2011/12 – £21m). The weighted average effective interest rate was 0.6% (2011/12 – 1.4%).

Bank overdrafts are for short-term funding and are repayable on demand, and are generally being 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 2013.

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

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

(c) Liquidity risk management

Group

It is the Group's policy always to ensure that it has sufficient and appropriate financial resources to enable it to meet its financial obligations as they fall due, even under stressed conditions.

Under the terms of the investment firm consolidation waiver granted to ICAP by the Financial Services Authority, 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.

Notes to the financial statements continued

7. Borrowings continued**(c) Liquidity risk management** continued

ICAP's main liquidity risk is in relation to the margin and collateral requirements of clearing houses either directly or via financial institutions which provide ICAP with access to the clearing houses. Of these, 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 2013, these deposits averaged \$36m although following the introduction of a new clearing arrangement for US Treasuries at the start of February, balances have been significantly reduced in the last two months of the year. 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 8(e)). 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.

The Group has a centralised approach to the provision of contingency funding for its trading entities. Through the GRACC, the board 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 and by subsidiary, 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. Therefore, to meet its liquidity requirements, the Group has maintained minimum core liquidity, in the form of cash and undrawn debt facilities, of \$250m throughout the year.

At 31 March 2013, the Group had gross debt of £577m (2011/12 – £629m) and cash and cash equivalents of £602m (2011/12 – £547m) (see note 8(c)). It is the Group's policy only to hold cash necessary to meet local regulatory, commercial, settlement and short-term working capital requirements and for excess cash to be used to reduce gross debt. Cash has increased from 31 March 2012 due to funds raised as a result of the issue of the retail bond and Japanese yen loan, the Group's cash generation and the fact that the RCF was undrawn.

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 counterparty credit risk and liquidity. With the exception of some small, local cash management balances, surplus cash is invested with strong 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.

At 31 March 2013, the Group had committed headroom under its core credit facilities of £580m (2011/12 – £324m).

Committed facilities

	Group as at 31 March 2013 £m Drawn	Group as at 31 March 2013 £m Undrawn*	Group as at 31 March 2012 £m Drawn	Group as at 31 March 2012 £m Undrawn*
Less than one year	71	–	225	–
Between one and two years	255	580	–	324
Between two and five years	127	–	374	–
More than five years	124	–	–	–
	577	580	599	324

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

As at 31 March 2013, the Group's long-term issuer default rating on senior debt was BBB+ by Fitch and Baa2 by Moody's. On 30 January 2013, Moody's placed the Group on review for possible downgrade. There has been no change in Fitch's rating during the year, which maintains a stable outlook.

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. With the exception of the retail bond of £125m, all of the Company's financial liabilities are payable within three months.

8. Cash

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

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

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

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

	Group year ended 31 March 2013 £m	Group year ended 31 March 2012 £m
Profit before tax	66	217
Operating exceptional items	60	–
Share of profit of associates after tax	(5)	(6)
Amortisation of intangible assets arising on consolidation	69	70
Impairment of intangible assets arising on consolidation	81	103
Amortisation and impairment of intangible assets arising from development expenditure	26	29
Depreciation and impairment of property and equipment	20	21
Loss on disposal of property and equipment	2	–
Other acquisition and disposal costs	6	(36)
Share-based payments	1	3
Net finance expense	30	24
Operating cash flows before movements in working capital	356	425
Decrease in trade and other receivables	71	18
Decrease in restricted funds	13	23
Decrease in trade and other payables	(53)	(41)
Cash generated by operations before exceptional items	387	425
Operating exceptional items paid	(34)	–
Cash generated by operations	353	425
Interest received	4	6
Interest paid	(31)	(31)
Tax paid	(54)	(88)
Net cash flow from operating activities	272	312

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 2013, after accounting for acquisitions, is an outflow of £7m (2011/12 – inflow of £25m).

Notes to the financial statements continued

8. Cash continued**(b) Net cash/(debt)**

Net cash/(debt) comprises cash and cash equivalents less other debt.

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m
Gross debt (note 7(c))	(577)	(629)
Cash and cash equivalents	602	547
Net cash/(debt)	25	(82)

(c) Total cash

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m
Cash and cash equivalents	602	547
Overdrafts	–	(9)
Net cash and cash equivalents	602	538
Restricted funds	37	50
Total cash	639	588

(d) Client money

At 31 March 2013 the Group held client money of £36m (2011/12 – £43m). 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 £13m to £37m.

9. 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.

9. Tax continued

Tax charged to the consolidated income statement in the year

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Current tax		
– current year	76	102
– adjustment to prior years	(13)	(11)
	63	91
Deferred tax		
– current year	(44)	(16)
– adjustment to prior years	–	3
– impact of changes in tax rates	4	(1)
	(40)	(14)
Total tax charged to the consolidated income statement	23	77

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Tax on profit before acquisition and disposal costs and exceptional items comprises:		
Total tax charged to the consolidated income statement	23	77
Tax credit on acquisition and disposal costs	38	18
Tax credit on exceptional items	12	–
Tax on profit before acquisition and disposal costs and exceptional items	73	95

The Group's share of profit of associates in the consolidated income statement is shown net of tax of £3m (2011/12 – £2m).

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit before tax	66	217
Tax on profit at the standard rate of Corporation Tax in the UK of 24% (2011/12 – 26%)	16	56
Expenses not deductible for tax purposes	10	21
Impact of foreign profits taxed at higher rates	10	10
Adjustments to current tax in respect of prior years	(13)	(11)
Adjustments to deferred tax in respect of prior years	–	3
Other	–	(2)
Tax charge	23	77

The Group's effective tax rate, excluding acquisition and disposal costs and exceptional items, has decreased by 1% to 26%.

Notes to the financial statements continued

9. Tax continued

Tax charged to equity in the year

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Current tax charge on share-based payments	–	1
Net current tax on items recognised in equity	–	1
Deferred tax charge on share-based payments	3	–
Net deferred tax on items recognised in equity	3	–

Legislation to reduce the main rate of Corporation Tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015. These latter changes had not been substantively enacted at the balance sheet date and are not included in the tax charge for the period. The reduction to 20% 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 2013 £m	As at 31 March 2012 £m
Deferred tax assets	15	12
Deferred tax liabilities	(66)	(98)
Net balances	(51)	(86)

9. Tax continued

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 2012	(38)	(86)	25	8	8	(3)	(86)
Tax (charge)/credit	3	27	–	(2)	1	11	40
Reserves	–	–	(3)	–	–	–	(3)
FX adjustments	(2)	(2)	–	1	–	1	(2)
Net balances as at 31 March 2013	(37)	(61)	22	7	9	9	(51)
Deferred tax assets at 31 March 2013	–	–	33	10	9	19	71
Deferred tax liabilities at 31 March 2013	(37)	(61)	(11)	(3)	–	(10)	(122)
Net balances as at 31 March 2013	(37)	(61)	22	7	9	9	(51)

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

Deferred tax assets of £19m (2011/12 – £14m) have not been recognised in respect of certain trading losses because it is not probable that future profit will be available against which the Group can utilise the benefits.

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

Notes to the financial statements continued

10. Net finance expense

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Finance income		
Interest receivable and similar income		
Bank deposits	5	6
	5	6
Other finance income		
Fair value loss on derivative financial instruments (note 7(a))	–	(2)
Fair value gain of hedged item (note 7(a))	–	3
Dividends received on equity investments	6	3
	6	4
Total finance income	11	10
Finance costs		
Interest payable and similar charges		
Bank loans and overdrafts	(40)	(34)
	(40)	(34)
Other finance costs		
Unwinding of deferred consideration	(1)	–
	(1)	–
Total finance costs	(41)	(34)
Net finance expense	(30)	(24)

Details of currency and interest rate risk management are disclosed within note 11.

11. Currency and interest rate risk management

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

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

The method of recognising the movements in the fair value of a derivative depends on whether the 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.

(a) Currency risk management

Group

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

(i) Transactional exposures

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

Notes to the financial statements continued

11. Currency and interest rate risk management continued

(a) Currency risk management continued

Group continued

The Group has contracts in place, designated as cash flow hedges under IAS39 where appropriate, with a total notional value of 75% of its forecast dollar transactional exposure for the year to 31 March 2014 at an average rate of \$1.56/£. Contracts with a total notional value of 75% of the Group's euro exposure for the year to 31 March 2014 are in place at an average rate of €1.21/£.

(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 tenure 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 2013 the Group designated the subordinated loan notes, the dollar drawings on the RCF and an element of forward FX contracts swapping dollar receipts from drawing on the RCF into euros used to settle maturing ECP issuances, as a hedging instrument against the underlying dollar exposure. As at 31 March 2013 this exposure was \$1.0bn (2011/12 – \$1.3bn) including intangible assets arising on consolidation, but before \$0.3bn of hedging (2011/12 – \$0.6bn).

In accordance with IAS21 'The Effects of Changes in Foreign Exchange Rates', the resulting translational exchange difference is included within the £49m exchange gain taken directly to reserves, 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 2013 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	4	–	4
Equity	(46)	(7)	(53)

(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 2014 results of a 10 cent strengthening, which the Group considers to be an appropriate sensitivity measure, in the dollar and euro in terms of transactional and translational exposure.

	Dollar £m	Euro £m	Total £m
Operating profit	19	(1)	18
Equity	(5)	(2)	(7)

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

	Closing rate as at 31 March 2013	Closing rate as at 31 March 2012	Average rate year ended 31 March 2013	Average rate year ended 31 March 2012
Dollar	1.52	1.60	1.58	1.60
Euro	1.18	1.20	1.22	1.16

11. Currency and interest rate risk management continued

(a) Currency risk management continued

Group continued

(iv) Derivative financial instruments

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

	As at 31 March 2013		As at 31 March 2012	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	1	(6)	8	–
Cross currency swaps – cash flow hedges	–	(3)	–	(4)
Cross currency swaps – fair value hedges	2	–	3	–
Other	–	(2)	–	(2)
	3	(11)	11	(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 7(a)).

No amounts (2011/12 – £nil) were recognised in the consolidated income statement in the year as a result of ineffective hedges.

Company

(i) 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 2013, the Company had £nil financial assets or liabilities denominated in foreign currencies (2011/12 – £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 2013, after taking into account cross currency and FX swaps of the euro denominated five-year senior notes, the Group had £269m of cash, £171m of floating rate debt and £208m of fixed rate debt denominated in pound sterling, £245m of cash and £127m of floating rate debt denominated in dollars (or currencies closely related to the dollar) and £88m of cash and £71m of floating rate debt denominated in other currencies. A 100 basis-points parallel increase in pound sterling Libor and Libid rates, which the Group considers to be an appropriate sensitivity measure, would increase profit after tax and other comprehensive income by £1m 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 rate profit after tax and other comprehensive income would reduce by £3m. An equal impact would result from the same movement in dollar rate.

The details of the interest bearing financial liabilities are disclosed in note 7.

Notes to the financial statements continued

11. Currency and interest rate risk management continued

(b) Interest rate risk management continued

Company

Interest rate profile

Since the £125m retail bond is at a fixed rate of interest, the Company is only exposed to interest rate movements as a result of issuance under its commercial paper programme and a loan from a subsidiary of £140m. It is estimated that the impact of a 100 basis-points movement in interest rates would not have a significant impact on the profit after tax of the Company.

Financial assets

The Company is owed £98m (2011/12 – £95m) of non-interest bearing balances at the year end.

Financial liabilities

The Company owes £429m (2011/12 – £68m) of non-interest bearing loans to subsidiaries. The European Commercial Paper liability of £nil (2011/12 – £21m) is carried at a floating rate. The £125m retail bond is carried at a fixed rate.

12. 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 development expenditure £m
Cost	
As at 1 April 2012	183
Additions	32
Disposals	(31)
Reclassifications	14
Exchange adjustments	6
As at 31 March 2013	204
Accumulated amortisation and impairment	
As at 1 April 2012	115
Amortisation charge for the year	26
Impairment in the year	10
Disposals	(29)
Exchange adjustments	(1)
As at 31 March 2013	121
Net book value	
As at 31 March 2013	83
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

Notes to the financial statements continued

13. 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 2012	33	205	238
Additions	–	7	7
Disposals	–	(55)	(55)
Reclassifications	1	(15)	(14)
Exchange adjustments	1	6	7
As at 31 March 2013	35	148	183
Accumulated depreciation and impairment			
As at 1 April 2012	13	143	156
Charge for the year	2	18	20
Impairment in the year	–	8	8
Disposals	–	(55)	(55)
Exchange adjustments	–	4	4
As at 31 March 2013	15	118	133
Net book value			
As at 31 March 2013	20	30	50

No assets are held under finance leases. Short leasehold property improvements includes £4m (2011/12 – £3m) of property held as freehold.

Cost and accumulated depreciation disposals of £55m relate to the write-off of furniture, fixtures and equipment which had a £nil net book and are no longer in use.

13. Property and equipment continued

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 and impairment			
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

14. Investment in associates

	Group year ended 31 March 2013 £m	Group year ended 31 March 2012 £m
Cost		
As at 1 April	61	38
Additions	7	26
Disposals	(3)	–
Transfer to joint venture	(2)	–
Transfer to investment in subsidiary	–	(3)
Share of profit for the year	5	6
Dividends received	(1)	(5)
Exchange adjustments	(1)	(1)
As at 31 March	66	61
Amortisation and impairment		
As at 1 April	7	7
As at 31 March	7	7
Net book value		
As at 31 March	59	54

Notes to the financial statements continued

14. 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 2013 £m	Group as at 31 March 2012 £m
Assets	38	35
Liabilities	(7)	(8)
Net assets	31	27
Goodwill and intangible assets arising on consolidation	28	27
Net investment in associates	59	54

	Group year ended 31 March 2013 £m	Group year ended 31 March 2012 £m
Revenue	34	32
Operating expenses	(26)	(24)
Profit before tax	8	8
Tax	(3)	(2)
Share of profit of associates after tax	5	6

On 2 August 2012 the Group acquired 14.6% of OpenGamma Inc, the creators of the first open-source analytics and risk management platform for the financial services industry, for a cash consideration of \$9.5m (£6m) with the investment classified as an associate. The Group has significant influence through its representation on the board of directors of OpenGamma Inc.

15. 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 unrealised gain or loss recognised previously in other comprehensive income is transferred to the consolidated income statement. 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 2013 £m	Group year ended 31 March 2012 £m
As at 1 April	31	31
Additions	2	–
Disposals	(5)	(2)
Impairment	–	(1)
Revaluation in the year recognised in other comprehensive income	–	4
Exchange adjustments	1	(1)
As at 31 March	29	31
Non-current		
– listed	2	4
– unlisted	27	27
Total	29	31
Available-for-sale investments include the following:		
Listed securities		
Equities listed in US	1	3
Equities listed in the rest of the world	1	1
Total listed securities	2	4
Unlisted securities		
Equity investments	25	26
Other	2	1
Total unlisted securities	27	27
Total	29	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 2013	8	3	9	6	3	29
As at 31 March 2012	6	7	9	7	2	31

Notes to the financial statements continued

16. Trade and other receivables

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

Loans and receivables are non-derivative financial instruments which have a fixed or 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 11.

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 17), except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously. If, during the course of trading (e.g. as a result of an error), any unmatched trades remain outstanding, the asset or liability is held within matched principal trade receivables or payables as appropriate and fair valued through the consolidated income statement until the trade is completed.

Deposits paid for securities borrowed represents the cash paid as collateral in a stock lending transaction. The Group acts as an intermediary between our customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due to and receivable are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned (note 17).

The accounting policy for derivative financial instruments is included in the interest rate and currency risk management section (note 11).

Financial instruments not held at fair value are impaired where there is objective evidence that the value may be impaired. The 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.

16. Trade and other receivables continued

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m	Company as at 31 March 2013 £m	Company as at 31 March 2012 £m
Non-current receivables				
Derivative financial instruments	–	3	–	–
Other receivables	6	8	124	–
	6	11	124	–
Current receivables				
Matched principal trade receivables	15,614	77,997	–	–
Deposits paid for securities borrowed	919	794	–	–
Other trade receivables	201	247	–	–
Impairment of other trade receivables	(3)	(3)	–	–
Derivative financial instruments	3	8	–	–
Amounts owed by subsidiaries	–	–	97	93
Amounts owed by associates	4	5	–	–
Other receivables	66	86	1	2
Prepayments	94	120	–	–
	16,898	79,254	98	95

As at 31 March 2013 the fair value of trade and other receivables is not materially different from their book values.

During the year the Group introduced a new clearing arrangement for certain US matched principal transactions on a fully disclosed clearing basis, which provided the Group with the legally enforceable right to set off the recognised amounts and settle on a net basis. As such, certain matched principal trade receivables and payables (note 17) were recorded on a net basis, which resulted in the significant downward movement from the 2012 position.

(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 Group does not bear any significant concentration risk to either counterparties or markets.

The risk in respect of name give-up, post trade risk and information services 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 matched principal business involves the Group acting as a counterparty on trades which 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 this risk including setting appropriate credit limits for all counterparts which are stringently monitored by the regional credit risk teams to restrict any potential loss through counterparty default.

The credit risk on core cash, cash equivalents and derivative financial instruments are monitored on a daily basis. All financial institutions that are transacted with are approved by 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 deposited with financial institutions rated 'A' or better by the major credit rating agencies.

81% of the Group's counterparty exposure at any given point throughout the year is to investment grade counterparts (rated BBB-/Baa3 or above).

The Group's potential stressed counterparty credit risk calculated in the ICAAP is less than 5% of the total Group capital.

Notes to the financial statements continued

16. 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 2013 £m	Group as at 31 March 2012 £m
Financial assets of the Group	17,473	79,770
Guarantees given to counterparties	354	249
	17,827	80,019

Company

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

(b) Impairment of trade and other receivables

Other trade receivables represent amounts receivable in respect of agency business and information services. As at 31 March 2013 the following trade and receivables were past their normal settlement date but had not been impaired:

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m
Less than 30 days overdue	66	104
Over 30 days, but less than 90 days overdue	36	44
Over 90 days overdue	21	21
	123	169

The impairment provision is based on historical data for the trade receivables of the Group and represents the expected reduction in the amount receivable as a result of invoicing errors and other disputes and specific provisions for doubtful debts. As at 31 March 2013 the provision on other trade receivables is disclosed below.

	Group year ended 31 March 2013 £m	Group year ended 31 March 2012 £m
As at 1 April	3	5
Transfer to other trade receivables	—	(2)
As at 31 March	3	3

16. 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 2013

Group	Trade receivables					
	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Matched principal trade receivables	3,866	7,474	3,301	–	973	15,614
Deposits paid for securities borrowed	–	919	–	–	–	919
Other trade receivables (net)	37	119	20	3	19	198
	3,903	8,512	3,321	3	992	16,731

As at 31 March 2012

Group	Trade receivables					
	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

Notes to the financial statements continued

17. 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 16).

Details of the accounting policy relating to derivative financial instruments is included within the interest rate and currency risk management section (note 11).

	Group as at 31 March 2013 £m	Group as at 31 March 2012 £m	Company as at 31 March 2013 £m	Company as at 31 March 2012 £m
Current payables				
Matched principal trade payables	15,587	77,997	–	–
Deposits received for securities loaned	922	795	–	–
Other trade payables	20	16	–	–
Amounts owed to subsidiaries	–	–	429	68
Amounts owed to associates	6	6	–	–
Derivative financial instruments	10	1	–	–
Accruals	285	273	–	–
Other tax and social security	15	29	–	–
Deferred income	2	–	–	–
Other payables	29	65	–	–
Contingent deferred consideration (note 23(b))	1	1	–	–
Deferred consideration	3	1	–	–
	16,880	79,184	429	68
Non-current payables				
Accruals	9	12	–	–
Contingent deferred consideration (note 23(b))	8	8	–	–
Amounts owed to subsidiaries	–	–	–	140
Derivative financial instruments	1	5	–	–
Deferred income	11	8	–	–
Total	29	33	–	140

As at 31 March 2013 the fair value of trade and other payables is not materially different from their book values.

17. Trade and other payables continued

Maturity of trade and other payables and provisions

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

Maturity of trade and other payables and provisions as at 31 March 2013

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	15,587	—	—	—	15,587
Deposits received for securities loaned	922	—	—	—	922
Other trade payables	2	18	—	—	20
Derivative financial instruments	10	—	1	—	11
Amounts owed to associates	3	3	—	—	6
Other payables	24	5	—	—	29
Contingent deferred consideration	—	1	8	—	9
Deferred consideration	—	3	—	—	3
Accruals	67	218	9	—	294
	16,615	248	18	—	16,881

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	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

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 net present value and gross amount of the balances disclosed above.

Company

The current portion of trade and other payables of £429m (2011/12 – £68m) are all due within 90 days. The non-current balance owed is £nil (2011/12 – £140m).

Notes to the financial statements continued

18. 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. A provision is only recognised where a reliable estimate can be made of the value of the obligation.

Group	Property £m	Legal £m	Other £m	Total £m
As at 1 April 2012	3	10	6	19
Amounts recognised in the income statement	–	–	1	1
Released to the consolidated income statement	(3)	(3)	–	(6)
As at 31 March 2013	–	7	7	14

Group	Property £m	Legal £m	Other £m	Total £m
As at 1 April 2011	3	45	7	55
Amounts recognised in the income statement	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 as at 31 March 2013 £m	Group as at 31 March 2012 £m
Included in current liabilities	1	1
Included in non-current liabilities	13	18
	14	19

Legal provisions represent amounts for certain claims brought against subsidiaries of the Group in relation to certain tax matters. The provisions were those that have been acquired by the Group on the acquisition of subsidiary undertakings. At the present time the timing of any payment is uncertain and the matter is reviewed by the Group on a regular basis. In the directors' opinion, after taking legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 March 2013.

Other provisions include obligations for certain employee-related costs which are expected to be discharged over the next three to four years.

19. 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 2013		As at 31 March 2012	
	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
Equity share capital				
Ordinary shares of 10p each	1,100	110	1,100	110
	1,100	110	1,100	110

(b) Issued share capital

	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
Allotted, called up and fully paid				
As at 1 April	664	66	664	66
Issued during the year	1	—	1	—
Cancelled during the year	—	—	(1)	—
As at 31 March	665	66	664	66

During the year 217,261 (2011/12 – 597,062) ordinary shares were issued following the exercise of options held under employee share schemes for a consideration of £1m (2011/12 – £1m) with no shares cancelled in the year (2011/12 – 500,000).

The number of ordinary shares in issue at 31 March 2013 was 664,537,006 (2011/12 – 664,365,322) with 18,346,181 (2011/12 – 18,294,235) held as Treasury Shares and 6,193,738 (2011/12 – 4,252,550) 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.

Notes to the financial statements continued

19. 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 2013	As at 31 March 2012
2003	188.5	31/05/2005	19/01/2013	0.0	0.1
2004	270.0	31/08/2006	26/11/2013	0.4	0.4
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	0.0	1.0
2011	288.0	01/08/2013	31/03/2014	1.2	1.4
2012	346.0	01/08/2014	23/11/2021	0.4	0.6
2013	285.4	24/05/2015	26/06/2022	1.6	–
Total potential issues of share capital				5.9	5.8

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 21.

(d) Shares held in trust for employee share schemes

The Company has established employee share trusts in respect of the Senior Executive Equity Participation Plan (SEEPP), the Bonus Share Matching Plan (BSMP), the Traiana Plan and the Long Term Incentive Plan (LTIP) (note 21) 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 2013, these trusts owned 6,193,738 ordinary shares in the Company (2011/12 – 4,252,550) with a market value of £18m (2011/12 – £17m).

	Number of shares millions	
	Year ended 31 March 2013	Year ended 31 March 2012
As at 1 April	4	5
Acquired during the year	3	–
Exercised by employees during the year	(1)	(1)
As at 31 March	6	4

(e) Treasury Shares

During the year the Company purchased 97,523 (2011/12 – 14,266,081) of its own shares for £0.3m (2011/12 – £56m) to be held as Treasury Shares and re-issued 45,577 (2011/12 – none). As at 31 March 2013, the number of shares held as Treasury Shares was 18,346,181 (2011/12 – 18,294,235).

	Number of shares millions	
	Year ended 31 March 2013	Year ended 31 March 2012
As at 1 April	18	4
Acquired during the year	–	14
As at 31 March	18	18

19. 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 7), cash and cash equivalents (note 8(c)) and equity, including share capital, share premium, other reserves (note 20(a)) and retained earnings. At 31 March 2013, the Group's net cash was £25m (2011/12 – net debt of £82m) (note 8(b)).

ICAP's global business is subject to consolidated supervision by the FCA 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 FCA 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 will fall due for renewal in 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 (2011/12 – £0.9bn) and is relatively stable due to the low amount of market and credit risk in the Group, but may fluctuate due to the 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. The process followed at Group level is consistent with the CRD requirement for ICAP's FCA regulated entities to perform an ICAAP under Pillar 2. The results for both are documented, updated and approved annually by the board and the UK regulated entity boards respectively. As at 31 March 2013, the Group and each of its UK regulated entities had sufficient Pillar 1 capital to cover their identified risks.

All of the Group's regulated trading 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.

Notes to the financial statements continued

20. 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 2012	28	1	7	55	91
Loss unrealised in the year	–	–	(13)	–	(13)
As at 31 March 2013	28	1	(6)	55	78

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

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. 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 (2011/12 – £31m) and Treasury Shares £71m (2011/12 – £71m) has been deducted from retained earnings. The share-based payment reserve of £20m (2011/12 – £20m) has been included in retained earnings.

(b) Company reserves

The Company has retained earnings of £1,184m (2011/12 – £1,336m) of which £512m (2011/12 – £657m) is not distributable.

21. Share awards

Employee share schemes

The Group awards share options and other share-based payments as part of employee incentive schemes. The Group has applied IFRS2 'Share-based payments' for all such awards granted since 7 November 2002. The fair value of services acquired is measured by the fair value of the shares or share options awarded at the time of granting and are charged to staff costs over the period the service is received on a straight-line basis. A corresponding amount has been recognised in equity.

The fair value of share options awarded is calculated using the Black-Scholes option pricing model and takes into account various parameters, including the exercise price, current share price, risk free rate of return and the volatility of ICAP's share price. The expected lives used in the fair value calculations are adjusted for the estimated effect of non-transferability and exercise restrictions.

A cancellation of a share award by the Group or an employee is treated consistently, resulting in an acceleration of the remaining charge within the consolidated income statement in the year of cancellation.

The total charge to the consolidated income statement in respect of employee share options in the year was £1m (2011/12 – £3m).

The fair value of options granted during the year was £7m (2011/12 – £8m).

At the close of business on 31 March 2013, the market price of the Company's ordinary shares was 290.4p (2011/12 – 392.8p) per share and during the year fluctuated in the range 281.4p and 396.5p per share.

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

	As at 1 April 2012 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 2013 millions	Weighted average exercise price pence
2009 SAYE	1.1	323.0	–	–	(0.3)	(0.8)	323.0	–	323.0
2010 SAYE	1.4	288.0	–	–	–	(0.2)	–	1.2	288.0
2011 SAYE	0.3	379.0	–	–	–	(0.2)	–	0.1	379.0
2012 SAYE	–	–	1.5	274.0	–	(0.2)	–	1.3	274.0
SEPP UK	0.4	–	0.1	–	–	–	–	0.5	–
UCSOP	3.6	393.3	0.3	343.2	–	–	–	3.9	389.4
BSMP	6.6	–	2.5	–	(0.1)	(1.1)	–	7.9	–
Traiana Plan	0.3	160.0	–	–	–	–	–	0.3	160.0
LTIP	0.7	–	1.0	–	(0.5)	(0.3)	–	0.9	–
	14.4		5.4		(0.9)	(2.8)		16.1	

	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
SEPP 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	

The SEPP UK and the BSMP awards/promises have a nominal exercise price of £1 for each basic award/promise and £1 for each matching award. Options granted under the SAYE are issued with a 20% discount on the market price as permitted by HMRC and those granted under the Traiana Plan were granted at the equivalent price to the original Traiana option. The awards under the LTIP have no exercise price.

Notes to the financial statements continued

21. Share awards continued

Employee share schemes continued

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Determining the value of a grant of equity instruments requires selecting an appropriate valuation model and estimating the required inputs to that model, including the expected life of the option, volatility and dividend yield and making assumptions about them. The following assumptions have been applied when calculating the fair value of the options granted in the year:

	Weighted average market price pence	Expected share volatility %	Weighted average dividend yield %	Average risk free rate %	Expected life years	Probability of achieving performance conditions %	Vesting period years
2012 SAYE	340.0	39	6.08	0.76	3.1	100	3
SEEP UK	339.0	39	6.08	0.76	5.0	100	3
BSMP	339.0	39	–	0.76	5.0	90	3
LTIP	339.0	39	–	0.76	5.0	90	3
UCSOP	341.0	39	6.08	0.76	7.0	100	3

Estimated share volatility is a measure of the amount by which the Company's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the historic volatility of the share price over the past three years to the date of grant of the option. On options where the employee receives a cash bonus in lieu of the dividend foregone the dividend yield is treated as nil and the fair value of the option is equal to the market value of the share.

(i) BSMP

The BSMP is not approved by HMRC. The BSMP is a long-term incentive plan where for years up to 2011/12 executive directors of the Company were required to waive 50% of their cash bonus in return for rights over the number of shares that could be acquired with the foregone bonus (a basic award). In 2012/13 the executive directors are required to use half of their cash bonus after tax to acquire investment shares. A matching award of shares will also be granted with a value equal to half their pre-tax cash bonus. The matching award will usually be released after three years if the executive director is still employed and has retained the investment shares purchased and to the extent the performance condition has been met.

BSMP awards/promises were outstanding over 7,928,959 (2011/12 – 6,567,521) ordinary shares. These shares are exercisable between 2013 and 2020. A credit of £1m (2011/12 – £1m charge) has been taken to the consolidated income statement in respect of these options in the year, which includes a £2m credit relating to the 2010 and 2011 schemes as the performance conditions are not expected to be met.

(ii) Sharesave scheme (SAYE)

The Save-As-You-Earn (SAYE) scheme is approved by HMRC. The scheme enables directors and eligible employees to acquire options over ordinary shares of the Company at a discount of up to 20% of their market price using the proceeds of a related SAYE contract. All UK employees who have worked for the minimum qualifying period on an invitation date are eligible to join the scheme. Options granted under the SAYE scheme are not subject to performance conditions. These options are all equity settled.

SAYE options were outstanding over 1,234,208 (2011/12 – 2,460,915) ordinary shares for the 2010 and 2011 three-year grants at exercise prices of 288.0p and 379.0p 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 (2011/12 – £1m) was made to the consolidated income statement in respect of these options in the year.

SAYE options were granted over 1,520,692 ordinary shares on 14 June 2012 for the 2012 three-year grant at an exercise price of 274.0p 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 2015 and January 2016. A charge of £nil was made to the consolidated income statement in respect of these options in the year. As at 31 March 2013, options over 1,322,547 shares remained outstanding.

21. 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 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 January 2006 and June 2022 with an exercise price range of 166.0p to 611.0p under UCSOP and 16.0p to 648.0p under the Traiana plan. At 31 March 2013 the total number of shares exercisable was 3,291,700 under UCSOP (2011/12 – 2,791,700) and 311,096 under the Traiana plan (2011/12 – 311,096), with weighted average exercise prices of 387.2p (2011/12 – 387.2p) and 160.2p (2011/12 – 160.2p) respectively.

A charge of £1m (2011/12 – £1m) was made to the consolidated income statement in respect of these schemes.

22. 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 2013 £m	Year ended 31 March 2012 £m
Salaries (including bonuses)	761	889
Social security costs	56	62
Share-based payments	1	3
Defined contribution pension costs	6	6
	824	960

(b) Number of employees analysed by business segment

	Average		Year end	
	Year ended 31 March 2013	Year ended 31 March 2012	As at 31 March 2013	As at 31 March 2012
Global Broking				
– EMEA	1,550	1,543	1,562	1,569
– Americas	1,660	1,801	1,545	1,725
– Asia Pacific	827	773	836	828
Electronic Markets	519	508	512	542
Post Trade Risk and Information	491	455	521	459
	5,047	5,080	4,976	5,123

Key management consists of the members of the GEMG. The aggregate remuneration for key management was £19m (2011/12 – £23m). Key management remuneration is wholly attributable to continuing operations.

A charge of £1m (2011/12 – £1m) was recognised in the consolidated income statement relating to share options held by key management.

Retirement benefits are accruing to seven (2011/12 – seven) members of the GEMG under defined contribution schemes and during the year key management received £0.4m (2011/12 – £0.1m) in post-retirement benefits.

Notes to the financial statements continued

23. Acquisitions of subsidiaries

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

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 2013 disclosed below.

On 21 June 2012 the Group acquired 100% of the share capital in ICAP Securities and Derivatives Exchange Limited (formerly Plus Stock Exchange plc (Plus)), the smaller company equity exchange based in the UK, for consideration of £0.5m. The fair value of net identifiable assets and liabilities acquired on acquisition totalled £1.2m of net liabilities. The difference between the fair value of consideration paid and net liabilities acquired of £1.7m represents goodwill relating to the acquisition. Since acquisition the Group has consolidated £1m of loss after tax.

On 28 November 2012 the Group acquired 100% of the share capital in Global Research and Consulting Limited, known as ClientKnowledge, the leading optimisation firm specialising in FX, for consideration of £3.5m. The fair value of net identifiable assets and liabilities acquired on acquisition totalled £0.1m of net assets. The difference between the fair value of consideration paid and net liabilities acquired of £3.4m represents goodwill relating to the acquisition. Since acquisition ClientKnowledge has been integrated into the EBS business.

(b) Contingent deferred consideration in respect of acquisitions

A number of acquisitions made by the Group are satisfied in part by contingent deferred consideration. The Group has re-estimated the amounts due where necessary, with any corresponding adjustments being made to goodwill for acquisition made prior to the adoption of IFRS3 (revised) 'Business Combinations'. For acquisitions made since the adoption of IFRS3 (revised), any adjustments made to the contingent deferred consideration are made through the acquisition and disposals costs column of the consolidated income statement.

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

At 31 March 2013 a deferred contingent consideration of £9m (2011/12 – £9m) was outstanding.

23. Acquisitions of subsidiaries continued**(c) Acquisition and disposal costs before tax**

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Acquisition and disposal costs before tax comprises:		
Amortisation of intangibles recognised on consolidation	(69)	(70)
Impairment of intangible assets arising on consolidation	(81)	(103)
Release of provisions recognised on acquisition	–	31
Impairment of available-for-sale assets	–	(1)
Other	(7)	(7)
Recognised in operating expenses	(157)	(150)
Gain on sale of business	–	13
Impact on operating profit	(157)	(137)
Finance cost	(1)	–
Tax	38	18
Acquisition and disposal costs	(120)	(119)

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 2013 £m	Year ended 31 March 2012 £m
Income from government grants	6	12
Other	3	14
Other income before acquisition and disposal costs and exceptional items	9	26
Gain on sale of business	–	13
Total other income	9	39

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.

Notes to the financial statements continued

25. Financial assets and liabilities**(a) Financial assets and liabilities**

The carrying value less impairment of current trade receivables and payables are assumed to approximate to their fair values due to their short-term nature.

As at 31 March 2013 and 2012, the fair values of financial assets are not materially different from their book values.

Classification of financial assets as at 31 March 2013

	Hedging instruments £m	Available- for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents	–	–	602	602
Restricted funds	–	–	37	37
Available-for-sale investments	–	29	–	29
Matched principal trade receivables	–	–	15,614	15,614
Deposits paid for securities borrowed	–	–	919	919
Other trade receivables (net)	–	–	198	198
Derivative financial instruments	3	–	–	3
Amounts owed by associates	–	–	4	4
Other receivables	–	–	67	67
	3	29	17,441	17,473

Classification of financial assets as at 31 March 2012

	Hedging instruments £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	–	–	5	5
Other receivables	–	–	91	91
	11	31	79,728	79,770

25. 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 2013 £m	Group as at 31 March 2012 £m
Trade and other receivables:		
– current receivables (note 16)	16,898	79,254
– non-current receivables (note 16)	6	11
Available-for-sale financial assets (note 15)	29	31
Restricted funds	37	50
Cash and cash equivalents (note 8(c))	602	547
Excluded:		
– non-financial other receivables	(5)	(3)
– prepayments	(94)	(120)
	17,473	79,770

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

As at 31 March 2013 and 31 March 2012, the fair values of financial liabilities are not materially different from their book values.

Classification of financial liabilities as at 31 March 2013

	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	15,587	15,587
Deposits received for securities loaned	–	922	922
Other trade payables	–	20	20
Derivative financial instruments	11	–	11
Amounts owed to associates	–	6	6
Other payables	–	30	30
Contingent deferred consideration	–	9	9
Deferred consideration	–	3	3
Accruals	–	292	292
Borrowings and overdrafts	–	577	577
	11	17,446	17,457

Notes to the financial statements continued

25. Financial assets and liabilities continued

(a) Financial assets and liabilities continued

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	–	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

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

	As at 31 March 2013 £m	As at 31 March 2012 £m
Trade and other payables:		
– current payables	16,881	79,184
– non-current payables	29	33
– borrowings and overdrafts (note 7)	577	629
– provisions (note 18)	13	19
Excluded:		
– non-financial other provisions	(14)	(16)
– non-financial other payables	–	(2)
– other tax and social security	(15)	(29)
– deferred income	(14)	(8)
	17,457	79,810

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

25. Financial assets and liabilities continued

(b) Fair value estimation

The Group's assets and liabilities that are measured at fair value are financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments.

Instruments included in level 1 are traded in active markets and valued at quoted market prices available in open markets. The fair value of a financial instrument that is not traded in an active market is determined using a valuation technique, for example derivative financial instruments. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific items. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Both level 2 and level 3 valuations require significant management judgements.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 March 2013.

	As at 31 March 2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale-investment	2	25	2	29
Derivative financial instruments	–	3	–	3
Total assets	2	28	2	32
Liabilities				
Derivative financial instruments	–	(11)	–	(11)
Total liabilities	–	(11)	–	(11)

	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)

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

26. Commitments

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term.

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 2013 £m	As at 31 March 2012 £m
Within one year	16	14
Between one and five years	83	83
After five years	41	21
	140	118

No amounts were expected to be received under non-cancellable sub-leases as at 31 March 2013 (2011/12 – £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. During the year the lease on the Group's UK headquarters was extended to June 2019 with an option to extend for a further 30 months.

27. Contingent liabilities**Group**

(a) Several government agencies in North America and Europe, including the US CFTC, the US Department of Justice, the FCA (formerly the Financial Services Authority) and the European Commission, continue to conduct investigations in to past submissions made by panel members to the bodies that set various interbank reference rates (notably Libor). The conclusions of enforcement action by certain regulators against three banks that were members of the relevant panels and therefore set Libor, have been publicly reported. Such action included significant financial penalties and undertakings to improve the methodology by which Libor submissions are derived.

Neither ICAP, nor any of its subsidiaries, either were at the relevant time or are now members of the panels that submit data used to set Libor, nor does any ICAP broking company itself trade in any Libor-referencing product that it brokers. However, certain subsidiaries of ICAP's Global Broking division are involved in broking cash deposits and the fixed price component of derivatives that refer to Libor between banks, including members of the relevant panels, and in the course of doing so may receive and communicate information to banks about Libor and Libor-related instruments and trading activity. In certain of the enforcement actions taken against the banks, regulators have included allegations that certain employees of up to six interdealer brokers, which are not named, may have acted improperly with regard to Libor-related information shared with banks. One of the Group's Global Broking subsidiaries has been formally notified that it is the subject of an FCA investigation and, in addition, ICAP companies have been requested to provide regulators and other government agencies with a variety of information connected to the investigations referred to above. ICAP is co-operating fully with such regulators and government agencies, including the FCA, the US Department of Justice and the US CFTC.

It is not practicable to predict the scope and ultimate outcomes of any investigations or to provide an estimate of any potential financial impact on the Group.

In addition, ICAP plc has recently been added as a named defendant to an existing civil litigation originally filed in April 2012 against certain yen Libor and euro-yen Tibor panel banks in the United States District Court for the Southern District of New York. The complaint alleges the plaintiff was injured as a result of purported manipulation of yen Libor and/or euro-yen Tibor by trading euro-yen Tibor futures contracts, one component of the underlying calculation of which refers to yen Libor or euro-yen Tibor.

It is not practicable to determine the final outcome of this litigation or to provide an estimate of any potential financial impact on the Group, but ICAP intends to defend it vigorously.

(b) From time to time the Group is engaged in litigation in relation to a variety of matters, and is also frequently required to provide information to regulators and other government agencies as part of informal and formal inquiries or market reviews. It is not practicable 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 clearing and settlement arrangements and/or the use of third party services or software.

27. Contingent liabilities continued

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 2013 (2011/12 – £nil). The Company has also provided guarantees to a subsidiary company in respect of credit lines of £8m which have a fair value of £nil at 31 March 2013 (2011/12 – £nil).

28. Related party transactions

Group

(a) IPGL

IPGL is a company controlled by Michael Spencer, the Group Chief Executive Officer of ICAP plc. A number of transactions take place between IPGL and its subsidiaries and the Group and these are detailed below.

IPGL

The Group collected revenue on behalf of IPGL of £39,252 (2011/12 – £nil). During the year, the Group charged IPGL £nil (2011/12 – £37,163) in respect of employees of the Group who provided services to IPGL and its investments and £1,466 (2011/12 – £6,573) in respect of other services. As at 31 March 2013, IPGL owed the Group £771 (2011/12 – £38,556).

Exotix Holdings Ltd (Exotix)

As part of the disposal of Exotix Holdings Ltd to IPGL in 2007, the Group loaned employees of Exotix Ltd, a subsidiary of Exotix, £1.5m to enable them to purchase a shareholding. Interest of £2,606 (2011/12 – £6,793) has been charged on these loans during the year. The Group collected revenue of £11.6m (2011/12 – £8.5m) on behalf of Exotix and recharged Exotix £270,707 (2011/12 – £225,000) for clearing-related services and £237,845 (2011/12 – £30,000) for other services provided during the year. As at 31 March 2013, there was a balance due to Exotix from the Group of £1.6m (2011/12 – £5.0m). The Group holds £1.9m as collateral from Exotix on deposit.

City Index Ltd

During the year the Group has charged FXSolutions (an indirect subsidiary of IPGL) £0.4m (2011/12 – £0.4m) for the provision of FX data from its EBS platform. As at 31 March 2013 there was no balance outstanding with the Group (2011/12 – £nil).

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

The Group invoices and collects revenue on behalf of TFS-ICAP LLC. During the year, the Group invoiced and collected £0.3m (2011/12 – £6.2m) 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 – £nil (2011/12 – £5,610); TFS-ICAP Ltd – £16,750 (2011/12 – £849,907); TFS-ICAP Singapore £nil (2011/12 – £20,311). As at 31 March 2013 the outstanding balance from all the joint ventures to the Group was £2.9m (2011/12 – £2.6m due from the Group).

(c) BSN Capital Partners Ltd (BSN)

The Group provides BSN Capital Partners Ltd (BSN), an associate undertaking, with office space and facility services. During the year, the Group charged BSN £159,147 (2011/12 – £95,462) for these services. The Group also has a preferred brokerage agreement with BSN and has recognised revenue of £0.1m (2011/12 – £1.1m) during the year. As at 31 March 2013 the outstanding balance was £136,994 (2011/12 – £64,616).

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

The Group provides CFETS-ICAP, an associate company based in China, with office space and facilities services. During the year, the Group charged the company £19,131 (2011/12 – £131,091) for these services. The Group also invoiced and collected revenue of £696,561 for CFETS-ICAP in the year (2011/12 – £489,652). As at 31 March 2013 there was a balance due to CFETS-ICAP from the Group of £1,520,569 (2011/12 – £790,159).

(e) Capital Shipbrokers Ltd

The Group collected revenue on behalf of Capital Shipbrokers Ltd, an associate based in Hong Kong, of £2.7m (2011/12 – £2.0m). The Group also recharged Capital Shipbrokers Ltd £395,278 (2011/12 – £214,965) for overheads. The total outstanding balances due from the Group was £1.9m (2011/12 – £1.2m).

Notes to the financial statements continued

28. Related party transactions continued

Group continued

(f) FCB Harlow Butler Pty Ltd

The Group loaned some minority shareholders of FCB Harlow Butler Pty Ltd, a subsidiary company in South Africa, £629,558 in order to acquire 140,800 shares in the company from the Group. Interest of £nil (2011/12 – £22,061) was charged on the loan during the year. As at 31 March 2013, the outstanding balance due on the loan was £139,376 (2011/12 – £217,349).

(g) CLS Aggregation Services LLC (CLSAS)

The Group recharged CLSAS, an associate company, £4.4m (2011/12 – £2.8m) as compensation for technical services during the year. As at 31 March 2013 the total outstanding balance due to the Group was £1.3m (2011/12 – £1.8m). The Group received £5.2m (2011/12 – £3.5m) from CLSAS during the year.

Related party transactions are made on an arm's length basis.

Company

ICAP plc is the Group's ultimate parent company and is incorporated and domiciled in the UK.

During the year the Company entered into the following transactions with subsidiaries:

	Year ended 31 March 2013	Year ended 31 March 2012
Management services expenses	–	(1.5)
Net interest from related parties	1.0	(4.1)

Amounts owed to the Company from subsidiaries are disclosed in note 16 and amounts owed by the Company to subsidiaries are disclosed in note 17. In March 2009, the Company novated the Group's bank facilities to its immediate subsidiary ICAP Group Holdings plc (IGHP) and simplified its intra-Group lending and borrowing with its subsidiaries.

29. Events after the balance sheet date

There are no material events subsequent to the balance sheet date.

30. 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.

30. Principal subsidiaries, joint ventures and associates continued

(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 2013 these investments had a cost and net book value of £2,036m (2011/12 – £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 Co 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
	Traiana Inc	88

The percentage held represents the percentage of issued ordinary share capital held (all classes) and also represents the voting rights of the Company.

ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda has a 31 December year end as required as part of local regulatory requirements. All other subsidiaries have a 31 March year end.

All companies operate in their country of incorporation, except ICAP Securities USA LLC and ICAP Corporates LLC which also operate in the UK and EBS Dealing Resources International Limited which operates worldwide.

All subsidiaries are involved in Global Broking, Electronic Markets or Post Trade Risk and Information activities.

Notes to the financial statements continued

30. Principal subsidiaries, joint ventures and associates continued

(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	Broking
England	TFS-ICAP Holdings Limited	45.0	Broking
Germany	TFS-ICAP GmbH	33.3	Broking
Japan	TFS-ICAP	25.0	Broking
Mexico	SIF ICAP, SA de CV	50.0	Broking
	BCIE – ICAP Capital Markets SA de CV	50.0	Broking
Singapore	TFS-ICAP	25.0	Broking
United States	TFS-ICAP LLC	45.0	Broking

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 is given below:

	As at 31 March 2013 £m	As at 31 March 2012 £m
Assets	15	11
Liabilities	(7)	(5)
Net assets	8	6
Goodwill included in the Group's balance sheet	2	1
Net investment in joint ventures	10	7

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Revenue	15	15
Administrative expenses	(11)	(9)
Profit before tax	4	6
Tax	(1)	(1)
Profit for the year	3	5
Attributable to		
Equity holders of the Company	3	5

30. 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
England	BSN Capital Partners Limited	25.1	Broking
China	Capital Shipbrokers Limited	49.0	Broking
	Shanghai CFETS-ICAP International Money Broking Co Limited	33.0	Broking
Japan	Totan ICAP Co Limited	40.0	Broking
	Central Totan Securities Co Limited	20.0	Broking
Malaysia	Amanah Butler Malaysia Sdn Bhd	32.1	Broking
United States	CLS Aggregation Services LLC	49.0	Post Trade Risk and Information
	OpenGamma Inc	14.6	Post Trade Risk and Information

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

BSN Capital Partners Limited, Shanghai CFETS-ICAP International Money Broking Co Limited, CLS Aggregation Services LLC and OpenGamma Inc have 31 December year ends. The difference in these associates' year ends to the Group's year end is not considered to have a material impact on their results. All other associates have a 31 March year end.



Other information

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Information for shareholders

Information on ICAP plc (Company No 3611426) can be found on the Company's website, www.icap.com.

Financial calendar

2013

14 May	Results for year ended 31 March 2013 announced
26 June	Ex-dividend date for final dividend
28 June	Record date for final dividend
10 July	Annual general meeting, London
19 July	Final dividend payment
November	Results for half year to 30 September 2013 announced

2014

January	Ex-dividend date for interim dividend
January	Record date for interim dividend
February	Interim dividend payment
May	Results for year ending 31 March 2014 announced
July	Annual general meeting, London
July	Final dividend payment
November	Results for half year to 30 September 2014 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 the 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.

Depository 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 depository 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 these numbers are charged at 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday.

Definitions and glossary

In this Annual Report the following words shall have the following meanings:

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

BrokerTec

see ICAP Electronic Broking below

BSMP

the ICAP 2003 and 2013 Bonus Share Matching Plan

CCP

central counterparty

CDS

credit default swaps

CFETS

Shanghai CFETS-ICAP International Money Broking Co. Limited

CFTC

Commodity Futures Trading Commission

Clearing house

a central risk-bearing and administrative facility in certain exchange-based markets which acts as the counterparty to both the buyer and the seller of a contract, 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

Code

FRC's UK Corporate Governance Code

Companies Act

Companies Act 2006 (as amended)

Company or ICAP

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

Compression

a multilateral process enabling a group of financial institutions to both identify multiple offsetting derivative contracts and to cancel them, in order to reduce their overall trade count and notional outstanding, thus reducing systemic risk and freeing up capital to be deployed elsewhere

CRD

Capital Requirements Directive

Demerger

the demerger of Garban from United Business Media plc on 17 November 1998

Derivatives

financial instruments whose value is derived from the value of an underlying asset, 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

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

FCA

Financial Conduct Authority, a successor to the Financial Services Authority

FICC

Fixed Income Clearing Corporation

FINRA

Financial Industry Regulatory Authority, a US regulator

First Brokers

First Brokers Securities Inc

Fitch

Fitch Ratings Limited

Fixing

the process of setting an official price for a financial instrument, on a regular basis, involving market participants and sometimes central banks or other regulatory bodies

Definitions and glossary continued

FRC

Financial Reporting Council

FTSE 100

index comprised of the 100 largest companies listed on the London Stock Exchange in terms of their market capitalisation

FTSE 250

index comprised of medium-capitalised companies listed on the London Stock Exchange not included in the FTSE 100 index

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

Group CEO

Group Chief Executive Officer

HMRC

Her Majesty's Revenue & Customs

ICAAP

internal capital adequacy assessment process

ICAP Electronic Broking

the businesses of ICAP Electronic Broking LLC (formerly BrokerTec USA LLC) and ICAP Electronic Broking Limited (formerly BrokerTec Europe Limited)

ICAP shares

ICAP plc ordinary shares of 10p each

ICAP Shipping

ICAP Shipping Limited (formerly ICAP Hyde & Company Limited) and related companies

ICAP Trust

ICAP Employee Share Trust

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 swap, a financial transaction in which two parties typically exchange payments based on a fixed interest rate for payments based on a floating rate, or alternatively both based on different floating rates. Swaps are typically used by companies to hedge against interest rate exposure or to speculate on future interest rate movements.

ISDA

International Swaps and Derivatives Association

ISDX

ICAP Securities & Derivatives Exchange Limited, formerly Plus Stock Exchange plc

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 with enough buyers and sellers for financial instruments to be traded quickly in significant volumes without sudden major shifts in price

Margin call

brokers and clearing houses require their clients to deposit a 'margin' with them. 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 client to increase the amount of margin held on its account if the value of securities purchased on margin falls below a certain level.

Mark-to-market

reevaluation 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 Instrument Directive, this proposes the concept of an organised trading facility. The European Commission has proposed in its revision to MiFID a new type of trading venue known as the organised trading facility. These are organised platforms which are currently not regulated as a Regulated Market or multilateral trading facility. The precise definition remains subject to negotiation in Brussels.

MMFs

Money market funds

Moody's

Moody's Investors Services

Multilateral trading facility (MTF)

an electronic system used to facilitate trading in financial instruments between multiple parties, rather than solely on a one buyer/one seller basis

NBI

new business initiative

NDF

non-deliverable forwards

Non-bank

encompassing the professional trading community including hedge funds, trading houses and corporates

NSCC

National Securities Clearing Corporation

Off-the-run securities

instruments that were issued earlier in a sequence of periodically issued securities. They generally trade at a discount to on-the-run securities.

On-the-run securities

the most recently issued instruments in a sequence of periodically issued securities. They are generally more liquid than older securities in the sequence and trade at a premium.

OTC

over-the-counter, markets in which instruments are traded directly between participants by telephone and/or electronically rather than via an exchange

OTF

organised trading facility, a category of trading revenue proposed by MiFID

Pillar 1

sets out the rules by which regulatory capital can be calculated for the three major components of risk that a bank faces: credit risk, operational risk and market risk

Pillar 2

a supervisory review process

RCF

revolving credit facility

ReMatch

ReMatch Holdings Limited and its subsidiaries

Reset

Reset Holdings Private Limited and its subsidiaries

RIE

Recognised Investment Exchange

RSE

Recognised Stock Exchange

RPI

retail price index

SEC

Securities and Exchange Commission, a US regulator

SEF

swap execution facility, a type of organised trading venue in the US

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 trade which is settled immediately (usually within two working days)

Straight through processing

the ability for trades to be processed electronically from the point of execution through to settlement on clients' administration systems with minimal or no human intervention

Tibor

Tokyo interbank offered rate

Traiana

Traiana Inc and subsidiaries

Treasury Shares

shares as defined by the Companies Acquisition of Own Shares (Treasury Shares) Regulations 2003 which came into force on 1 December 2003

TriOptima

TriOptima AB and its subsidiaries

In this document, according to context, the expressions ICAP and the Group are also used to mean the ICAP plc Group as a whole, or ICAP plc and/or its relevant subsidiaries. The business of ICAP plc is solely that of a holding company. ICAP plc itself conducts no broking or other activities.

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