ICAP plc Annual Report
for the year ended 31 March 2014

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. Our markets have global scale and reach.

The structure of the financial markets and the competitive landscape continues to evolve and provide us with significant opportunities for growth.

Inside this report

Annual 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 2014. 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 88, inclusive, of this Annual Report comprise the strategic report, governance and directors' report and the remuneration 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.

Strategic report

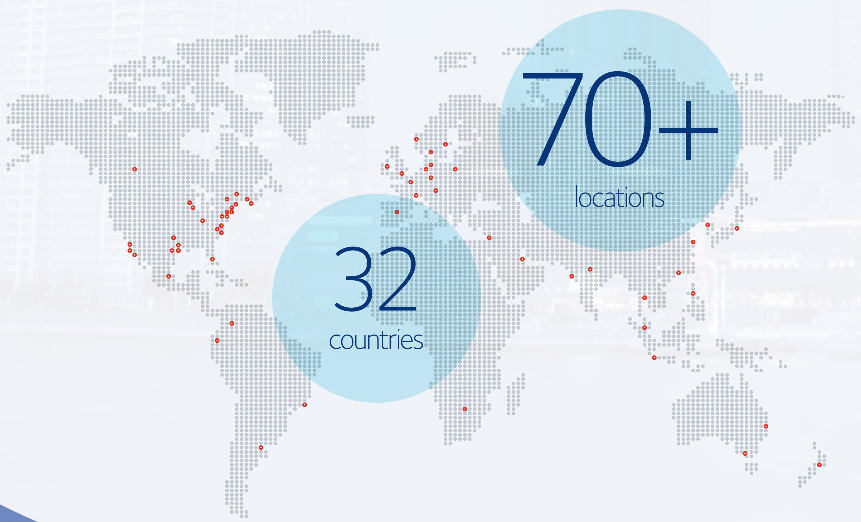
Our role in the markets

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 throughout the trade life cycle.

ICAP facilitates the flow of capital and investment through the financial system and supports government and corporate borrowing. We play an important role in contributing to the stability of the financial markets.

Our geographic reach

We operate in all the world's major financial centres – with offices in 32 countries and more than 70 locations



Our business segments

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, easily and with greater certainty. We operate a number of electronic platforms in a range of asset classes and instruments. The largest of these are EBS Market and EBS Direct for spot FX currencies, NDFs and precious metals; and the BrokerTec platform for G7 public debt securities, US and European government debt and US and EU repo and CDS.

In addition, we also operate a number of other platforms including 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, neutralise, remove and reconcile risk within trading portfolios;

– the transaction processing, reporting and netting business, Traiana; and

– the information and data sales business.

More than 1,000 institutions use our post trade risk services.

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 into certain transactions at any moment may be limited.

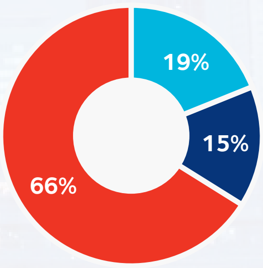
We offer broking services for a wide range of asset classes including rates, FX, commodities, emerging markets, credit and equities. For each of these asset classes, ICAP has electronic capability which gives customers the choice to enter prices and execute trades electronically, directly via one of 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.

Our scale and diversity

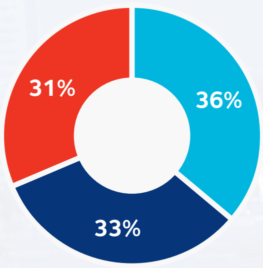
Two thirds of our trading* operating profit comes from our electronic markets and post trade risk and information services

Revenue by business



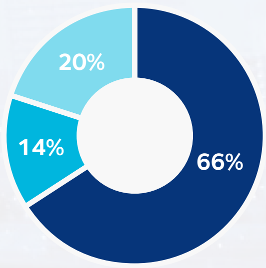
	£m
Electronic Markets	265
Post Trade Risk and Information	212
Global Broking	920
Total	**1,397**

Trading operating profit by business



	£m
Electronic Markets	107
Post Trade Risk and Information	96
Global Broking	92
Total	**295**

Source of revenue



	%
Bank execution	66
Subscription	14
Non-bank execution	20

* before acquisition and disposal costs and exceptional items

Group CEO's review

Group Chief Executive Officer's review of the year

The past year has presented ICAP with many challenges. Trading conditions have been and are likely to remain extremely difficult. We operate in an industry which is undergoing an enormous amount of structural change with the emergence of a new post-financial crisis regulatory landscape. The trading operations of our bank customers, particularly their FICC franchises, continue to be scaled back as balance sheets are deleveraged in response to increased capital requirements. In addition to these structural developments, cyclical factors such as the low interest rate environment, muted FX rate volatility and continued uncertainty over the long overdue economic recovery have inevitably impacted revenue.

This was also an extremely difficult year because of the yen Libor investigation. In September 2013, one of our Global Broking subsidiaries reached settlement agreements with the CFTC and the FCA and paid penalties totalling £55 million relating to the involvement of certain brokers assisting bank traders seeking to manipulate yen Libor.

We have learnt lessons from this experience and have taken steps to strengthen the business. Since 2010, we have significantly enhanced the compliance, risk and control framework across the entire ICAP Group. We have also embarked on an ambitious programme of staff training and development that strongly reinforces our core principles and values. We now have a robust and comprehensive regulatory risk management framework, employing a considerable number of compliance staff and dedicating significant financial resources to it.

Despite the ongoing structural challenges facing the industry, I believe that there are reasons to be optimistic. ICAP, with its diverse portfolio of businesses, is uniquely positioned to provide the full range of pre trade, execution and post trade services. I am convinced that the move towards increased electronic trading of derivatives, central clearing and risk mitigation are positive drivers for future growth. In anticipation of the new marketplace, we are investing heavily in delivering both new and enhanced product and technological solutions including the ICAP SEF, EBS Direct, TriOptima's triResolve and Traiana's CreditLink services.

ICAP is profitable and cash generative. Over many years, we have demonstrated our ability to reposition our business to respond to the changing market landscape. We will continue to pursue our long-term strategy to grow our Electronic Markets and Post Trade Risk and Information businesses and reshape Global Broking in response to the structural changes in the market place.

Maximise the value of ICAP's unique combination of businesses

ICAP is an integral part of the financial system. Our businesses have global scale and reach. We have a breadth and a depth to our offering that gives us a substantial footprint in the global financial marketplace and the ability to leverage our scale.

BrokerTec and EBS operate electronic platforms for the trading of fixed income and FX products. These businesses offer efficient and effective exchange-like trading solutions to more than 2,800 customers in over 50 countries. They are built on ICAP's bespoke networks, connecting participants in the wholesale financial markets, benefiting from years of infrastructure and technology investment and client service that would be hard to replicate.

During the year, BrokerTec delivered an outstanding trading performance. Its market share in on-the-runs US Treasury increased, reflecting the return on the investment from the significant upgrade of the platform completed in 2012. Overall volumes on the platform increased by 33%, in part driven by speculation over the possible timing and eventual tapering of the quantitative easing programme in the US.

Trading conditions in the spot FX market remained difficult for much of the year, subdued foreign exchange rate volatility had a detrimental impact on the trading activity of our major currency pairs on EBS Market. In contrast, we saw growth in our market share in emerging markets' currencies, particularly the ruble, Indian rupee and renminbi, and we see this trend continuing. The EBS Market platform represents an extremely important asset and a key component of the FX industry market infrastructure.

Michael Spencer
Group Chief Executive Officer

Our Post Trade, Risk and Information business benefited from increased demand for its variety of pre trade, post trade and information products and services. The performances of TriOptima and Traiana were particularly notable, reflecting their integral position as providers of product and technological solutions that address customer needs in the new regulatory environment.

Our traditional Global Broking business is a leader in facilitating the flow of capital and investment through the financial system and is vital in supporting global government and corporate borrowing. Market conditions over the past few years have been particularly challenging for Global Broking. Bank deleveraging, regulatory uncertainty and an increasing focus on cost among our customers, together with the unfavourable macroeconomic environment, represent significant headwinds for the business. We have proactively restructured and are continuing to restructure the business to enhance its operational efficiency and improve the flexibility of the cost base.

We have recognised the need to align Global Broking to best reflect our customers' needs, an example of which is ICAP Fusion, which aims to improve our customer experience by offering a unified view of ICAP's products and services via a branded portal. The ultimate objective is to increase our revenue and margins by enabling ICAP to establish a global community of users, connecting its entire global audience across all asset classes.

Expand and diversify our customer base

Over the past year, we have accelerated our efforts to expand and diversify both our bank and non-bank customer base. EBS Direct has facilitated an expansion of the EBS customer base with a particular focus on smaller and regional banks and non-bank institutions. Since its launch in November 2013, adoption of this new relationship-based liquidity service has exceeded expectations with almost 500 customers now contracted to the platform (including 30 non-bank institutions) of which 180 have already traded. Our customers face regulatory, capital and cost pressures in the post trade universe where TriOptima and Traiana have built several industry standard market infrastructure solutions that simplify operational workflow for both buy and sell side infrastructures. We also anticipate that as banks continue to commit less capital to fewer markets, new entrants will emerge.

Financial performance

For the year ended 31 March 2014, the Group reported revenue of £1,397 million, 5% below the prior year. Trading conditions throughout 2013/14 were difficult reflecting a combination of structural and cyclical factors including bank deleveraging, regulatory change and muted interest rate and FX rate volatility.

Group net trading operating expenses of £1,102 million were 5% lower than the previous year, reflecting lower variable compensation costs and the achievement of further savings from the ongoing cost reduction programme partially offset by incremental investment of £15 million in new product initiatives.

A range of multi-year structural projects to enhance the efficiency and cost effectiveness of the organisation continued throughout the year. These delivered £13 million of cost savings in 2013/14 (net of one-off costs) which on a gross annualised basis will equate to at least £25 million in the year ending 31 March 2015. A further £20 million of incremental annualised savings attributable to prior year cost reduction initiatives were also achieved. The flexibility of the cost base continued to be enhanced through the restructuring of broker compensation as contracts fell due for renewal.

Consistent with the Group's growth strategy, significant investment was made during the year in the Electronic Markets and Post Trade Risk and Information divisions. The total headcount of these businesses expanded by approximately 10% during the year to 1,107 employees. This compares to the overall decline in total Group headcount by 36 to 4,940 employees. The cash investment made during the year in new products and services, principally the development of EBS Direct, the expansion of Traiana's product portfolio and ongoing product innovation within TriOptima, amounted to £42 million.

The Group reported a trading operating profit of £295 million, 4% down on the prior year (3% down on a constant currency basis). The Group's trading operating profit margin was maintained at 21%, reflecting a three percentage point increase to 69% in the proportion of Group operating profit generated from the Electronic Markets and Post Trade Risk and Information businesses and the achievement of further cost savings.

Group trading profit before tax of £272 million was 4% down on the prior year. Trading EPS (basic) of 33.2p was 1% ahead of the prior year, reflecting a four percentage point decrease in the trading effective tax rate. Profit before tax was £122 million, an increase of 85%, reflecting goodwill impairment charges incurred in the prior year. Basic EPS rose 134% to 15.7p.

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m	Change %
Revenue	**1,397**	1,472	(5)
Trading operating profit	**295**	308	(4)
Trading profit before tax	**272**	284	(4)
Profit before tax	**122**	66	85

	pence	pence	Change %
Trading EPS (basic)	**33.2**	33.0	1
EPS	**15.7**	6.7	134
Dividend per share	**22.0**	22.0	–

Read more on our financial performance on page 32

Strategic report

Group CEO's review continued

There has been a strong increase in demand for TriOptima's subscription-based portfolio reconciliation service, triResolve. The marketplace recognises that OTC derivative counterparty exposure management and margin call management are essential once transaction reporting becomes mandatory. This will increase the frequency and scope of reconciliation activities. More than 1,000 firms are now regularly using triResolve.

Seize opportunities from regulatory change

The launch of our SEF in October 2013 was an important milestone and we worked closely with its market participants to help them through the transition to this new regulatory environment. I am very pleased with the positive feedback we have received from customers. There was less of an immediate impact from the implementation of the new SEF regime than previously expected as, in February 2014, the CFTC's No Action Relief for package transactions delayed some elements of mandatory trading on SEFs until May 2014. ICAP has served OTC and exchange-traded derivatives customers for many years by offering fair, liquid and robust markets and will continue to work with them and to help them meet their regulatory obligations. i-Swap, ICAP's global electronic trading platform for IRS, forms part of the ICAP SEF and operates under the rules of the Dodd-Frank Act. In April 2014 we launched i-Swap in Australian dollars, building on the success of our product offering in euro, dollar and sterling.

Traiana and TriOptima offer best-in-class services addressing the requirements of the Dodd-Frank Act and EMIR and both have seen an acceleration in demand. In Europe, EMIR created a single framework for CCPs and Trade Repositories. It also imposed risk mitigation requirements, including portfolio reconciliation, compression and dispute resolution on market users which are positive drivers of growth for triResolve and triReduce.

Traiana also continues to expand the breadth of its offering, with an increased focus on the opportunities created by financial regulatory reform in the US and Europe. In November 2013, CreditLink, a pre trade credit screening service for trades conducted on SEFs, was launched with the support of the majority of SEFs, Futures Commission Merchants (FCMs) and clearing houses. CreditLink is now the established central infrastructure for managing limits on cleared swaps across asset classes.

Drive product and technological innovation

Technology is at the heart of ICAP's business. We are at the forefront of innovation and change and have made significant investments in technology over many years. Our experience as a markets operator has shown there is a multi-year development life cycle for technology – in some cases what we are doing today will take four or five years to reach operational maturity. Once this investment has been completed, however, the revenue tends to be sustainable.

We have the intellectual capital to develop world-class systems in-house, with flexible types of delivery as needed. A significant proportion of our expenditure is focused on the innovation of new products and services which will drive the future growth of the business. We have a global technology research and development capability which has been instrumental in developing our new EBS Direct and Traiana's CreditLink products. In addition, a new centralised service for the calculation of counterparty credit risk metrics, triCalculate, is being developed and will be used as a benchmarking and validation tool for banks. We expect to launch this during the latter part of 2014.

Reinforce cultural values and uphold best practices

ICAP's success is driven by its employees, its culture and its values. Our experience of the yen Libor investigation has reinforced our commitment to our corporate values, leadership, entrepreneurship, integrity and respect for control, and underscored the importance of promoting the right culture. We have made and will continue to make a significant investment to develop our staff and to ensure that every employee is aware of their responsibilities. We have rolled out development training globally for our Global Broking desk heads and infrastructure teams. Further training is planned to cover other areas so that we have the right capabilities in our business and are able to work together to build a future that is profitable for ICAP, while remaining firmly in keeping with our values.

An important date in the year for ICAP was on 3 December 2013, when we held our annual Charity Day. Over 21 years, ICAP Charity Day has made a greater impact than we could ever have imagined. By donating all our revenue and commission on one day each year, we have positively changed the lives of thousands of people around the world. This year ICAP supported 200 charities globally and has supported more than 1,600 charities since the first Charity Day in 1993. Thanks to the tremendous efforts of our customers, suppliers and employees, £9.5 million was raised this year. This is equivalent to approximately 3% of ICAP's full-year pre-tax trading profit and it brings the total amount raised and donated over 21 years to £110 million.

To support the growth of our key businesses we have made some significant appointments this year. Ivan Ritossa, who has a long and distinguished career primarily in electronic trading, joined the Group board in July 2013 as a non-executive director. Ken Pigaga became Group Chief Operating Officer, having previously been COO for the Americas, where he championed an agenda focused on the use of technology to drive efficiency and control. Most recently, Laurent Paulhac joined us in April 2014 from the CME Group to be Chief Executive Officer of ICAP's Swap Execution Facility (SEF).

Dividend

The directors recommend a final dividend of 15.4p per share in line with 2012/13, reflecting the solid financial performance for the year, strong balance sheet and the ongoing cash generative nature of the business. This results in a full-year dividend of 22.0p per share (2012/13 – 22.0p).

Outlook

Market conditions remain very challenging. Regulatory change continues to create uncertainty within the marketplace. In the first two weeks of May 2014, a number of our major bank customers have again reported significantly reduced activity levels across their FICC franchises and do not foresee any material near term recovery. Cyclical factors such as low interest rates and exchange rate volatility represent further drags on trading activity. We expect this challenging environment to endure.

As a consequence of the above market factors, the trend seen in the second half of 2013/14 in the relative performances of our businesses has been largely replicated in the new financial year. Trading activity across Global Broking and on the EBS Market platform continues to be subdued. In contrast, volumes traded on the BrokerTec platform remain strong and TriOptima's triReduce and triResolve services together with EBS Direct have maintained their growth momentum. The Group remains committed to its strategy of growing the Electronic Markets and Post Trade Risk and Information business while reshaping Global Broking in response to the new market structure.

ICAP today is a very different organisation from that of just a few years ago as we have successfully diversified into high-margin, high-growth electronic and post trade businesses. We have re-engineered and restructured our business to ensure a global alignment of management resources and infrastructure so that we can more effectively meet our existing and future customers' needs, and we are more collaborative across the business than we have ever been. But what has not changed is ICAP's desire to be and to behave as a market leader, and to continue to provide outstanding service to our customers across all our businesses.

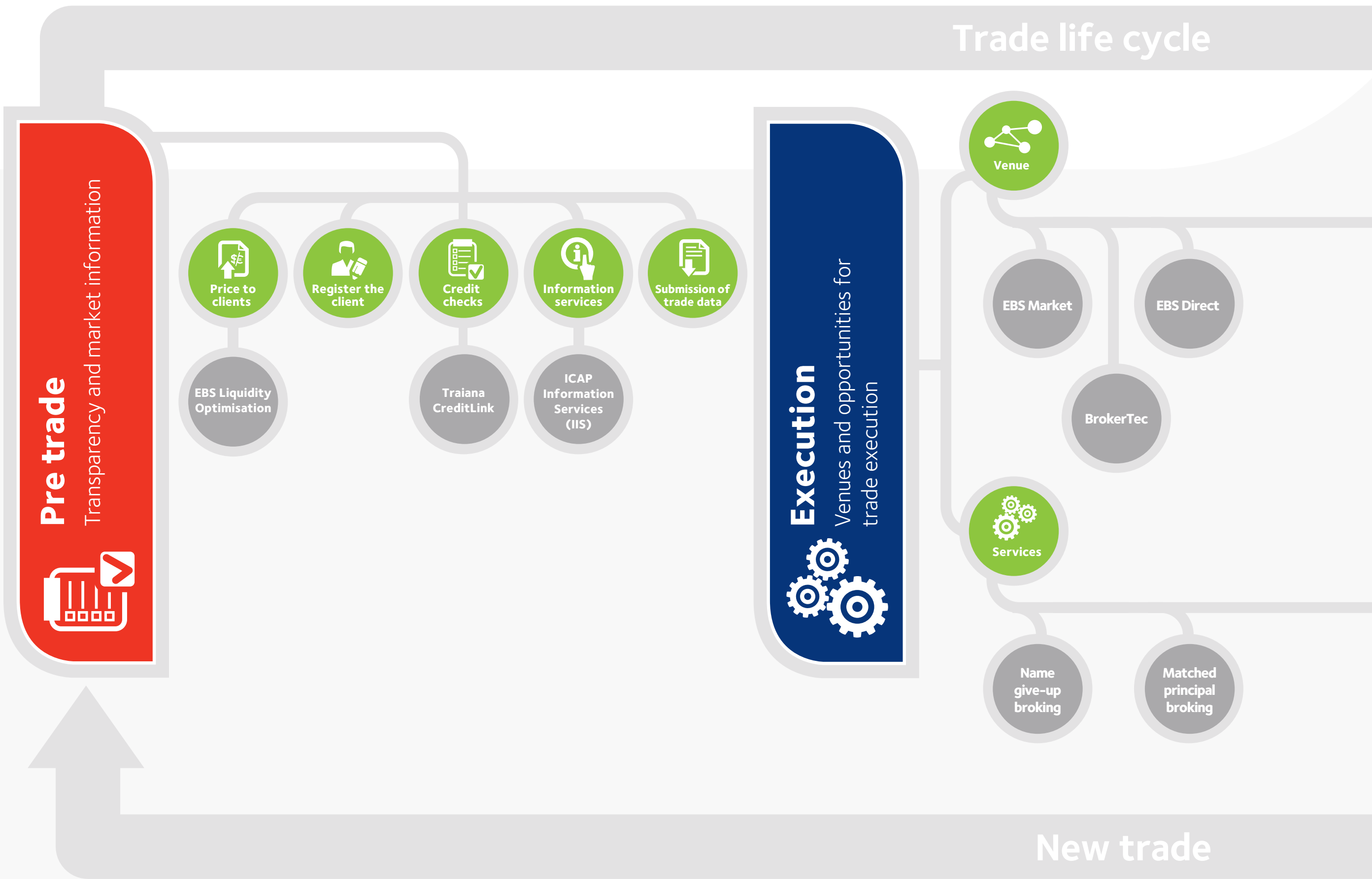
The past year has been a very demanding one. I would like to thank our employees for their hard work and commitment to the business.

Michael Spencer
Group Chief Executive Officer

Strategic report

Our business model

How we create value for our customers



Pre trade

Pre trade transparency is essential in helping market participants make more informed trading decisions and assess market levels and activity prior to the execution of a trade.

Managing risk through the life cycle of a trade is crucial. EBS Liquidity Optimisation addresses the entire FX workflow providing customers with the tools needed to price end-client business more effectively and maximise the value they retain for more consistent profitability.

Traiana CreditLink provides our customers with full credit life cycle management, from the legal framework underpinning relationships, directly into active trade and position monitoring for pre and post trade certainty of clearing.

IIS leverages the Company's unique position in the wholesale financial markets to provide access to an unrivalled array of OTC market information including high-quality benchmark pricing, live and historic trading and a variety of compliance, risk and research solutions.

Execution

ICAP provides customers with a choice of trading venues and services to allow them to select the execution method appropriate for the liquidity of the product and their specific needs. Market participants can trade products via an executing broker or through direct access to ICAP's portfolio of electronic platforms.

Global Broking provides customers with the ability to speak with and execute trades with an ICAP broker, a particularly valuable service in less liquid or commoditised markets.

BrokerTec and EBS Market are the world's leading global electronic platforms for the trading of fixed income and FX products. These central limit order books provide efficient and effective exchange-like trading solutions to more than 2,800 customers in over 50 countries. A new platform, EBS Direct, was launched during the year, offering a relationship-based streaming service to a broader customer base. These electronic platforms are built on ICAP's bespoke networks connecting

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.

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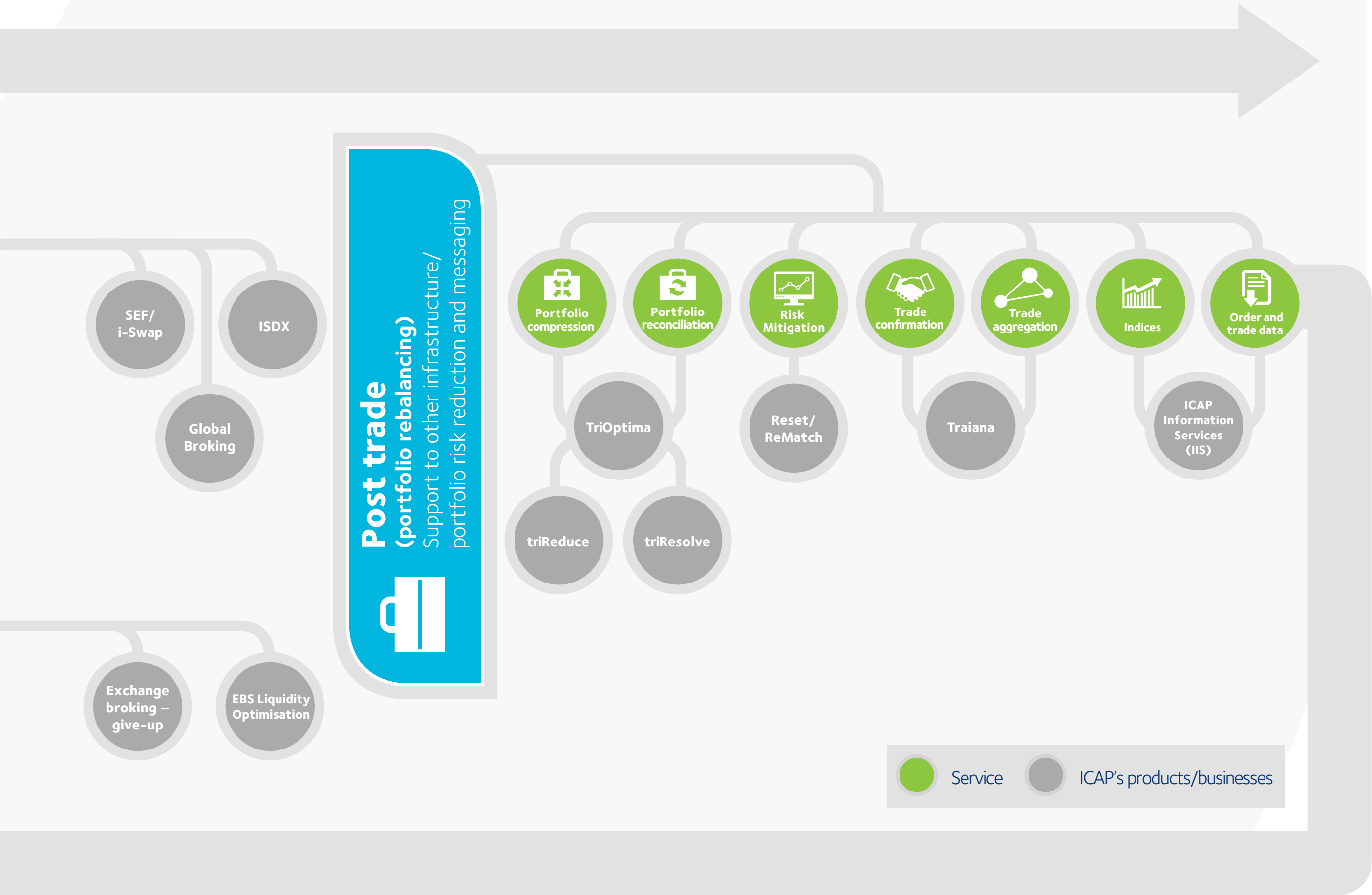
Governance and directors' report
Financial statements
Other information



participants in financial markets. These platforms facilitate efficient price discovery for both manual traders and users who access via automated interfaces.

ICAP's newly formed SEF provides customers with the ability to trade OTC derivatives, across the five main asset classes (rates, credit, FX, commodities and equities) in line with the CFTC regulatory framework under the Dodd-Frank Act.

ISDX is a listing and trading venue for equities and debt instruments, facilitating access to capital and providing a liquid secondary market service.

Post trade

ICAP's collective post trade businesses help customers reduce both risk and market exposure by identifying and removing trade mismatches, unwanted exposures and transactions that no longer have a commercial purpose.

TriOptima and Reset provide a host of different services to market infrastructures enabling users of derivatives and bonds to mitigate unwanted risks in their trading portfolios.

In addition, TriOptima allows trading counterparties and trade repositories to reconcile trade details ensuring accurate calculation of risk.

Traiana increases the efficiency of trading, clearing and settlement and reduces costs by automating links from high speed execution systems to assist in the reconciliation of transactions, thus also allowing for accurate reporting to regulators and clearing houses.

Strategic report

Our business model continued

How we 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

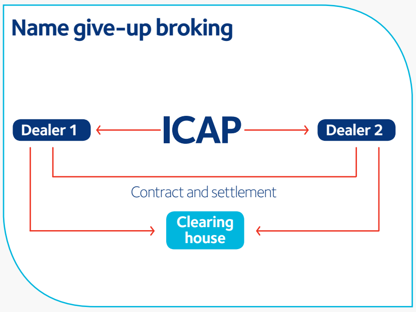
ICAP identifies and introduces counterparties who have indicated their willingness to trade with each other, and who have reciprocal credit or clearing, and/or where two or more customers' orders match. These counterparties contract directly with each other and/or the relevant clearing house/securities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

Matched principal broking

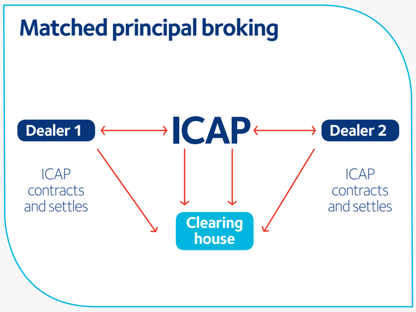
ICAP enters into simultaneous or near-simultaneous purchase and sale transactions of securities between customers and is responsible for settlement. This provides access to clearing and maintains post trade anonymity. Settlement risk to ICAP is minimised through use of the 'delivery versus payment' settlement model (where delivery of the traded instruments, i.e. the change in their ownership, occurs at the same time and is dependent on payment).

Exchange broking – give-up

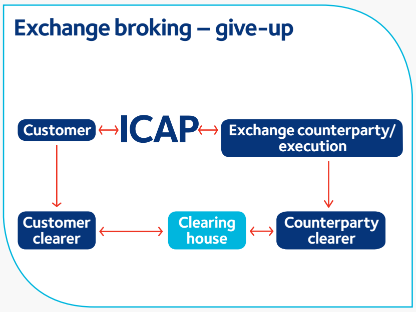
ICAP executes a trade on an exchange in the capacity of executing broker on behalf of a customer. The customer's clearing member accepts the trade for settlement, at which point ICAP ceases to be party to the transaction and settlement risk transfers. This model is used to broke financial, commodity,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



Risk
No credit risk or contractual link between ICAP and dealers.



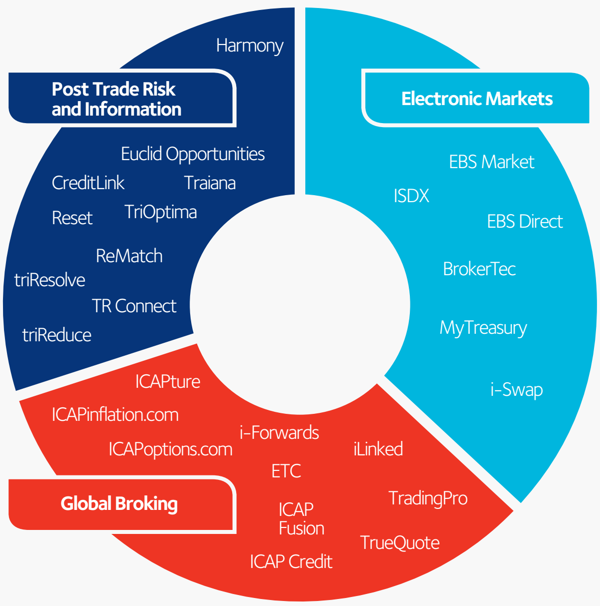
Risk
Delivery versus payment model minimises settlement risk. Any unmatched positions are closed out as soon as reasonably practicable.



Risk
ICAP has minimal settlement risk but may be called to deliver margin to the exchange intra-day before the customer's clearer accepts the trade.

Technology is at the heart of our business

ICAP's electronic capabilities



ICAP is the leading provider of market infrastructure to the global financial sector through the provision of trade execution, workflow and risk mitigation solutions. This position has been achieved as a result of significant investment in its electronic capabilities over many years. Our technology is connected to, and fully embedded in, the infrastructure of our customers and other market participants. Technology constitutes a major component of ICAP's cost base, with approximately 25% of employees engaged in IT related activities. An increasing proportion of our capital expenditure is utilised in product and technological innovation. Our technology is developed both in-house and by external partners. We operate technology research and development hubs in New Jersey, Stockholm and Tel Aviv.

BrokerTec and EBS Market are the leading electronic platforms for the trading of fixed income and FX products. These platforms are integral to the smooth operation of the financial markets, offering exchange-like trading solutions to more than 2,800 customers in over 50 countries. Significant ongoing investment is made in these platforms to ensure their continued reliability, robustness and security. Over the past five years, even during periods of extreme volatility, BrokerTec and EBS have maintained exceptionally high levels of system performance with minimal operational downtime. In November 2013, ICAP launched a new relationship-based streaming service, EBS Direct. This new platform is delivered through EBS Market user infrastructure and leverages existing EBS straight through processing.

ICAP's technology increasingly provides pre and post trade services, through Reset, TriOptima and Traiana, that are embedded in our customers' operational flows. During the year, TriOptima and Traiana enhanced their existing products (triResolve) and developed new technological solutions (CreditLink) to address evolving customer requirements in a period of regulatory change. Global Broking continues to expand its electronic capabilities with the development of ICAP Fusion, a new portal which is being developed to provide one-stop access to a full range of hybrid and electronic products and services under a single ICAP brand name.

As evident within the wider financial industry, the threat of cyber attack is ever evolving in sophistication and scope. To mitigate and reduce the industry wide risk, ICAP continually enhances the security of its global systems. We have increased the size and capability of our IT security function globally and have made significant new investments in technical and procedural controls.

Our strategy in action

Maximise the value of ICAP's unique combination of businesses.

ICAP Fusion

The new portal 'ICAPFusion.com' enables ICAP to unify and simplify its hybrid and electronic services under a single branded product. ICAP Fusion aims to leverage ICAP's best-in-class businesses enabling those services to be viewed and utilised through one system that is seamlessly distributed to a broad range of customers.

In an increasingly fragmented environment, ICAP Fusion offers opportunities to provide a single and cost effective view of markets ultimately allowing a one-stop shop and trade life cycle capability for the end user, including access to news and enhanced analytic services. Launched in 2013, ICAP Fusion has quickly established a following of more than 1,000 users from 100+ institutions globally across multiple asset classes.

Strategic report

Our business model continued

We encourage ambition and promote ethical conduct

Our people

ICAP employs just under 5,000 people in 32 countries. We recognise the importance of investing in our people and ensuring that we have the right mix of experience and skills to support the continued success of the business.

As at 31 March the board of ICAP plc comprised three executive directors and five non-executive directors of which one non-executive director is female. The senior managers of the Company (excluding the board) comprised 11 women and 77 men; and the Group employed 1,197 women and 3,743 men.

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 other distinction other than merit. Consideration is given to human rights' principles as part of the Group's working practices.

Our culture

Our values and culture have underpinned our success enabling us to provide outstanding service to our customers by adapting to changing markets and regulatory demands. Our experience of the yen Libor investigation has reinforced our commitment to our corporate values and underscored the importance of promoting the right culture. It is critical that the culture of the organisation encourages behaviours that are consistent with our key values; namely leadership, entrepreneurship, integrity and respect for control. Our relatively flat organisation structure has helped create an environment where each employee is able to contribute and influence how we do business and is therefore more engaged in the future of the organisation.

ICAP's culture is transmitted and reinforced in deliberate ways. The board plays a critical role in setting the tone from the top and has clearly articulated ICAP's corporate values, desired culture and principles of acceptable behaviour. Each year our senior management conference provides a valuable forum for senior leaders to come together and agree the strategic priorities for the year ahead, foster increased collaboration across the business (One ICAP) and reaffirm our cultural values. Our values are also conveyed through internal communication, staff training and development and alignment of reward mechanisms to the desired culture.

We recognise that our culture is evolving as the business changes. We are managing this evolution in a controlled and deliberate way so that we are able to drive cultural change within the organisation where it is needed and retain the characteristics of ICAP.

Developing talent

The achievement of our corporate goals ultimately depends on the quality of the people we have in our business – specifically their capabilities, ethics and motivation. In order to support our talent both now and in the future we have increased our focus this year on effective organisation design and succession planning to create clarity of roles and responsibilities as well as a clear route to senior management positions for our top performers.

We have made and will continue to make a significant investment to develop the skills and capabilities of our people and to ensure that every employee is aware of their responsibilities. Compliance and risk management training is being delivered to every ICAP employee and contractor. All staff have received specific training on issues relevant on the yen Libor investigations. In-depth leadership and management training has also been provided to over 250 senior managers, reinforcing cultural values and building best business practice.

Our global graduate programme continues to set the industry standard. Since the programme began in 2006, 319 graduates have joined ICAP and we are proud of our record of nurturing and retaining this pool of high potential individuals. By building strong links with universities round the world we are able to deliver fresh talent into all of our diverse businesses. Our graduate programme, combined with internships, apprenticeships and insight opportunities, ensures that we continue to identify and connect with a broad range of individuals at all levels and from diverse backgrounds.

Rewarding performance

Pay and benefits represent the single biggest cost for ICAP as well as being a key lever in encouraging and rewarding the right business performance and behaviour. The industry standard for rewarding revenue generators is essentially a profit-sharing model based on individual and business contribution. This year higher variability based on contribution and more emphasis on growth have been the key drivers in the determination of bonus awards. As a firm that takes no proprietary risk we have not had to introduce mandatory bonus capping and deferral. We have, however, increased the number of participants in our long term incentive plan and strategic objectives are part of every senior manager's goals.

We believe that enhancing leadership skills throughout our firm and emphasising the integrity of our approach to business and customers creates an environment in which innovation and entrepreneurship can flourish within a compliance and risk-focused culture that is firmly in keeping with our values.

We have made a number of changes within the human resources (HR) organisation to improve its support of the business. In July 2013 a new Group Head of HR was appointed. The HR function has been restructured to create an advisory team with an increased focus on business partnering coupled with the development of specific areas of functional expertise, including learning and development, talent management, reward and resourcing. We have also established a global HR operations team to improve service delivery to the business and support the HR advisory team. We are investing in new technology that will deliver operational efficiency utilising enhanced management information and analytical tools.

Our values and culture define 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 encourage ambition and reward success of our employees and managers.

Entrepreneurship

ICAP seeks to anticipate industry change, assess and develop new business opportunities, 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 provide an environment where employees 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.

Respect for control

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

Our strategy in action Reinforce cultural values and uphold best practices

ICAP enjoys success with innovative apprenticeship programme

This year we worked with Leadership Through Sport (LTS), a social mobility and employability charity combining sport and business to help young adults fulfil their potential. It offers school leavers an apprenticeship programme that enables them to develop their leadership skills and gain work experience. The first group of six apprentices joined in December 2012, for an initial period of 12 months. The programme was a great success, with four of the six apprentices accepting permanent positions. In creating this opportunity, ICAP aims to foster talent in communities where leadership potential is often left unharnessed.

"The programme at ICAP has opened many doors of opportunity, which will support me in obtaining my long-term ambitions."
Atera Rahman
Junior Accounts Assistant, ICAP

"It has been a privilege to work in partnership with LTS and provide a springboard from which these young people can forge their careers in finance."
Lorraine Barclay
Head of Global Business Services, ICAP

Strategic report

Regulatory landscape and market trends

The changing market landscape continues to provide ICAP with new opportunities

The structure of financial markets and the competitive landscape for ICAP's businesses continue to evolve at an unprecedented pace. Regulatory change (both balance sheet driven in the form of Basel III and gross leverage ratios and transparency driven in the form of the Dodd-Frank Act and EMIR) has once again been at the forefront in 2013/14. ICAP's customer banks are increasingly focused on deleveraging their balance sheets, driving cost efficiencies and reducing the risk profile of their trading franchises. ICAP has anticipated these changes and worked with both customers and regulators to provide technological solutions catering to these requirements across the trade life cycle.

A variety of cyclical factors driven by macro-economic trends have also impacted ICAP's revenue. The tapering debate underpinned higher activity levels in electronic US Treasuries as well as in the Global Broking US$ IRS business. Emerging markets uncertainty underpinned activity in electronic emerging markets' FX pairs. The key cyclical headwind continued to be the lack of short-term interest rate volatility, particularly in Europe, which negatively impacted Reset as well as many voice broking businesses. This also resulted in low G10 FX volatility which negatively impacted activity levels in EBS and Global Broking FX forwards.

Improving customer efficiency through operational workflow solutions

ICAP offers innovative technology-based solutions to simplify operational workflow. This is seen clearly in the post trade universe where TriOptima and Traiana have built several industry standard market infrastructure solutions. triResolve is a market leading portfolio reconciliation service which saw a surge in customer growth in 2013/14. The primary driver of this growth has been EMIR requirements which, from September 2013, prescribe more strict processing standards of OTC derivatives, including regular portfolio reconciliation.

Providing solutions for the new regulatory environment

Traiana is the market leading trade confirmation platform for FX with an increasing footprint in other asset classes. CreditLink provides a dynamic pre trade credit checking service which is critical to an FCM's ability to manage credit risk across multi asset class venues. Pre trade credit checking and execution certainty is a requirement of SEF trading under the Dodd-Frank Act. CreditLink has established a leading position within the marketplace and is connected to the majority of SEFs.

Reducing customer balance sheet risk

In recent years, ICAP's customer banks have become increasingly focused on balance sheet efficiency and risks as their shareholders look at return on equity as a key metric of value creation and regulators scrutinise the strength and health of bank balance sheets. ICAP's risk mitigation offerings expand across the trade life cycle with Reset, the leading provider of execution services, to reduce basis risk in OTC derivatives portfolios which results from mismatches of exposures. triReduce is the market leading provider of OTC derivatives trade compression and is a beneficiary of regulatory change in terms of the demands of new capital rules/leverage ratios.

Basel III shapes market structure change

Most of ICAP's major markets have a centralised marketplace with deep liquidity. Many markets, however, are seeing increasing fragmentation as smaller banks have increasingly become customers of the leading investment banks as FICC trading flows have become consolidated and many banks have scaled back their trading operations. We are also seeing buy side flows becoming increasingly dominant relative to interbank markets. This has long since been the case in equity markets and this trend has more recently been mirrored in credit markets.

Increasing market fragmentation

Spot FX markets have experienced a significant degree of fragmentation with the growth of multi-bank and single bank to customer electronic FX trading platforms accompanied by increased internalisation by leading banks. EBS has responded by leveraging its unique desktop real estate within banks to offer a new liquidity offering (EBS Direct). This new platform provides EBS with access to the large and growing area of relationship-based disclosed liquidity. This allows counterparties to see with whom they are trading and to manage credit risk more effectively. EBS Direct helps liquidity consumers optimise FX execution and get cost effective, resilient access to uncorrelated FX activity by leveraging their existing connectivity to EBS. It also allows ICAP to expand its customer base with a particular focus on small and regional banks.

ICAP is responding to market fragmentation by expanding its connectivity to a wider group of customers. The new portal 'ICAPFusion.com' enables ICAP to unify and simplify its hybrid and electronic services under a single branded product. ICAP Fusion aims to leverage ICAP's best-in-class businesses enabling those services to be viewed and utilised through one system that is seamlessly distributed to a broad range of customers.

Tapering drives Treasury markets

BrokerTec, ICAP's market leading fixed income trading platform and Global Broking's US interest rate derivatives business were beneficiaries of higher trading volumes resulting from the introduction of tapering of the US Federal Reserve's bond purchases. BrokerTec offers real depth of liquidity in a centralised marketplace and its March 2012 platform upgrade helped drive market share gains in the interbank US Treasury actives market.

MiFID II

MiFID II, which is likely to come into force in early 2016, aims to normalise competition between trading venues (exchanges, MTFs and the newly created OTF category) in the EU and to increase price transparency in financial markets for both market users and regulators. There is potential in due course via MTFs, for direct competition with the derivatives exchanges in listed futures.

Our strategy in action

Seize opportunities from regulatory development

ICAP SEF – Swap Execution Facility

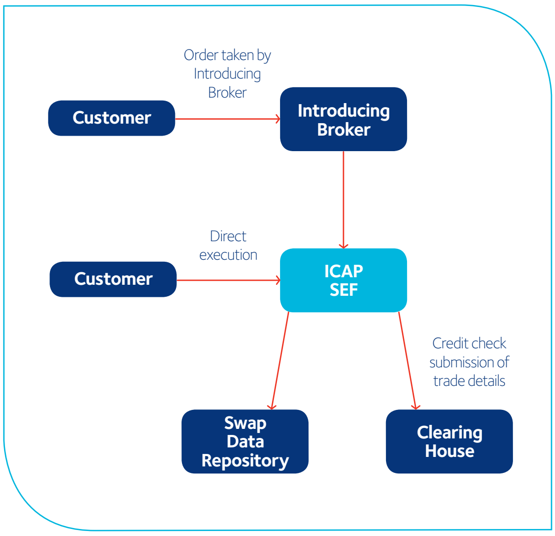
On 4 June 2013, the CFTC published its Swap Execution Facility (SEF) Rules, giving the market 120 days to reshape its broking infrastructure. Adding significant regulatory requirements to the intermediation of swaps, the SEF Rules seek to make markets more transparent, accountable and auditable – in short, more like exchanges. From ICAP's perspective, approximately 25% of our US voice business, as well as derivatives trading involving US counterparties from around the world, must now be concluded on SEFs.

ICAP worked to deliver the infrastructure needed to enable the rigorous market surveillance, reporting and clearing that the new rules demanded. Our US SEF went live on 2 October 2013, offering both electronic central limit order book and voice Request for Quote trading. Our electronic SEF offering is powered by i-Swap in IRS, BrokerTec in CDS and EBS for NDF. We are the SEF market leader for the trading of IRS derivatives, the largest asset class by volume covered by the new SEF rules.

Our product scope creates economies of scale not available to smaller competitors, while at the same time making ICAP more attractive to users concerned with the costs and liabilities of participating on multiple platforms. We are also able to offer all permitted modes of execution.

The new US regulations threaten to fragment global liquidity pools. In response to this issue and to provide our customers with optionality, we applied and were granted in May 2014 permission to operate a UK regulated SEF. This provides ICAP with a unique ability to combine cross border US and European liquidity.

Customers may go directly to the SEF for execution (on central limit order book or via SEF Execution Specialists) or route their orders through an Introducing Broker (either an ICAP affiliate or an external Introducing Broker). Once executed, the ICAP SEF sends trade details to the Swap Data Repository and the Clearing House (where relevant).



SEF timeline

4 June 2013	CFTC publishes rules
2 October 2013	commencement of SEF trading on voluntary basis
15 February 2014	mandatory SEF trading for all required instruments (including US dollar IRS and euro IRS for US based persons)
15 May 2014	multi-leg (packaged) trades become mandatory

Our strategy

ICAP's goal is to be the leading financial market infrastructure provider

We recognise that wholesale financial markets are continuing to evolve 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 changing needs of our customers and will align our interests accordingly.

In the markets in which we operate, we strive 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.

Corporate goal – ICAP's goal is to be the leading financial market infrastructure provider.

What we provide – We understand that trusted partnerships are built through the best customer service combined with the leading infrastructure. We provide trade execution platforms and technology based workflow/risk mitigation solutions that contribute to the stability of the financial markets.

How do we add value to customers – We are focused on providing our customers with innovative products that enhance their efficiency, reduce their risk and improve their cost effectiveness.

How we invest – ICAP's strategic investments are focused on building new product offerings which are differentiated through leveraging our existing infrastructure and our extensive experience. ICAP has a long history of investing in new infrastructure and technologies to help drive growth in new products. We invest in products which are scalable and have significant network effects.

How we create shareholder value – ICAP creates long-term shareholder value by:

- maximising the profitability of its existing franchise; and
- expanding its product offering and customer base through a disciplined approach to strategic investments.

Strategic report

Our strategy continued

Strategic priorities

1

Maximise the value of ICAP's unique combination of businesses

Our global footprint, brand and long-standing customer relationships allow us to expand our product offerings quickly into new markets. We are embedded in our customers' infrastructures. This network connectivity across a wide range of geographies and asset classes provides a distinct competitive advantage in terms of the efficiency and speed to market in the roll-out of new products.

KPIs

Source of revenue %
Trading operating profit by division %
Trading operating profit margin %
Growth in trading EPS (basic) pence

Key achievements to date

- Electronic and post trade businesses now represent 69% of Group trading operating profit
- Maintained trading operating profit margin at 21%

See case study on ICAP Fusion on page 11

2

Expand and diversify our customer base

Banks remain our core customer base. We are evolving our product offerings in line with the changing business models of our customer banks. These firms are increasingly focused on reducing the risk and improving the efficiency of their trading operations. This includes an increased demand for platforms providing electronic distribution of liquidity to their customers which include smaller and regional banks.

Our post trade and risk mitigation products are experiencing an expansion of their customer base to a wide variety of smaller banks and buy side participants underpinned by regulatory requirements. Impartial SEF access rules will drive further expansion of the customer base.

KPIs

Source of revenue %

Key achievements to date

- EBS Direct launched in November 2013
- triResolve customer base trebled in 2013/14

See case study on EBS Direct on page 25

3

Seize opportunities created by regulatory change

We have responded with a number of new technology product solutions across the trade life cycle including the areas of pre trade risk management, execution venue market infrastructure, trade/portfolio reconciliation and trade reporting. Existing products such as portfolio compression and basis risk mitigation services have increased in demand as new regulatory requirements focus our customers on risk reduction.

KPIs

SEF market share in interest rate derivatives %

Key achievements to date

- Launch of ICAP SEF in October 2013 with leading market share in interest rates derivatives
- $450 trillion in total notional volume eliminated from the OTC derivatives market utilising the triReduce compression service

See case studies on SEF on page 16 and triResolve on page 29

4

Drive product and technological innovation

Innovation is core to ICAP's business. This scale and breadth of existing offerings allows us to fund investments in new market infrastructure solutions across a wide range of products in different parts of the trade life cycle. A significant proportion of our cost base is allocated to the development of new products and services which will drive the growth of the business. We have centres of technology excellence underpinning new product development in Tel Aviv, Stockholm and New Jersey.

KPIs

Technology cash spend as a percentage of revenue %

Key achievements to date

- Traiana's CreditLink service goes live
- Launch of EBS Direct

See case study on CreditLink on page 27

5

Improve efficiency and cost effectiveness of our organisation

It is imperative that ICAP continues to focus on its cost base, ensuring that remuneration packages are aligned with its strategic objectives and that it strives to improve cost efficiency across the organisation.

KPIs

Broker compensation as a percentage of revenue %
Trading operating profit margin %
Growth in trading EPS (basic) pence
Conversion of trading profit to cash %

Key achievements to date

- Incremental annualised cost savings of £25 million identified during the year and cumulatively £125 million over the past three years
- Reallocated headcount and capital to higher margin and scalable businesses

6

Reinforce cultural values and uphold best practices

ICAP's success is driven by its employees, its culture and its values. It is vital to invest in training and development to provide us with the skills and capabilities needed in this time of change, ensuring we always do the right thing by ourselves and our customers.

Key achievements to date

- Embarked on a comprehensive compliance training programme
- £9.5 million raised on ICAP's Charity Day, £110 million since inception

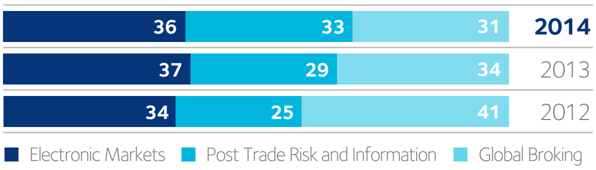
See case studies on apprenticeship programme on page 13 and the voluntary carbon capture programme on page 37

Strategic report

Key performance indicators

Delivering on our strategic priorities

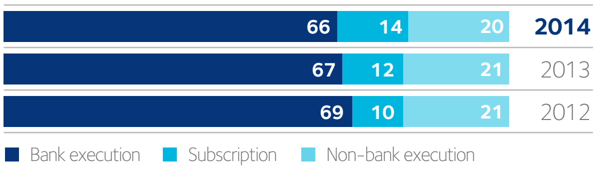
Trading operating profit by division %



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

Performance ICAP's long-term strategy is to grow the Electronic Markets and Post Trade Risk and Information businesses and to reshape Global Broking in response to the changes in the market. Over the past ten years, the proportion of trading operating profit represented by the Electronic Markets and Post Trade Risk and Information businesses has grown from 12% to 69% (including a three percentage point increase in 2013/14).

Source of revenue %



Definition Percentage of ICAP's revenue derived from bank and non-bank transaction revenue and total subscription fees.

Performance ICAP's aim is to reduce the volatility of earnings through diversifying its business, investing in products that are less susceptible to fluctuations in market volumes and expanding its customer base. While bank execution revenue represents the largest component of ICAP's revenue, in recent years this share has fallen to 66% reflecting the structural and cyclical factors currently impacting our bank clients. Subscription revenue contributes an increasing share of ICAP's revenue reflecting the growth of our Post Trade Risk and Information business, which generates more than 60% of its revenue from subscription-type income.

Growth in trading EPS (basic) pence

Definition Trading EPS (basic) 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.

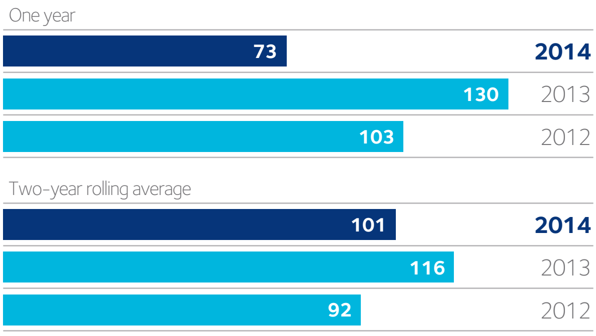
Performance ICAP aims to deliver superior EPS growth for our investors. Trading EPS (basic) increased marginally to 33.2p reflecting the solid performance of the business despite strong headwinds. Trading EPS (basic) of 33.2p reflected a 4% decline in trading profit before tax offset by a decline in the Group's effective tax rate to 22% as a result of the benefit of certain prior year adjustments.

Trading operating profit margin %

Definition Trading operating profit divided by revenue from trading operations.

Performance The Group's trading operating profit margin remained unchanged at 21% despite the 5% decline in revenue and significant incremental investment new product initiatives. The maintenance of the operating profit margin at 21% reflected the increase in proportion of the Group's trading operating profit represented by the Electronic Markets and Post Trade Risk and Information businesses and the positive impact of cost saving initiatives undertaken during the past two years.

Conversion of trading profit to cash %



Definition Conversion of trading profit to cash is calculated as cash generated from trading operations, excluding acquisition and disposal costs and exceptional items, less cash flows from operations relating to non-controlling interests, interest, tax and capital expenditure, plus dividends received from associates and investments, measured as a percentage of trading operating profit.

Performance The Group's business model efficiently converts trading profit into cash. Over the medium to longer term we expect conversion of trading profit to cash to average 100%. The 130% achieved in 2012/13 was unusually high as a result of certain favourable timing differences. Cash conversion this year of 73% reflects principally the reversal of certain prior year working capital timing differences and increased capital investment in new product initiatives. Cash conversion on a two-year rolling average was 101%.

SEF market share in interest rate derivatives %

Definition ICAP's share of total notional volume of interest rate derivative products traded on SEF via its Global Broking, i-Swap and Post Trade Risk and Information businesses. The calculation is based on the aggregate of the traded notional volume of interest rate derivative products reported by all SEFs.

Performance Since the introduction of the SEF rules on 2 October 2013, the ICAP SEF has achieved the highest market share by total notional volume traded in interest rate derivatives products across all SEFs. Interest rate derivative products represent the largest asset class by notional volume traded on SEFs.

Broker compensation as a percentage of revenue %

Definition Total employee costs (including salary, commission and other benefits) for brokers employed in the Group's Global Broking division divided by Global Broking revenue.

Performance ICAP aims to ensure that broker remuneration is aligned with the strategy and objectives of the Group as a whole, and we have worked hard to ensure that broker contracts reflect this aim. Broker remuneration as a percentage of revenue has declined over the recent years, demonstrating the increased flexibility of our compensation model.

Technology cash spend as a percentage of revenue %

Definition Cash expenditure on the maintenance and development of information technology as a percentage of total revenue.

Performance Technology spend as a percentage of revenue increased by three percentage points to 16% reflecting the investment in both new and enhanced product and technological solutions including the ICAP SEF, EBS Direct, TriOptima's triResolve and Traiana's CreditLink services. In absolute terms, technology spend increased by 19% over the prior year.

Strategic report

Results for 2013/14

Solid performance despite strong headwinds

Headline financial performance

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m	Change %
Revenue	**1,397**	1,472	(5)
Trading operating profit	**295**	308	(4)
Trading profit before tax	**272**	284	(4)
Profit before tax	**122**	66	85

	pence	pence	Change %
Trading EPS (basic)	**33.2**	33.0	1
EPS	**15.7**	6.7	134
Dividend per share	**22.0**	22.0	–

Trading operating profit, trading profit before tax and trading EPS (basic) exclude acquisition and disposal costs and exceptional items (see the basis of preparation statement on page 103).

Summary

For the year ended 31 March 2014, the Group reported revenue of £1,397 million, 5% below the prior year. Trading conditions throughout 2013/14 were difficult reflecting a combination of structural and cyclical factors including bank deleveraging, regulatory change and muted interest rate and exchange rate volatility.

Group net trading operating expenses of £1,102 million were 5% lower than the previous year reflecting lower variable compensation costs and the achievement of further savings from the ongoing cost reduction programme partially offset by incremental investment of £15 million in new product initiatives.

A range of multi-year structural projects to enhance the efficiency and cost effectiveness of the organisation were progressed during the year. These delivered £13 million of cost savings during the year (net of one-off costs) which on a gross annualised basis will equate to at least £25 million in the year ending 31 March 2015. A further £20 million of incremental annualised savings attributable to prior year cost reduction initiatives was also achieved. The flexibility of the cost base continued to be enhanced through the restructuring of broker compensation as contracts fell due for renewal.

Consistent with the Group's growth strategy, significant investment was made during the year in the Electronic Markets and Post Trade Risk and Information divisions. The total headcount of these businesses expanded by approximately 10% during the year to 1,107 employees. This compares to the overall decline in total Group headcount by 36 to 4,940 employees. The cash investment made during the year in new products and services, principally the development of EBS Direct, the expansion of Traiana's product portfolio and the ongoing product innovation within TriOptima, amounted to £42 million.

The Group reported a trading operating profit of £295 million, 4% down on the prior year (3% down on a constant currency basis). The Group's trading operating profit margin was maintained at 21%, reflecting a three percentage point increase to 69% in the proportion of the Group's trading operating profit generated from the Electronic Markets and Post Trade Risk and Information businesses and the achievement of further cost savings.

Group trading profit before tax of £272 million was 4% down on the prior year. Trading EPS (basic) of 33.2p was 1% ahead of the prior year, reflecting a four percentage point decrease in the trading effective tax rate. Profit before tax was £122 million, an increase of 85% reflecting goodwill impairment charges incurred in the prior year. Basic earnings per share rose 134% to 15.7p.

Electronic Markets

ICAP operates BrokerTec and EBS, the leading electronic trading platforms in fixed income and spot FX. These central limit order book 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. In addition, a new platform, EBS Direct, was launched during the year, offering a relationship-based streaming service to a broader customer base. These electronic platforms are built on ICAP's bespoke networks connecting participants in financial markets.

Revenue	**2014 £m**	2013 £m	Change %
BrokerTec	**133**	121	10
EBS	**122**	137	(11)
Other electronic platforms	**10**	10	–
Total – reported	**265**	268	(1)
– constant currency		265	–

	2014 £m	2013 £m	Change %
Trading operating profit	**107**	113	(5)

For the year ended 31 March 2014, Electronic Markets' revenue decreased by 1% to £265 million (2012/13 – £268 million). This marginal decline in revenue, together with an increased level of investment in the business, resulted in the overall trading operating profit margin declining by 2 percentage points to 40%.

Combined average daily electronic volumes for the BrokerTec and EBS platforms for the year ended 31 March 2014 were $719 billion, an increase of 2% on the previous year, reflecting strong growth in US Treasury volumes traded on BrokerTec largely offset by weaker euro/dollar spot volumes traded on EBS Market.

BrokerTec

BrokerTec is the leading global electronic platform for the trading of US Treasuries, European government bonds and EU and US repo. BrokerTec facilitates both automated and manual trading for institutions, banks and non-bank professional trading firms.

For the year ended 31 March 2014, revenue increased by 10% to £133 million (2012/13 – £121 million) reflecting a 33% increase in US Treasury volumes to $158 billion, a 1% decrease in US repo to $217 billion and a 1% increase in European repo to $251 billion.

During the course of the year, BrokerTec's market share in on-the-run US Treasuries improved, reflecting the positive benefit from the comprehensive upgrade to the platform completed in 2012. A further catalyst to trading activity on the BrokerTec platform was the strong growth in the US Treasury market in part driven by the speculation around and subsequent introduction of the tapering programme by the Federal Reserve, uncertainty around the US debt ceiling and inconsistent economic data.

The repo market is pivotal to the efficient functioning of almost all financial markets and provides an efficient source of collateralised money market funding. During the course of the year activity in the European and US repo markets was impacted by central bank intervention including the ongoing provision of the ECB's LTRO facility and the introduction by the Federal Reserve of the reverse repo programme. These factors, together with the imposition of higher capital requirements for a large proportion of BrokerTec's customer base, resulted in repo volumes remaining broadly flat against 2012/13. Leverage rules are expected to weigh further on repo markets as banks may look to exit repos to meet leverage ratios.

European government bond volumes on BrokerTec were in line with the previous year despite a number of primary dealerships withdrawing from the market. Activity levels on the platform improved in the last quarter of 2013/14 as spreads tightened and confidence improved in the Eurozone. BrokerTec is seeking to improve access to all remaining major markets including Italy, the largest by volume traded.

EBS

EBS, ICAP's electronic FX business, continues to deliver reliable access to independent benchmark pricing for professional spot FX, precious metals and NDF traders, in both established and emerging markets (EM). It has responded to changing market dynamics through enhancements to EBS Market, the exchange-like central limit order book platform and the launch of a new disclosed liquidity platform, EBS Direct, which is aimed at a wider customer base. Both platforms leverage ICAP's secure network enabling customer access either through dedicated telecommunication lines or via an internet connectivity solution.

For the year ended 31 March 2014, revenue decreased by 11% to £122 million (2012/13 – £137 million), reflecting principally a 20% decrease in average daily volume on the EBS Market platform to $92 billion. A change in Japanese monetary policy in the last quarter of 2012/13 stimulated trading activity in yen currency pairs which continued into the first quarter of 2013/14. As yen volumes returned to more normalised levels, overall activity levels on the platform declined and remained subdued for the remainder of the year reflecting lower and more sporadic volatility in EBS's major currency pairs and the departure of a number of manual traders at some of our customer banks. EBS Market has maintained its position as the primary interbank venue for the trading of the world's most actively traded currency pairs including euro/dollar and dollar/yen.

Strategic report

Electronic Markets continued

Consistent with the strategy to expand into new markets there was significant growth in EM currency pairs traded on the EBS Market platform. Dollar/ruble is now the fifth most actively traded currency pair on EBS Market and the average daily volume of offshore Chinese renminbi has grown by more than 300%. After a short-term disruption to the market following the introduction of the new SEF rules, trading activity in Asian NDFs has continued to grow and now exceeds pre-SEF levels.

Over the past year EBS Market worked closely with customers to develop enhanced product functionality. In October 2013, a new order type (iceberg order) was launched which allows traders to minimise their market impact by displaying only a portion of their overall order. In February 2014, a 'latency floor' feature was implemented on the platform. This is designed to increase fairness for all platform participants by batching and randomising orders prior to matching. Early in May 2014, EBS launched, in partnership with Global Broking, an electronic FX fix service in order to fulfil the market need for increased transparency and auditability around fix execution.

In November 2013, EBS Direct, the relationship-based disclosed liquidity service, moved from beta testing to full commercial service. EBS Direct leverages EBS's extensive customer base, global networks and geographic reach. This scalable platform provides direct access to an enlarged customer base. Since its launch, adoption of the platform has exceeded expectations with almost 500 customers now contracted to the service (including 30 non-bank institutions) of which 180 have already traded. By March 2014, average daily volume on EBS Direct increased to $6 billion and subsequently reached a peak of $9 billion in early May 2014. In addition to spot FX, EBS Direct customers can also trade NDFs, gold, silver, platinum and palladium against the dollar and the euro. EBS Direct is providing ICAP with new incremental revenue opportunities, for example more than one third of the volume on EBS Direct was transacted in Commonwealth currencies (principally sterling, Canadian dollars and Australian dollars) for which EBS has historically not been the primary trading venue.

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, greater efficiency and lower transaction costs to the world's largest OTC derivative market. i-Swap is central to ICAP's SEF strategy and is the trading platform utilised for required and permitted interest rate derivative transactions. The transition to SEFs creates an opportunity to expand ICAP's customer base, as swap market participants have obligations to trade required instruments on the SEF.

In euro swaps, liquidity has consolidated in the 2 and 10-year points, as benchmark outright activity continues to transition to electronic trading venues. Approximately 65% of ICAP's overall euro 2-year trades and 50% of the 10-year trades are executed through the platform. In dollars, a weak performance was partly offset by increased momentum towards the end of 2013/14. In April 2014, i-Swap launched its Australian dollar product, the fourth currency to be traded on the electronic platform.

In November 2013, Morgan Stanley took an equity stake in iSwap Limited and will support the platform with streaming prices alongside the other shareholding banks, comprising Bank of America Merrill Lynch, Barclays, Citi, Deutsche Bank and JPMorgan, who together own 59.7% of iSwap Limited.

ISDX

ICAP Securities & Derivatives Exchange (ISDX) is a London-based RIE providing companies with access to capital through its markets. In June 2013, ISDX launched its new and more robust admissions criteria for companies wanting to apply to its Growth Market. In April 2014, a new CEO of ISDX was appointed, with specific responsibility to develop ISDX's strategy and extend its product portfolio.

Our strategy in action

Expand and diversify our customer base

EBS Direct

Background

EBS Market, our anonymous matching platform continues to be the central marketplace for interbank trading in many major FX pairs such as euro/US dollar and US dollar/yen, while expanding in NDFs and emerging market currencies.

In response to the changing market landscape, EBS has recognised the importance of expanding its offering. Central to this diversification strategy has been the development and launch of EBS Direct, a new service which complements the existing EBS Market offering. EBS Direct provides ICAP with access to the large and growing area of relationship-based disclosed liquidity, which allows counterparties to see with whom they are trading and manage credit risk more effectively. It has also enabled EBS to become a liquidity distribution partner.

About EBS Direct

EBS Direct enables liquidity providers to stream tailored prices direct to liquidity consumers and offer greater inventory via a flexible, scalable and cost-effective solution that integrates easily with their existing trading interfaces.

Customers are currently able to trade spot FX, NDFs and precious metals on EBS Direct. FX forwards and swaps are in the process of being developed, and the platform can be leveraged to support many additional instruments and asset classes, as required.

EBS Direct also serves as an aggregation solution for EBS users, displaying the best bid/offer and book of all selected liquidity providers for any given liquidity consumer. This allows EBS to compete with providers who already offer aggregation services.

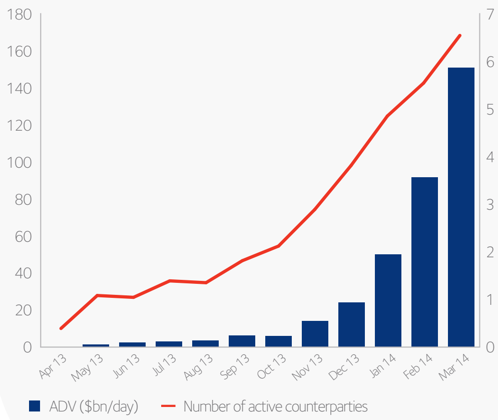
Development and progress

EBS has forged strong relationships with its customers, which the business was able to draw on throughout the development of EBS Direct.

Before the launch of the full commercial service in November 2013, the service was beta-tested, involving the participation of four liquidity providing banks.

Liquidity providers traded in the production environment before the full launch. Their support, co-operation and feedback, together with that of the other liquidity providers and liquidity consumers with whom EBS worked during the beta programme, enabled EBS to develop a completely customer-centric service. The result is that fourteen liquidity providers are currently live on EBS Direct, with commitment from almost 500 liquidity consumers of which 180 have already traded. EBS has attracted 60 completely new customers and many regional banks who have returned to EBS after previously moving to disclosed liquidity services. This supports ICAP in its Group-wide strategic objective to expand its customer base.

EBS Direct monthly ADV and active counterparties



Leveraging existing infrastructure

EBS Direct is built on an entirely new order-routing infrastructure which leverages the extensive global network and trading floor presence that EBS has established over the course of more than 20 years. This enables EBS Direct to be delivered in a cost-effective and resilient manner.

EBS Direct is delivered through the existing EBS Market user infrastructure and prices are viewable on the same screen as EBS Market. Existing EBS users do not, therefore, require any new hardware and have no additional set-up costs. There are no additional connectivity requirements for existing EBS Market customers and liquidity consumers new to EBS are required to connect only once to gain access to streams for multiple liquidity providers. The platform also leverages existing EBS STP.

Both platforms leverage ICAP's secure network enabling customer access either through dedicated telecommunication lines or via an internet connectivity solution.

Conclusion

Not only is EBS Direct adding real value to the market by delivering additional liquidity and trading opportunities, it has expanded EBS's offering to include anonymous, disclosed and aggregator-based liquidity. This has enabled the business to retain and strengthen its existing customer base and to attract new customers to EBS and ICAP.

Strategic report

Post Trade Risk and Information

The Post Trade Risk and Information business operates the leading market infrastructure for post trade processing and risk management across asset classes and enables users of financial products to reduce operational and system-wide risks. The services offered by the Post Trade Risk and Information business enable customers to increase the efficiency of trading, clearing and settlement and facilitate the effective management of capital and associated cost.

The portfolio risk services businesses comprise Reset (including ReMatch) and TriOptima, which identify, neutralise, remove and reconcile risk within portfolios of derivatives transactions; Traiana, which provides pre trade risk and post trade processing solutions; and the information and data sales business.

During the year, the Post Trade Risk and Information business launched a number of new products and enhanced its existing services. In particular, Traiana's CreditLink and TR Connect products, together with the enhanced triResolve reconciliation service, offer market solutions that enable customers to meet new regulatory requirements.

Revenue	**2014 £m**	2013 £m	Change %
Reset (including ReMatch)	**41**	47	(14)
TriOptima	**54**	44	24
Traiana	**47**	43	9
Information	**70**	73	(4)
Total – reported	**212**	207	3
– constant currency		208	2

	2014 £m	2013 £m	Change %
Trading operating profit	**96**	90	7

For the year ended 31 March 2014, revenue increased by 3% to £212 million (2012/13 – £207 million) reflecting principally strong revenue growth in both TriOptima and Traiana. Trading operating profit increased by 7% resulting in a 1 percentage point increase in the trading operating profit margin to 45%. The improvement in the overall profitability of the Post Trade Risk and Information division reflects the return on the ongoing investment in the business.

Reset (including ReMatch)

Reset is the market leading provider of risk mitigation services that reduce the basis risk within portfolios from fixings in the interest rate, FX and inflation markets and also addresses structural imbalances within trading portfolios. Basis risk results from the structure of the instruments traded and a mismatch of exposure over time. ReMatch rebalances the illiquid basis and market risk inherent in credit derivative portfolios.

Reset's revenue is correlated to the movement in both actual and forecast short-term interest rates. For the year ended 31 March 2014, revenue decreased by 14% to £41 million (2012/13 – £47 million). Minimal interest rate volatility and flat short-term yield curves severely constrained activity levels in the second half of calendar year 2013. Trading activity in euro and, to a lesser extent, NDFs improved in the final quarter of 2013/14 in response to the start of tapering in the US and increased speculation around the interest rate outlook. Reset remains well positioned to benefit from a return to normalised levels of interest rate volatility.

TriOptima

TriOptima, through triReduce and triResolve, is the market leader in risk termination and risk mitigation solutions for OTC derivatives, primarily through the elimination and reconciliation of outstanding transactions. TriOptima is uniquely positioned to benefit from the new regulatory landscape as its products are strategically aligned with the G20 policy objective of reducing risk in the financial system.

For the year ended 31 March 2014, revenue increased by 24% to £54 million (2012/13 – £44 million) driven by increased participation in triReduce portfolio compression cycles and the accelerated uptake of the subscription-based portfolio reconciliation service, triResolve.

Since its launch in 2003, triReduce has eliminated more than $450 trillion in total notional volume from the OTC derivatives market and has more than 120 legal entities using the compression service, including banks and other market participants. During the year, triReduce terminated $112 trillion of gross notional outstanding (2012/13 – $70 trillion). The more stringent leverage ratio, included within the Basel III rules, has increased the demand from banks for triReduce's compression service. In addition, the upgrade to LCH. Clearnet's systems, completed in December 2013, has facilitated more efficient triReduce compression results as operational processes within the clearing house were enhanced to accommodate greater volumes. triReduce is working with multiple clearing houses to facilitate portfolio compression for cleared trades.

In anticipation of its customers' changing needs in the evolving regulatory landscape, TriOptima is focusing on investing in new solutions and building additional functionality to existing services. In advance of the EMIR requirements for regular reconciliation of derivative portfolios, in September 2013, triResolve was enhanced to address customer needs. This investment in the subscription-based product has resulted in a significant increase in the number of customers using the service, increasing from 300 to more than 1,000 sell and buy side firms over the past year that now participate in more than 230,000 party-to-party reconciliations each month. A new centralised service for the calculation of counterparty credit risk metrics, triCalculate, is expected to be launched later this year.

Our strategy in action

Drive product and technological innovation

CreditLink

Traiana's CreditLink service is a comprehensive real-time, pre and post trade credit limit monitoring platform. The service, which was originally launched for the spot FX market, was extended and enhanced in 2012 for the OTC derivatives markets in consultation with a wide range of market participants including clearing firms, buyside institutions and regulators. For FX, CreditLink is connected to every major Electronic Communication Network (ECN) and prime broker and is used to monitor credit limits on a real-time post trade basis. With electronic management of the legal credit limits and kill-switch Application Programming Interfaces to the major FX ECNs, the service is enabled to trigger alerts and terminations of trading sessions. For OTC derivatives, CreditLink provides pre trade limit monitoring to ensure certainty of clearing and compliance with the Dodd-Frank Act. The service is now connected to every operating SEF and FCM and has become the central hub for managing clearing limits for more than 600 swaps trading firms across nine SEFs.

The key services provided by CreditLink include:

- risk reduction – full credit lifecycle management, from the legal framework underpinning credit relationships in the FX market to active pre trade checks and limit monitoring for OTC derivatives;
- control – the ability for clients to amend or cancel tri-party, ECN and SEF limits in real time, with appropriate controls and permissions to enable market access and prevent limit breaches;
- compliance – a platform that ensures compliance and full audit trail for FCMs and investment managers for regulatory oversight.

CreditLink has generated significant benefits for financial market participants. In the swaps market, buyside firms have the ability to trade across a wide range of swaps trading venues without having their limits fragmented. Notwithstanding the increasingly complex regulatory environment, clearing firms now have low costs for compliance and SEFs are able to comply easily with impartial access requirements. CreditLink delivers control and risk mitigation for all market participants.

Traiana

Traiana operates the leading market infrastructure for pre trade risk management and post trade processing across multiple asset classes. The business's robust and proven product suite automates trade processing across the life cycle for FX, cash equities, equity swaps, futures, OTC derivatives and fixed income. Traiana's Harmony network connects more than 550 global banks, broker/dealers, buy side firms and trading platforms.

For the year ended 31 March 2014, revenue increased by 9% to £47 million (2012/13 – £43 million) partly driven by the growth in the average number of FX transactions processed on the Harmony platform increasing by 11% to 1.6 million per day. In addition, Traiana's FX trade aggregation joint venture with the CLS Group, CLSAS, processed on average more than 370,000 transactions per day, an increase of 9% on 2012/13. Traiana's revenue model reflects a broadly equal combination of variable transaction fees and more predictable subscription income. While FX remains the largest segment of Traiana's revenue, it continues to diversify its business into other asset classes including fixed income and equities.

Traiana's strategy is to expand the breadth of its offering with an increased focus on the opportunities created by financial regulatory reform in the US and Europe. It launched CreditLink, a comprehensive, real-time platform for pre and post trade certainty of clearing which also satisfies the regulatory obligation for pre trade screening of all orders placed onto SEFs under CFTC rules. CreditLink is now the established central infrastructure for managing limits on cleared swaps across asset classes with 15 FCMs signed up to the service across nine SEFs.

Traiana has also been working with its customer base and industry bodies to address the new regulatory requirements arising from EMIR under which both OTC and exchange traded derivatives have to be reported to trade repositories by both counterparties to the trade, using a common unique trade identifier. There is an additional requirement to report valuation and collateral information associated with trades. TR Connect provides customers with independent reporting solutions for their own trade data. Data submitted to TR Connect is managed and enriched, enabling the resulting trade reports to be presented to the required trade repository operating under multiple jurisdictions. This lowers technology costs by eliminating the need to connect to every trade repository and provides a single solution for all asset classes across EMIR jurisdictions. TR Connect is supported by 11 global banks and buy side firms.

Strategic report

Post Trade Risk and Information continued

Information

ICAP Information Services (IIS) delivers authoritative and independent OTC data solutions to market participants and financial professionals, enabling them to meet the evolving needs of the modern trading and investment environment. ICAP Indices, the index arm of IIS, develops and publishes a range of transaction-broked indices. IIS generates subscription-based fees from a diversified global suite of products and services, while ICAP Indices' fee structure is based on assets under management of the products which are linked to the respective indices.

For the year ended 31 March 2014, revenue decreased by 4% to £70 million (2012/13 – £73 million) attributable to the reduction in EBS-related data sales. Excluding the EBS-related sales, IIS's revenue increased by 5% driven by growth in application licensing.

The IIS product offering has been expanded to incorporate innovative services and advanced solutions that power algorithmic trading, research, risk and compliance applications, portfolio pricing and evaluation services. As customers demand higher standards of independent and transparent data services, IIS's ability to react to customer, market and regulatory changes is core to its success. IIS recognises its position as a provider of financial information to its subscribers and has invested in state-of-the-art technology as well as in employees to improve the quality and robustness of its services. All IIS product offerings are subject to formal policies and controls over data distribution.

As a result of the ever-increasing volume and complexity of data sets delivered by ICAP, IIS has expanded its global quality assurance group responsible for the capture, storage, monitoring and distribution of over 250 million daily data updates. With 24-hour coverage in London, New York and Hong Kong, IIS will continue to invest in infrastructure and in its employees to meet the demands for heightened control frameworks, validation processes and data source documentation, generated by regulatory transparency requirements and valuation related accounting standards.

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 which is majority owned by ICAP. Investment has been made in Duco (formerly Model Two Zero Limited), a firm pioneering next generation matching, reconciliation and data-translation technologies; OpenGamma, a real-time market risk analytics provider, and Enso Financial, a buy side analytics and intelligence provider.

Our strategy in action

Seize opportunities created by regulatory change

triResolve

Improving portfolio reconciliation and dispute resolution

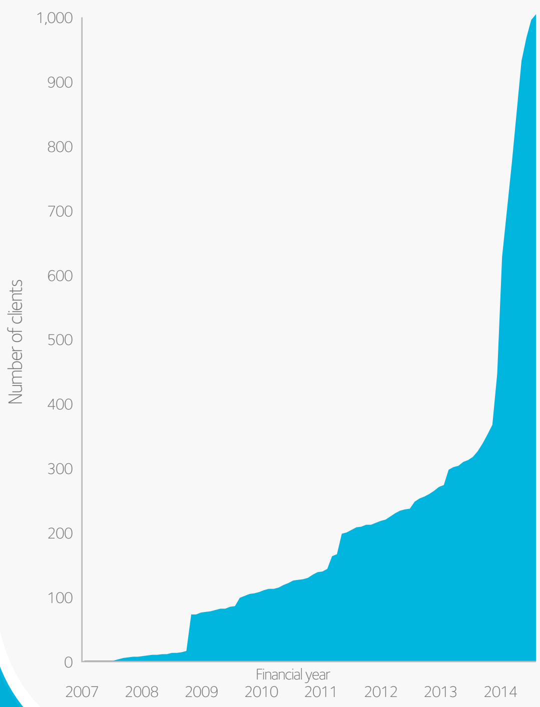
With the adoption of the Dodd-Frank Act in the US and EMIR in Europe, the majority of OTC derivatives market participants must now proactively reconcile their portfolios and resolve disputes within established timeframes. At the same time, mandatory clearing and trade reporting has added to the complexity of the market with a dramatic increase in trade data being captured and shared. This fragmentation of the market increases the potential for errors, discrepancies and regulatory misinterpretation.

TriOptima's triResolve brings market participants together in one network community where they work jointly to investigate and resolve both trade and portfolio level disputes. triResolve covers all asset classes, product structures and types of OTC derivatives including collateralised, uncollateralised and exchange-traded populations. Used by more than 1,000 firms including major global dealers, regional banks, asset servicers, fund managers, pension funds, corporates, and other buy side firms, triResolve regularly reconciles trades representing over 75% of all uncleared OTC derivative transactions globally.

triResolve also assists market participants grappling with verification of trade repository reporting against internal books and records. Acting as a central hub to validate and reconcile repository data, it identifies any discrepancies across the trade repositories and provides the tools to investigate and resolve these differences, bringing automation, consistency and accuracy.

triResolve generates revenue from a combination of fixed subscription fees and variable usage charges. Accordingly, the expansion of the customer base provides a strong and recurring income stream.

Growth in triResolve clients



Strategic report

Global Broking

The Global Broking business is active in wholesale markets across a wide range of geographies and asset classes. ICAP's 2,064 brokers, leveraging their deep customer relationships, help identify potential trading interest, create liquidity and facilitate price discovery in a vast array of financial instruments.

Global Broking's revenue by asset class for the year ended 31 March 2014 is set out below:

Revenue by asset class	2014 £m	2013 £m	Change %
Rates	**318**	351	(9)
Commodities	**169**	191	(11)
Emerging markets	**164**	160	2
Equities	**113**	106	6
FX and money markets	**90**	101	(11)
Credit	**66**	88	(25)
Total – reported	**920**	997	(8)
– constant currency		985	(6)

	2014 £m	2013 £m	Change %
Trading operating profit	**92**	105	(12)

During the course of the year, the trading performance of Global Broking was progressively impacted by a combination of structural and cyclical factors. Uncertainty surrounding the implementation and ongoing application of new regulatory requirements, both in the US (SEF) and Europe (EMIR), had a disruptive effect on activity levels in financial markets which is expected to persist in the near term as further regulations are enacted. Bank deleveraging, in response to stricter regulatory capital requirements, further constrained the trading activity of ICAP's customers as evidenced by the continuing decline in the reported FICC revenues of the major dealer banks. The performance of Global Broking was also negatively influenced by ongoing cyclical factors including low interest rate and FX volatility and uncertainty over the global economic recovery.

Against the market and regulatory backdrop outlined above, revenue for the year ended 31 March 2014 decreased by £77 million (8%) to £920 million (2012/13 – £997 million), reflecting a year-on-year decline of 4% in the first half of the year followed by a 12% decline in the second half of the year. Trading operating profit reduced by £13 million (12%) to £92 million resulting in a modest fall in the overall operating margin to 10%. The decline in revenue was partially offset by cost savings arising from the ongoing cost reduction programme. Broker headcount declined during the year from 2,195 to 2,064 and individual broker compensation continued to be restructured across all regions to enhance the variable nature of broker costs.

Rates

The rates business comprises interest rate derivatives, government bonds, repos and financial futures. Rate products contribute the largest share of Global Broking's revenue (35%) of which interest rate derivatives represents the most significant component. For the year ended 31 March 2014, revenue decreased by 9%. The positive performance of US interest rate derivatives was driven by medium-term interest rate volatility generated by the tapering debate which was partially offset by uncertainty around the new SEF rules. This, however, was negated by a marked decline in activity in EMEA interest rate derivatives as a result of the low interest rate environment, flat yield curves and economic uncertainty.

Trading activity in government bonds was negatively impacted by the migration of some US off-the-run treasury activity to BrokerTec in addition to a lack of liquidity in secondary markets. The US federal government bond purchasing programme resulted in significantly reduced trading volumes partly offset by a positive performance from UK gilts which benefited from better than expected UK economic data. Both repo and mortgages suffered from central bank intervention and new leverage rules are expected to depress further activity levels in repo markets. Strong growth in financial futures was driven by the debate around tapering in the US.

Commodities

The commodities business comprises energy (including electricity, crude oils, refined products, natural gas, coal, and alternative fuels), shipping, metals, agriculture and soft commodities. For the year ended 31 March 2014, revenue decreased by 11% reflecting a number of factors including regulatory reform, range bound prices and low volatility in US natural gas, crude oil and electricity arising from increased US shale production. Additionally, Europe experienced a mild winter affecting continental demand for electricity and fuel use. While a majority of commodities revenue is generated from non-bank customers, a number of investment banks have reduced the scope of their trading activity due to regulatory requirements and their desire to limit exposure to commodities markets.

Against a tough market backdrop, shipping revenue increased as dry market rates improved across all geographies and rates achieved in the London tanker market improved during the year but has since fallen back. ICAP's energy swaps and future brokers are fully registered and licensed to broker energy products as futures or swaps. ICAP has been a leading brokerage house for block-sized futures for many years on behalf of its diversified customer base that includes trading houses and corporates. ICAP also has listed various energy swaps on the ICAP SEF.

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 rate products. For the year ended 31 March 2014, revenue increased by 2% reflecting a strong performance across all regions. Trading in EMEA emerging markets saw a resurgence with increased market volatility prompted by geopolitical developments. The Latin American businesses benefited from volatility in local interest rates which also helped drive NDF volumes although these were impacted by SEF. ICAP closed its Miami office as part of a restructuring and relocated its NDF business to New Jersey. Revenue continued to grow in Brazil, despite difficult local market conditions, and ICAP is examining options to improve the performance of the business. Asian emerging markets were strong with good growth in some of the smaller offices, such as in Malaysia and the Philippines, specifically in rates, partly offset by weaker activity in Indonesia and Korea. Renminbi related products continued to be an area of growth driven by further liberalisation and increased use of the currency to settle trade balances.

Equities

The equities business principally comprises equity derivatives. For the year ended 31 March 2014 revenue increased by 6% as a result of a general improvement in activity levels particularly in the US where increased market volatility created more arbitrage opportunities for banks.

In the US, the Link and ICAP corporate equity businesses were consolidated and now operate under a unified management team with a single offering aligned to their customers' needs replicating a similar model in EMEA. In Asia, ICAP consolidated a large part of its equities teams into the Hong Kong office and benefited from continued volatility in the Nikkei driven by the impact of fiscal stimulus, monetary easing and structural reform. This, however, was largely offset by reduced trading in Asian single stock equity derivatives.

FX and money markets

The FX and money markets business comprises spot and forwards FX, cash products and a joint venture in FX options. For the year ended 31 March 2014, revenue decreased by 11% reflecting difficult market conditions as FX volumes in spot, forwards and options all declined as a result of reduced exchange rate volatility, the low interest rate environment and bank internalisation of FX flows. This was compounded by a lower risk appetite and increased commission pressure.

Credit

The credit business comprises corporate bonds (representing approximately 85% of total credit revenue) and credit derivatives. Credit products contribute the smallest share of Global Broking's revenue (7%). For the year ended 31 March 2014, revenue decreased by 25% as credit markets remained challenging due to a particularly quiet summer, low interest rates and the ongoing shift in secondary market trading to the buy side all negatively impacting activity. ICAP continues to actively manage down the cost base of this business primarily through the reduction of headcount and employee compensation. December saw the closure of the CDS business in Hong Kong and Australia following a period of declining revenue.

The shifting dynamics of credit markets with increased use of electronic platforms and the changing client base from bank to buy side has resulted in a focus on the more profitable elements of the business where customer demand is expected to stabilise and then grow over time.

Strategic report

Financial review

ICAP is a profitable and cash generative business

Trading profit before tax

The results for the 2013/14 section of the strategic report (pages 22 – 31) focus on the Group's divisional revenue and trading operating profit as management plans and reviews the financial performance of the business using trading results that exclude acquisition and disposal costs and exceptional items (see the basis of preparation statement to the financial statements).

Trading profit is expected to convert fully into cash over the long term, thereby providing a cleaner representation of the business performance.

On page 34, we provide a reconciliation between the Group's trading profit for the year and its reported Group profit.

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Trading operating profit	**295**	308
Net finance costs	**(27)**	(29)
Share of profit of associates after tax	**4**	5
Trading profit before tax	**272**	284
Tax on trading profit	**(60)**	(73)
Trading profit for the year	**212**	211

The Group's £295 million trading operating profit (2012/13 – £308 million) converted to a trading profit before tax of £272 million (2012/13 – £284 million) after deducting net finance costs of £27 million (2012/13 – £29 million) and recording a share of profit of associates after tax of £4 million (2012/13 – £5 million). Trading finance income in the year included certain one-off items, as a result of which trading net finance costs in 2014/15 are expected to be in the range of £30 million to £33 million including a net benefit of £3 million from the new Eurobond.

Strengthening of sterling against the dollar and euro during the year had a £20 million adverse year-on-year impact on revenue and £4 million adverse impact on trading profit before tax.

Tax on trading profit

The Group's tax charge of £60 million on trading profit represents an effective tax rate (ETR) of 22% (2012/13 – 26%). The ETR reflects primarily the various statutory tax rates applied to taxable profits in territories in which the Group operates.

The 4 percentage point decrease in the ETR on trading profit before tax relates to certain prior year adjustments, in the absence of which the ETR would have been in line with the prior year.

The Group manages its tax affairs in accordance with the tax strategy. The tax strategy was presented to the Audit Committee during the year (see the governance and directors' report).

Strategic report
Governance and directors' report
Financial statements
Other information

Trading EPS and dividend

Trading EPS (basic) is calculated based on the trading profit for the year. We believe that trading EPS (basic) is the most appropriate EPS measurement ratio for the Group as this most closely reflects the ongoing generation of cash attributable to shareholders and in turn the Group's ability to fund sustainable dividends. In line with this, the Remuneration Committee considers trading EPS (basic) in its review of management performance and uses that metric in the remuneration of the executive directors (see the remuneration report).

	Year ended 31 March 2014 pence	Year ended 31 March 2013 pence
Trading EPS (basic)	**33.2**	33.0
Full-year dividend per share	**22.0**	22.0

The Group reported a trading EPS (basic) of 33.2p, an increase of 1% on the prior year, reflecting a four percentage point decrease in the trading effective tax rate.

The directors recommend a final dividend of 15.4p per share, in line with 2012/13, reflecting the solid financial performance for the year, strong balance sheet and the ongoing cash generative nature of the business. If approved, the final dividend will be paid on 25 July 2014 to shareholders on the register at the close of business on 4 July 2014. The shares will be quoted ex-dividend from 2 July 2014.

The full-year dividend will be 22.0p (2012/13 – 22.0p) including the payment of the 6.6p interim dividend on 7 February 2014. The full-year dividend per share is covered 1.5 times (2012/13 – 1.5 times) by trading EPS of 33.2p.

Free cash flow

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Cash generated from operating activities*	**313**	387
Interest and tax	**(100)**	(81)
Cash flow from trading activities	**213**	306
Capital expenditure	**(67)**	(39)
Dividends from associates and investments	**8**	7
Trading free cash flow	**154**	274
Free cash flow conversion (%)	**73%**	130%

* Before exceptional items

ICAP is cash generative and we continue to expect that over the medium term free cash flow and post tax trading profit will converge. In the periods of increased investment, the conversion rate will temporarily reduce.

Free cash flow conversion for the year was 73% (2012/13 – 130%) of the Group's trading profit, which reflects the increased capital investment in the year together with timing differences on working capital and tax payments. The 130% cash conversion in 2012/13 was unusually high as a result of favourable timing differences from working capital and lower capital expenditure.

Cash generated from operating activities before exceptional items was £74 million lower than the prior year, primarily due to certain one-off benefits seen in the prior year from working capital, which had a broadly equal and opposite impact on this year's working capital movements and cash generation. See note 11 to the financial statements.

Net payments in respect of interest and tax have increased by £19 million to £100 million, primarily driven by timing differences related to tax payments. Interest and tax paid of £100 million (2012/13 – £81 million) includes £31 million (2012/13 – £27 million) of net interest and £69 million (2012/13 – £54 million) of tax.

Application of free cash flow

The 72% increase in capital expenditure during the year reflects the significant incremental investment made both in new product initiatives to drive the future revenue growth of the business and in the Group's infrastructure to enhance the efficiency of the organisation. As described on page 11, ICAP's market-leading position has been achieved and maintained through substantial investment over many years in technology and user market infrastructure.

Trading free cash flow of £154 million, net of capital expenditure of £67 million, was used to pay £141 million in dividends to shareholders and £10 million in dividends to minority investors, relating to the restructuring of a Japanese subsidiary.

Strategic report

Financial review continued

Profit for the year

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Trading profit for the year	**212**	211
Acquisition and disposal costs after tax	**(48)**	(120)
Exceptional items after tax	**(64)**	(48)
Profit for the year	**100**	43

Acquisition and disposal costs

Acquisition and disposal costs in the year were £74 million (2012/13 – £158 million) before a tax credit of £26 million (2012/13 – £38 million). The acquisition and disposal costs in the year primarily represent amortisation of acquired intangibles, with the higher charge in the prior period reflecting an £81 million impairment charge for the impairment of goodwill on certain businesses within our Global Broking division. See notes 3 and 14 to the financial statements for a more detailed breakdown of the Group's acquisition and disposal costs.

Exceptional items

The Group discloses separately items that are non-recurring and material in terms of both size and nature. This allows appropriate visibility of these items and reflects how information is reviewed by management. It allows focus on the Group's trading performance, as well as due attention specifically on the exceptional matters.

For the year to 31 March 2014 exceptional items were £76 million (2012/13 – £60 million) before a tax credit of £12 million (2012/13 – £12 million). The costs principally related to the yen Libor settlements with the CFTC and the FCA as discussed on page 4 of the Group Chief Executive Officer's review and page 54 of the Chairman's letter. For further information, see note 6 to the financial statements.

Balance sheet highlights

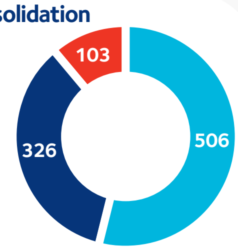
	As at 31 March 2014 £m	As at 31 March 2013 £m
Net assets		
Intangible assets arising on consolidation	**935**	1,080
Cash and cash equivalents	**703**	602
Borrowings	**(787)**	(577)
Other net assets	**132**	51
Total net assets	**983**	1,156

The Group's net assets as at 31 March 2014 were £983 million, £173 million lower than the 31 March 2013 position (£1,156 million), reflecting principally a £135 million adverse impact of a weakening dollar and euro on the net assets, including goodwill, on our US and European businesses.

The significant balance sheet line items including intangible assets arising on consolidation, cash and cash equivalents and borrowings are discussed below. The increase in other net assets principally reflects increased investment in intangibles from development expenditures and favourable movement in working capital.

Intangible assets arising on consolidation

	£m
Electronic Markets	506
Post Trade Risk and Information	326
Global Broking	103
Total	**935**



The Group's goodwill and other intangibles assets arising from consolidation as at 31 March 2014 was £935 million (2012/13 – £1,080 million), with 89% of the balance represented by Electronic Markets and Post Trade and Risk Information divisions. Approximately 78% of the Group's goodwill and other intangibles is denominated in the dollar and the euro. The weakening of these two currencies during the year resulted in a decrease of £67 million in the Group's goodwill and other intangibles.

Management reviewed the Group's goodwill and other intangibles assets arising on consolidation for impairment as at 31 March 2014 and recorded an impairment charge of £11 million for the year against certain minor Global Broking and Electronic Markets businesses.

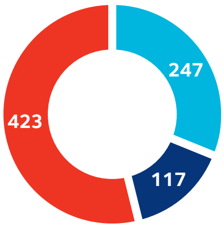
On the remaining assets no indications of impairment existed at the balance sheet date. The review was based on certain estimates and assumptions including future cash flow projections and discount rates. The Audit Committee has considered and approved the appropriateness of management's judgements and estimates. See the Audit Committee report and note 14 to the financial statements.

Liquidity and funding

The Group's overall funding position as at 31 March 2014 remains strong. The Group refinanced certain of its borrowing arrangements in the period and increased its gross debt position, net of fees, by £210 million to £787 million at 31 March 2014.

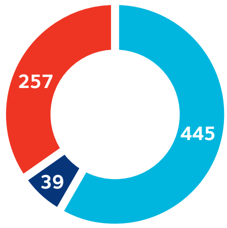
Gross borrowings

	£m
Less than 1 year	247
Between 1 to 3 years	117
More than 3 years	423
Total	**787**



Cash*

	£m
Cash held in trading entities	445
Restricted funds	39
Cash held in central treasury function	257
Total	**741**



* Cash includes cash and cash equivalents and restricted funds

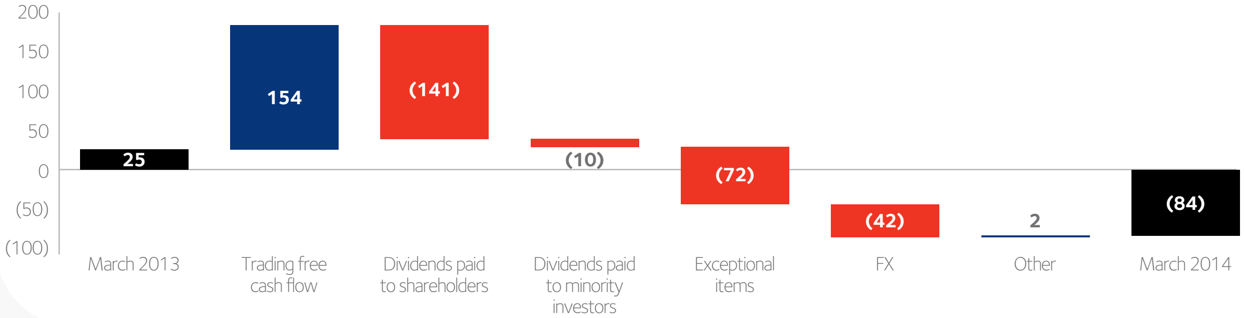
During the year, the Group refinanced its $880 million RCF with a new £425 million RCF, which matures in December 2016, as well as entering into and later repaying a £50 million short-term facility.

In March 2014, the Group issued a €350 million bond with a 3.125% coupon, the proceeds of which will be used to refinance the €300 million (£246 million equivalent) of senior notes due in July 2014. The next debt maturity is $193 million (£117 million equivalent) of guaranteed subordinated loan notes due in June 2015. At 31 March 2014, the Group had committed undrawn headroom under its core credit facilities of £425 million (2012/13 – £580 million).

At 31 March 2014, the Group's long-term issuer ratings were Baa2 (negative) by Moody's and BBB (stable) by Fitch. The outcome of a review with Moody's, completed in June 2013, was an unchanged rating. In June 2013, Fitch downgraded its rating from BBB+ following its regular peer review of the Group against three inter-dealer broker firms.

Net debt

Net debt £m



Net debt during the year increased by £109 million to £84 million as at 31 March 2014 from a net cash position of £25 million as at 31 March 2013. The increase in net debt was principally driven by the £72 million payments relating to the exceptional items, a £42 million adverse impact on net debt arising from the retranslation of foreign currency cash balances in overseas subsidiaries and a dividend of £10 million paid to minority investors relating to the restructuring of a Japanese subsidiary.

Net debt of £84 million excludes Group's restricted funds of £39 million as at 31 March 2014.

Strategic report

Corporate responsibility and relationships

We recognise our obligations to act responsibly, ethically and with integrity

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, where 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 broad and growing customer base. Revenue from our customers is derived from a wide range of products in different asset classes across both execution and risk mitigation services. ICAP's broking customers are primarily banks with the relative size of specific customers varying considerably by product and geography. No single customer represents more than 5% of Group revenue. One of our key strategic priorities is to expand and diversify our customer base outside our traditional area of expertise.

As our customers face regulatory change and cost and capital issues, we have seen our Post Trade Risk and Information business grow. This has been facilitated by the development of industry standard market infrastructure solutions by TriOptima and Traiana to simplify operational workload.

On our SEF, regulations specify that we must deliver to all types of customers, both directly and via sponsored access through our bank customers.

Since its launch in November 2013, adoption of the EBS Direct platform has exceeded expectations with almost 500 customers now contracted to the service (including 30 non-bank institutions) of which 180 have already traded. This scalable relationship-based disclosed streaming service provides direct access to an enlarged customer base, including small and regional banks.

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 represents 12% of Group revenue. Subscription revenue comes from data vendors and is generated mainly 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. As a service-orientated business, ICAP's operations cause minimal environmental impact. Wherever possible, ICAP takes into account the direct and indirect environmental impact of its activities.

Electricity consumption and air travel are the areas responsible for the majority of ICAP's carbon emissions. While we have seen a decrease in air travel-related emissions, those from consumption of purchased electricity have increased. This is due primarily to increased lab capacity following the investment in new technologies and products in our EBS business. ICAP plans to reduce electricity consumption by the virtualisation of its server environment.

We continue to make use of our telephone and video conferencing facilities where available and work to introduce more efficient lighting and air conditioning in our offices. Renewable energy sources are used to purchase electricity where possible, waste is recycled where facilities are available and when office moves are required a key area of focus is the environmentally friendly nature of the building.

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

Under new reporting requirements the table below sets out the Group's estimated greenhouse gas emissions for the year ended 31 March 2014.

	Tonnes of CO_2e emissions
Scope 1 *	821
Scope 2 **	17,828
Scope 3 ***	15,181
Total	**33,830**
Total emissions per employee	**6.8**

* Scope 1 includes direct greenhouse gas emissions from sources that are owned or controlled by the company such as natural gas combustion and company owned vehicles.

** Scope 2 accounts for greenhouse gas emissions from the generation of purchased electricity, heat and steam generated off-site.

*** Scope 3 includes all other indirect emissions such as waste disposal, business travel and employee commuting.

The above estimates were prepared by The CarbonNeutral Company, an environmental consultancy. CarbonNeutral's assessment was carried out in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Responsibility for emissions sources was determined using the operational control approach.

Our strategy in action Reinforce cultural values and uphold best practices

ICAP's voluntary carbon capture programme

In 2012/13 ICAP's voluntary carbon capture programme invested in 90 hectares of new native woodlands in the UK, comprising 145,000 trees. These woodlands are certified to the Woodland Carbon Code – the UK government quality assurance standard – and will not only mitigate ICAP's carbon footprint but also deliver other benefits to society and the environment.

ICAP has recommitted to this programme in 2013/14 and invested in a further 70 hectares of UK woodland creation.

Benefits of UK woodland creation

The woodland projects also provide other benefits. All Woodland Carbon Code certified projects offer public access as a core requirement. Woodlands also have a significant role to play in mitigating flooding, reducing air pollution, purifying watercourses and creating habitats for biodiversity. An investment in woodland creation also contributes to the UK rural economy by helping to create jobs in the forestry and nursery sectors.

The Woodland Carbon Code

The Woodland Carbon Code delivers independently certified woodland creation projects – audited by UKAS accredited bodies to ISO standards – that offer social and environmental benefits. It is the only standard of its kind in the UK.

Halterburnhead

Working in partnership with Forest Carbon and the Tweed Forum, ICAP has planted one of five new riparian woodlands in the Tweed catchment area. In addition to carbon capture the woodlands have been designed to deliver flood mitigation in the Tweed Valley following significant damage from flooding in the area in 2008 and 2009.

There is a considerable body of research evidence pointing to river bank trees being an effective means of flood management.

By reducing the amount of water reaching rivers, and extending the period over which the surge of water is delivered to a river, flooding is prevented altogether or reduced. Upstream flood management is also cost-effective – removing the need for flood protection, or the consequences of flooding, in urban areas.

The new woodlands will also make a valuable contribution to woodland and river biodiversity by maintaining base flows of rivers, shading rivers and filtering pollution.

ICAP's project, at Halterburnhead, comprises 42,000 trees, covers 26 hectares, and during its lifetime will capture more than 11,000 tonnes of CO_2.

Corporate responsibility and relationships continued

ICAP Charity Day

£110m
donated since 1993

Cheryl Cole
Cheryl Cole Foundation

Damian Lewis
The Howletts Wild Animal Trust

Julie Walters
Women's Aid

JLS
JLS Foundation/Cancer Research UK

Together we give 100%

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 thousands of people around the world. Thanks to the efforts of our customers, suppliers and employees, an incredible £9.5 million/ $15.5 million was raised on 3 December 2013 bringing the total amount donated over 21 years to more than £110 million.

100%
CHARITY DAY
Together we give 100%

Halle Berry
Jenesse Center

Daniel Craig
SAFE Kenya
Opportunity Network & Concerns of Police Survivors Metro NY

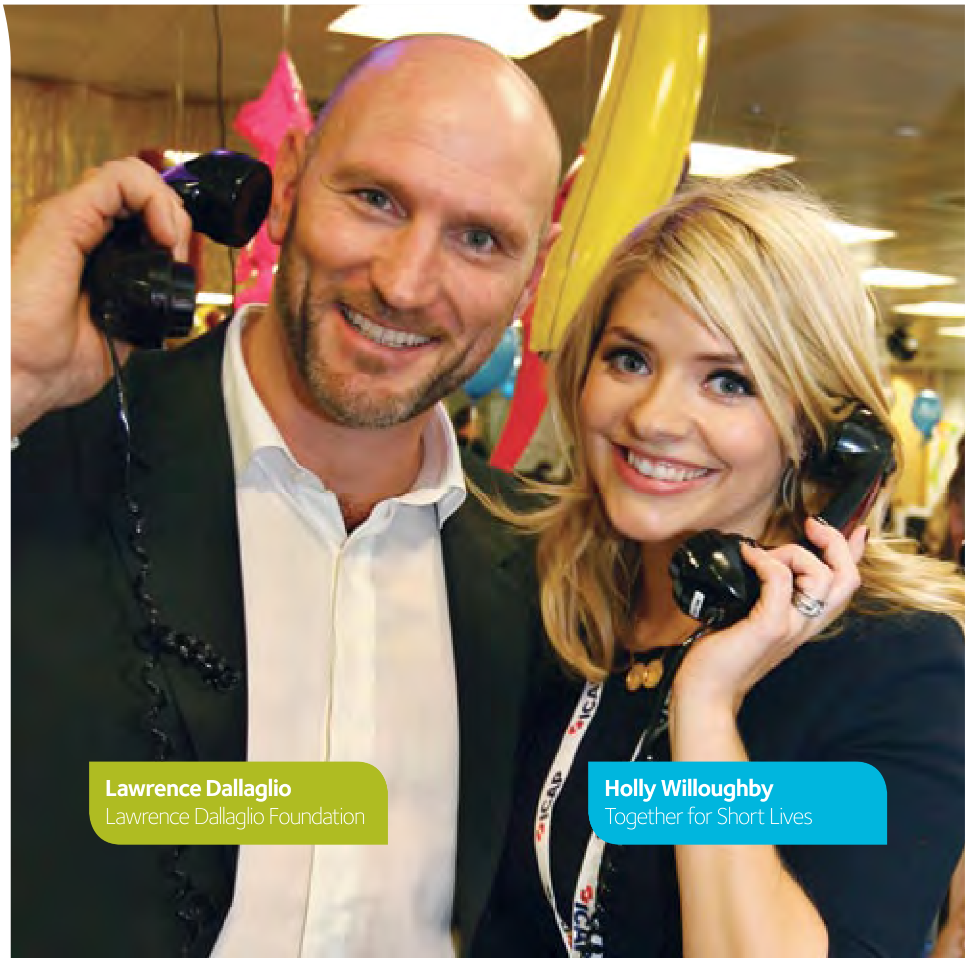
"It is an incredible achievement to have raised £110 million since Charity Day first started and I'd like to thank our customers, suppliers and employees as well as our charities and patrons for supporting the special event. We are delighted to be supporting 200 charities around the world this year."

Michael Spencer
Group Chief Executive Officer

Watch the video
www.icapcharityday.com

Visit our Facebook page
www.facebook.com/icapcharityday

Read the tweets
www.twitter.com/icapcharityday



Lawrence Dallaglio
Lawrence Dallaglio Foundation

Holly Willoughby
Together for Short Lives

Corporate responsibility and relationships continued

Making a huge impact

ICAP Charity Day has made a remarkable difference by supporting more than 1,600 charities worldwide. It has enabled us to fund projects such as installing Solar Aid renewable energy lighting in Malawi, supporting interactive theatre for sick children in hospitals, therapeutic horse riding for disabled children and medical research for degenerative conditions such as Alzheimer's.

Read more about the projects ICAP Charity Day has supported in the 'Success stories' section of the website

www.icapcharityday.com/success-stories

100%
CHARITY DAY
Together we give 100%

Riding for the Disabled Association Singapore

Riding for the Disabled provides therapy for children with a range of disabilities. Funds from ICAP Charity Day were used to support two horses for the charity, which is Singapore's only organisation providing therapeutic horse riding. The horses, named ICAP Evolution and ICAP Leopard, will be put through their paces as they provide disabled people of all ages with an exciting and rewarding experience. Horses provide a tool for physical therapy, emotional growth and cognitive improvement in a unique format that is fun and exhilarating. Besides the physical benefits, riders gain increased self-confidence, improved circulation, respiration, balance, coordination and mobility.

RDA

Solar Aid London

A donation from Charity Day enabled SolarAid to expand its operations in Malawi, bringing clean, renewable solar energy to hundreds of thousands of people. Following ICAP's support, 207,179 people have benefited from clean, safe solar lights in Malawi.

The impact of switching from kerosene lamps to safe solar lighting is astonishing. Not only does it save families nearly £45 a year, it also provides double the lighting hours each evening enabling children to do their homework and study for longer.

Two-thirds of head teachers spoken to by SolarAid maintain that children with solar lights had better motivation, concentration and attendance.

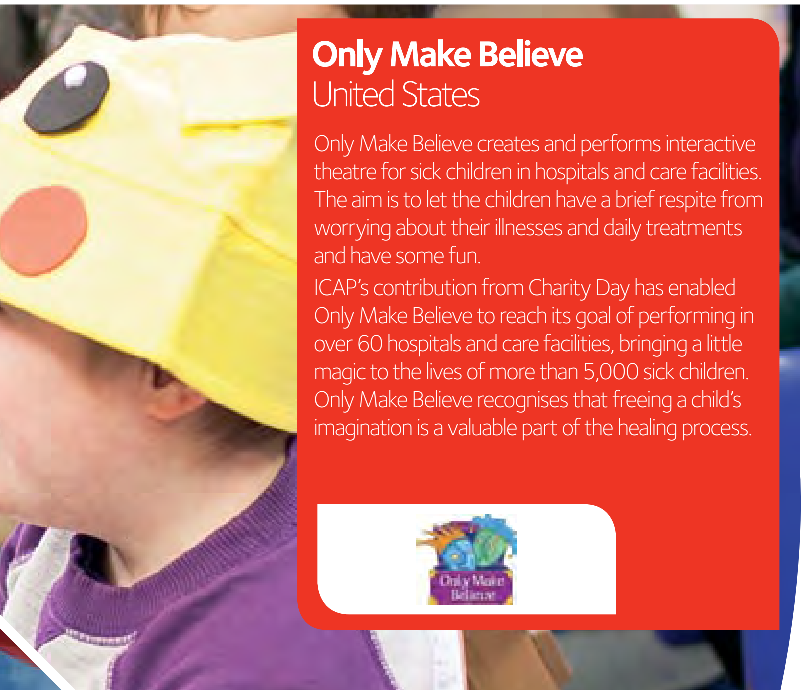
Solar Aid

The Art Room
London

A donation from ICAP's Charity Day funded The ICAP Art Room at Northolt High School in London. The Art Room provides art as therapy for children and young people between the ages of 5 and 16, many of whom are disengaged from mainstream education, to help raise their self-esteem, self-confidence and independence.

Participating children are delighted with the new service, with one saying, "I want to live in The Art Room!"

Head teacher Gloria Lowe says "The Art Room has been a wonderful and most welcome addition to the learning community of Northolt High School".



Only Make Believe
United States

Only Make Believe creates and performs interactive theatre for sick children in hospitals and care facilities. The aim is to let the children have a brief respite from worrying about their illnesses and daily treatments and have some fun.

ICAP's contribution from Charity Day has enabled Only Make Believe to reach its goal of performing in over 60 hospitals and care facilities, bringing a little magic to the lives of more than 5,000 sick children. Only Make Believe recognises that freeing a child's imagination is a valuable part of the healing process.

@Heart
Wellington

@Heart provides lifelong care to children affected by a congenital or childhood heart defect and their families. A donation from ICAP Charity Day has enabled @Heart to continue its practical and emotional support of families living with the impact of a serious heart condition. The charity runs monthly "Murmurs" groups providing essential support for young families before and after their child's surgery. Through ICAP's donation, @Heart has made it possible for more families to access this vital support network, and was also able to send six teenagers and one cardiac nurse to attend the annual Teen Beat in Auckland in 2013.

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Risk management

Identifying, assessing and mitigating risk effectively

ICAP's risk profile

As a world leading markets operator and provider of risk mitigation and information services, ICAP is predominantly exposed to operational, strategic, and liquidity risk. ICAP has a very different risk profile from that of a bank, investment bank, asset manager, insurance company or hedge fund and does not engage in bank style risk taking in the course of its business. ICAP only enters into transactions when executing on behalf of customers or providing customer access to clearing services. ICAP's day-to-day business is not capital intensive and holds capital primarily to ensure continuity of business by covering future costs and short-term liquidity needs. 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 predominantly fee earning organisation the third-party relationships and reputation ICAP holds and continues to build 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.

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

The primary risk to ICAP's long-term financial success is reduction of commission revenue generated from its customers.

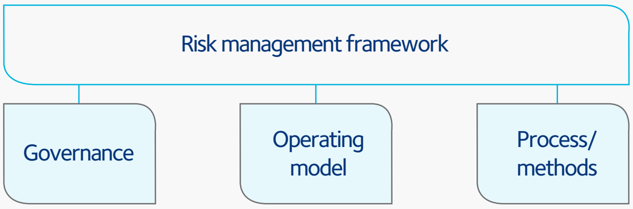
Notwithstanding the above, ICAP's risk appetite is informed by its business strategy, internal initiatives and exogenous forces.

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 regular assessment of the Group's strategy and analysis of known and emerging risks.

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

Our risk management framework is designed to manage and mitigate the risks that could impact 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 risk policies and continued fostering of the corporate risk management culture.

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

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

Our governance structure is designed such that the business is the first line of defence, risk management department the second line of defence and internal audit the third line of defence.

As the first line of defence the business is responsible for the management of its own risks. The business identifies, manages, mitigates and reports on risks through a structured process aligned to the business models in which they operate.

As the second line of defence, the risk management and compliance departments act as independent parties and ensure that an effective and fit-for-purpose risk and compliance framework and structure is in place and used appropriately by the business. The risk management and compliance departments also ensure and report that the business is operating within the Group's risk appetite as set by the board.

As the third line of defence, internal audit provides independent testing and verification of business line compliance as well as assurance that the risk management process is functioning as designed.

For further details refer to page 65 of the governance section.

Example of risk management – ICAP SEF application

G20-led reforms to inject transparency into the $600 trillion swaps market resulted in ICAP capitalising on an opportunity for growth, while protecting against a strategic risk. An aim of the new CFTC rules is to migrate trading of OTC derivatives onto electronic trading platforms. A particular example of this was the successful application and subsequent temporary registration granted to ICAP by the CFTC for its SEF in the compressed timeframe provided by the CFTC.

The business, as the first line of defence, identified the risk from regulatory change and engaged the government affairs, legal and compliance departments to liaise with regulatory and industry bodies on ICAP's behalf. Working groups and a steering committee were established to drive the application and business change forward.

Risk management and compliance, as the second line of defence, were considered critical partners in these forums and through constant dialogue, advice and challenge, ensured the successful development of the appropriate internal and required external controls for the new commercial processes.

Internal audit, as the third line of defence, incorporated a review of the SEF into their audit cycle.

Evolving risk profile

The Group's approach for managing risk is underpinned by understanding the risk exposure for the Group and its businesses that arise from internal events, the business models we adopt and potential or realised external forces of change. Risk appetite is set by the board and regular updates are presented on how the risk profile of the Group is changing over time. The firm's responses to these changes and remedial actions taken to ensure risk levels are consistent with the appetite are also discussed.

The Group's key risks remain largely unchanged from 2013 with our most significant risks remaining strategic, operational and liquidity.

Strategic report

Risk management continued

Throughout 2013 and into 2014 strategic risk remains important in the continued growth and evolution of the business based on the current dynamic regulatory environment, as is the necessity of ensuring all aspects of regulatory risk are specifically identified and addressed effectively.

The changing environment means that there will be external industry risks that are applicable to ICAP, which will steer the business and risk management strategy. Consequently, this will promote the need for strengthening existing and inputting additional controls and mitigations. These will be embedded into the strategy.

2014 industry risks and ICAP's response

Industry risk	Topic impact	ICAP response
Global financial stability	Pace and amount of regulatory change – varying approaches in different jurisdictions Systemic risk and contagion	ICAP maintains robust risk management frameworks across global businesses compliant with regional and local regulatory requirements.
Regulatory	Implementation of regulatory changes – opportunities arising from regulatory demands Capital, liquidity and business model challenges for banks and our other major customers Risk appetite – greater balance sheet implications as well as meeting key stakeholder expectations	ICAP maintains frequent dialogue with major stakeholders (including regulators, clients and service providers) to satisfy and meet both their discrete and macro needs. Launch of the ICAP SEF to capitalise on growth opportunities and meet regulatory changes.
Uncertainty and global fragmentation	Confidence in risk management measures and practices – culture and governance of firms Preparing for the next geopolitical shock	Training throughout the business to reinforce cultural values and best business practices. The Group has strengthened operational risk frameworks across the business. ICAP continually explores opportunities evolving from internal strategies and external drivers.

Iterative approach to risk management

The Group views risk management as dynamic as the global market in which it operates. The Group evolves its risk management process and continually seeks to improve it. The following areas have been of particular focus for the Group and will continue to be so:

- continuation of enhancing stress testing capabilities across all risk disciplines, particularly focusing on the impact of potential regulatory changes on specific entities within the Group directly or indirectly;
- ongoing discrete and macro-wide analysis to ensure awareness of developments within the industry;
- operational risk framework enhancements to strengthen global consistency;
- improvements to the Group's internal capital adequacy assessment and planning; and
- continued enhancement to risk monitoring processes including dynamic refinement of key risk indicators.

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
Principal risks			
Strategic	High	Proactive	Greater clarity over future market landscape. Uncertainty remains as to the full impact and some regulatory change is yet to be finalised.
Operational	High	Cautious	Greater reliance on technology, leading to investment in infrastructure. More stringent and enforcement-led regulation. Improved processes and employee training to reduce inherent risk.
Liquidity	High	Cautious	Continued analysis to ensure appropriate liquidity management.
Other significant risks			
Credit	Medium	Minimal	Enhanced monitoring system infrastructure and more detailed counterparty analysis to ensure mitigation from deterioration in counterparty quality, given macroeconomic conditions.
Legal and compliance	Medium	Averse	New regulations have been introduced and ICAP continues to align business processes and practices to ensure compliance with regulatory standards in markets where ICAP has regulated entities.
Reputational	Medium	Averse	Heightened industry focus of attention following recent headline publicity and associated impacts on customers, share price and operations.
Financial	Low	Minimal	No major changes in operations or appetite.
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).

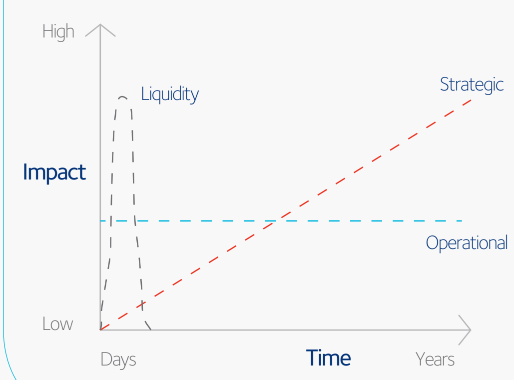
These risks along with our other significant risks are explained in more detail on the next few pages; however, to summarise:

Strategic – manifests over a medium time frame which allows for management action to reduce the impact. Aligning the risk strategy and risk appetite to the business strategy ensures the risks are known and addressed where applicable.

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

Liquidity – liquidity outflows relating to business activity are accepted and there are funding lines in place to deal with these appropriately. Unexpected large liquidity requirements are considered unlikely; these, however, could manifest themselves over an extremely short time frame (1–2 days) and the businesses and Group have a contingency funding plan to meet these requirements.

Risk impact time horizon



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Risk management continued

Principal risks

Strategic risk

Overview	Potential manifestations and appetite	Mitigation
Definition Inherent risk that Group services become obsolete to existing or future customers, resulting in diminishing corporate financial performance. **Drivers** The Group sets out its business strategy in response to both external and internal factors, in order to achieve its goal of being the leading provider of trade execution services and market infrastructure to the global wholesale financial sector. Consequently this creates a first order risk, including external (regulators, customers, competitors etc.) and internal (governance) drivers.	**Potential manifestations** Inability to respond to a continually changing and challenging environment through the business strategy. Failure to adhere to regulatory changes and align business strategy to remain compliant in jurisdictions. The move towards electronic trading, central clearing of derivatives, increased capital demands and the continued uncertainty of the final shape of the reforms. **Appetite** ICAP has a proactive appetite for this risk exploring the introduction of new innovative products and service lines from organic growth and acquisitions and a desire to lead its competition.	ICAP maintains constant dialogue with customers, regulatory bodies and other key stakeholders in order to leverage environmental and changing customer needs and remains aware of changes arising in the industry. ICAP's risk management strategy is aligned to the internal business strategy. This ensures that internal drivers are assessed and mitigations put in place. ICAP is therefore able to use its strengthened 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	Potential manifestations and appetite	Mitigation
Definition 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. **Drivers** First order risk driven by internal (e.g. human error, system failure) and external (e.g. terrorism, fraud) events.	**Potential manifestations** 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. **Appetite** ICAP has a cautious appetite for operational risk as ICAP accepts that operational risk is inherent in its business and even after mitigating controls there will be residual risk which could lead to losses.	Operational risk is mitigated by implementing the Operational Risk Framework in each line of business. These frameworks contain: – risks and controls that are identified, assessed and transparently monitored; and – owners for the risks with assigned roles and responsibilities. The Group invests in infrastructure and people. Formal business continuity plans and appropriate remote data back-up and disaster recovery facilities are available for each key location.

Liquidity risk

Overview	Potential manifestations and appetite	Mitigation
Definition 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. This may result in the inability to fund operational liquidity outflows or any margin calls. **Drivers** Main manifestation would be through the second order impact from potential operational and credit events. Also some first order risk driven by internal (operating model) factors in exchange traded and matched principal broking.	**Potential manifestations** Requirement to place margin or collateral at a clearing house or third-party clearing provider due to counterparty not fulfilling its obligations or timing issues. **Appetite** ICAP has a cautious appetite for liquidity risk but no appetite for not meeting financial obligations as they fall due.	Daily stress testing is performed to ensure that available liquidity and funding lines available to both the regions and the Group are adequate. There is a centralised provision of liquidity and a Contingency Funding Plan for Group trading entities; each entity additionally has access to appropriate liquidity which includes third party arrangements to attain margin netting benefits. The appropriate liquidity needs and funding lines are assessed periodically to ensure that the Group has sufficient liquidity lines. Historical and progressive analysis is performed to quantify the needs.

Other significant risks

Credit risk

Overview	Potential manifestations and appetite	Mitigation
Definition Risk of a counterparty failing in its obligations. Financial losses include loss of commissions. Liquidity outflows may arise through a counterparty's failure to meet obligations by way of market risk or margin requirements. **Drivers** First order risk driven by external (counterparty default) events which may create a second order liquidity event.	**Potential manifestations** 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. **Appetite** ICAP has minimal appetite for financial loss as a result of credit risk.	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; – regional accounts receivable teams monitoring non-receipt of commissions and fee income; and – limit setting on Treasury counterparties.

Strategic report

Risk management continued

Other significant risks

Legal and compliance risk

Overview	Potential manifestations and appetite	Mitigation
Definition 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. **Drivers** First order risk driven by internal shortfalls/failures (failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct), resulting in legal or regulatory sanctions, financial loss and/or reputational damage.	**Potential manifestations** Inappropriate or incorrect documentation or responsibility in the conduct of business could lead to a loss arising from defending a claim. Operational or human failures, employee breaches of policy or regulations may lead to regulatory investigation and fines, resulting in financial loss. **Appetite** ICAP has an averse appetite for financial loss as a result of this risk. 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.	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. Advice is regularly taken from appropriately qualified external advisers and professionals. Training is provided to staff on an on-going basis. Legal and compliance risks are assessed and mitigated in the processes and procedures of risk, compliance and audit.

Reputational risk

Overview	Potential manifestations and appetite	Mitigation
Definition Risk of financial loss arising from negative perception on the part of third-party relationships including customers, counterparties, shareholders, investors or regulators. **Drivers** 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** 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. **Appetite** ICAP has an averse appetite for financial loss as a result of this risk as the relationships of openness and trust with its customers and regulators is key to its business model.	As a second order impact, appropriate controls and management of the other risks assists in mitigation of this risk.

Financial risk

Overview	Potential manifestations and appetite	Mitigation
Definition Risk that the Group is exposed to losses due to adverse movements in interest, FX and tax rates. **Drivers** First order risk driven by external (changing market rates) events.	**Potential manifestations** Currency risk arising from consolidated financial statements denominated in pound sterling but business conducted in a number of other currencies. Interest rate risk arising from the Group financing itself through fixed and floating rate debt obligations. FX risk through maintaining cash on its balance sheet to meet a combination of local regulatory capital rules, clearing houses depositing and other commercial requirements, including margin calls. **Appetite** ICAP has minimal appetite for financial loss as a result of this risk.	Details of the Group's interest rate and currency risk hedging strategy are contained in note 26 of the financial statements.

Market risk

Overview	Potential manifestations and appetite	Mitigation
Definition Risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. ICAP does not actively take market risk. **Drivers** 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** As a result of providing its clients with matched principal brokerage and exchange execution ICAP may be exposed to a variety of market risks, for example: – equity price; – interest rate; – FX ; and/or – commodity price. **Appetite** ICAP has minimal appetite for financial loss as a result of market risk.	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. Daily analysis is provided to senior management on any potential/actual market risks arising from overnight exposures.

Strategic report approval

The strategic report was approved by the board and signed on its behalf by:

Iain Torrens
Group Finance Director
14 May 2014

Governance and directors' report

In this section

Governance and directors' report

Directors' biographies

Charles Gregson
Non-executive Chairman, appointed in 2001.

Chairman of the Governance, Nomination and Operational Risk Framework Implementation Committees.

Skills and experience
Charles has served as a director on a number of boards in the financial services sector, including Provident Financial plc, MAI plc and International Personal Finance plc, and in the media services sector, including United Business Media plc and PR Newswire Europe Limited. Most recently he was non-executive chairman of CPP Group plc and St James's Place plc.

Charles brings considerable senior board level experience and experience of managing relationships with the media and the institutional investor community.

Between 1978 and 1998 Charles 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.

Charles holds a degree in Law from the University of Cambridge and qualified as a solicitor.

Other appointments
Charles is a non-executive director of Caledonia Investments plc.

John Nixon
Group Executive Director, Americas, appointed in 2008.

Skills and experience
John has more than 30 years' international experience in the interdealer broking industry with ICAP and, previously, with Tullett Prebon. He served as a non-executive director of ICAP from 1998 to 2002 and was appointed an executive director in May 2008.

John has been a member of the GEMG since 2003 with responsibility, over this period, for business divisions and strategic acquisitions. He represents the ICAP Americas businesses to the board, is chairman of the i-Swap business and has been responsible for the implementation of the ICAP SEF.

John holds a degree in Commerce from Queen's University, Ontario.

John has announced his intention to retire from the board with effect from 31 March 2015.

Michael Spencer
Group Chief Executive Officer, appointed in 1999.

Member of the Governance and Nomination Committees.

Skills and experience
Michael has worked in the financial services industry for more than 30 years. He founded Intercapital in 1986 and became its Chairman and Chief Executive in October 1998, following the Exco/Intercapital merger. He chairs the GEMG, the executive committee responsible for strategy and its implementation.

Michael brings entrepreneurial and substantial senior management expertise to the board.

Michael, together with IPGL and its subsidiary companies, is a substantial shareholder in the Company.

Michael holds a degree in Physics from the University of Oxford.

Other appointments
Michael is Chairman of IPGL and is on the boards of many of IPGL's investments. He is the senior independent director of Tungsten Corporation plc and the Chairman of The Conservative Party Foundation Ltd.

Iain Torrens
Group Finance Director, appointed 2010.

Member of the Governance and Operational Risk Framework Implementation Committees.

Skills and experience
Iain joined ICAP in 2006 as Group Treasurer, became Group Financial Controller in 2008 and, in November 2010, was appointed Group Finance Director. He has extensive management and financial expertise having worked in a number of senior financial roles for CP Ships Limited and Cookson Group plc.

Since becoming Group Finance Director Iain has led the finance transformation programme, the implementation of the Global Business Services division and the cost savings programme.

Iain is responsible for the Group's finance, company secretarial, investor relations, business services and HR functions. He is a member of the GEMG, GOC and chairs 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.

Ivan Ritossa

Independent non-executive director, appointed in 2013.

Member of the Risk, Remuneration and Operational Risk Framework Implementation Committees.

Skills and experience

Ivan has worked in investment banking for more than 30 years, based in the UK, Asia and Australia. In his most recent role, Ivan was the Head of Latin America, Central and Eastern Europe, the Middle East and Africa across all products for Barclays Investment Bank. He also served on the Executive Committee for Barclays Investment Bank and was a non-executive director of ABSA Group and an executive director of Barclays Saudi Arabia Board. Ivan was also a non-executive director of EBS Group Limited.

Ivan has been a member of numerous industry committees including the New York Federal Reserve Foreign Exchange Committee, the Bank of England Foreign Exchange Joint Standing Committee and the Singapore Foreign Exchange Markets Committee. He brings extensive experience of the markets in which ICAP operates, particularly in electronic trading.

Ivan holds an honours degree in Finance from the University of New South Wales, Australia.

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 has extensive experience in investment banking including a 20-year career with Bank of America Merrill Lynch (formerly Merrill Lynch) where he held a number of senior management positions including that of Chief Operating Officer, International, based in New York, Tokyo and London. John brings extensive financial and operational experience of the financial services sector to the board.

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.

Diane Schueneman

Independent non-executive director, appointed in 2010.

Member of the Audit, Risk, Nomination and Remuneration Committees.

Skills and experience

Diane was previously an independent consultant to the US Internal Revenue Service Commissioner for McKinsey & Company. She started her career at Bank of America Merrill Lynch (formerly Merrill Lynch) in 1971 where she held a number of roles and, until 2008, was Senior Vice President, Head of Global Infrastructure Solutions and a member of the Executive Operating Committee. Diane was responsible for all technology, infrastructure, client services, and operations worldwide for capital markets, private wealth and asset management. She brings extensive experience of technology, change management, risk management and organisational restructuring.

Diane previously served on two not-for-profit boards, Year Up and National Cooperative Cancer Network Foundation, and was on the advisory board of United Bank for Africa Group – New York Branch.

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 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 has extensive product knowledge and senior management experience.

Robert holds a degree in Engineering from the University of Cambridge.

Other appointments

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

Governance and directors' report

Chairman's statement

The board is committed to leading cultural change

Dear shareholder,

One of the most significant issues that the board and the Company had to deal with during the year was the settlements reached with the CFTC and the FCA in respect of the involvement of certain of our former brokers in the attempted manipulation of yen Libor by bank traders between October 2006 and January 2011. Clearly the conclusions of the regulators were extremely disappointing and lessons have been learnt. A programme of improvements in the risk and compliance systems and in the training of our people was already underway at the time the settlements were announced and this programme continues as part of the enhanced governance framework and under the Undertakings agreed with the CFTC. We also initiated a wider improvement programme based on the text and context of the regulatory settlements. Much progress has been made but the work to embed the required cultural changes will continue and the board, under my chairmanship, is committed to providing leadership for this programme of improvement.

ICAP's four values – leadership, integrity, entrepreneurship and respect for control – define its culture. These values and ICAP's strategic objectives provide the basis for the governance framework and the work of your board.

To meet these values, and to be effective, the board requires a combination of the right people who have a deep knowledge of ICAP's business and its strategy and who are engaged with the execution of that strategy. All board members have extensive financial services experience both in ICAP's core businesses and in its infrastructure functions. Diane Schueneman, for example, has provided valuable insight into a number of IT and infrastructure projects on a divisional and Group basis. John Sievwright continues to provide strong leadership of the Audit and Risk Committees and, in response to changing circumstances, has increased the governance remit of the Risk Committee. One such change has been the establishment of an Operational Risk Framework Implementation Committee, chaired by myself, which is responsible for the oversight of operational risk areas identified as requiring improvement.

My role as Chairman is to ensure that the board receives relevant, high-quality information and to provide an environment in which the board is able to develop and promote the collective vision of the Company's purpose, its culture, its values and the behaviours it wishes to promote in conducting its business. Within board meetings, the debate is both supportive and rigorous but outcomes are agreed and are invariably the better for the debate. The relationship between the executive and non-executive directors is clearly understood and properly managed. The board effectiveness review has confirmed that all members believe board meetings are constructive and foster discussion and informed debate.

The board provides a challenging environment to senior managers who present to the board on specific areas of their business or in respect of new initiatives. During the year, the Risk Committee received a number of presentations from business chief executive officers describing the inherent risks and the day-to-day management of those risks. These have provided assurance to the board that the business is fully engaged in the implementation of the operational risk framework.

The board, and directors individually, have visited a number of global offices during the year. I visited ICAP businesses in the US, Johannesburg, Hong Kong, Singapore, Manila and Sydney where I had the opportunity to meet regional and local management. Such visits are always well received and provide opportunities, both formal and informal, for directors to meet those who formulate and execute the Group strategy. In the year the board met six times, once in Jersey City and, in March 2014, the board visited its joint venture partner in Shanghai.

The board's agenda during the year has included the ongoing financial regulatory reform, the impact on trading and financial implications due to the ongoing uncertainty within markets, a review of a number of key strategic developments such as the implementation of the SEF, new initiatives such as the successful launch of ICAP Fusion, EBS Direct, CreditLink and triResolve, further details of which can be found in the strategic report on pages 2 to 49.

Charles Gregson
Chairman

The Remuneration Committee, chaired by Robert Standing, has spent time reviewing the structure of executive director and senior executive remuneration as a result of the new remuneration reporting regime and has also considered at length what impact the settlements with the FCA and the CFTC should have on relevant senior management's compensation. The executive directors' bonus pool for the year has been impacted by the lower trading profit before tax and further reduced by the cash costs related to the yen Libor settlements. This reduced the bonus pool by over 50% compared with the prior year. Bonus payments relating to certain of Global Broking's senior management team were also impacted. Further details of the remuneration arrangements for the executive directors are set out in the remuneration report on pages 75 to 88.

Board composition and succession planning remain on the board's agenda. The balance of three executive directors and four independent non-executive directors currently works well. During the year, Hsieh Fu Hua retired as a director following his appointment as chairman of United Overseas Bank Limited. In July 2013 we welcomed to the board Ivan Ritossa who has brought very relevant commercial skills and international experience of the markets in which ICAP operates, particularly electronic trading. Further details of Ivan's experience, and the particular skills he brings to the board, are set out in his biography on page 53. This appointment has strengthened the board's diversity in terms of background, nationality and areas of expertise.

As recently announced, John Nixon has decided to retire from the board at the end of March 2015 after 16 years with the Group in various senior roles. On behalf of the board, I would like to thank John for his valuable contribution to ICAP. Most recently, he has led the development and growth of our Americas business during a period of significant regulatory change which included overseeing the launch of i-Swap and the ICAP SEF. John's services will continue to be available to the Group for three years under a consultancy arrangement, further details of which are provided in the remuneration report on page 82.

Your non-executive directors commit significant time to ICAP. The board met six times during the year and convened by conference calls on a further 11 occasions. The independent non-executive directors are members of the principal board committees of Audit, Governance, Risk, Nomination and Remuneration. I attend meetings of those committees which I do not chair.

The board effectiveness review identified that board improvement opportunities, including the appointment of additional non-executive directors, should remain under consideration. The board has received feedback from an external consultant on a review undertaken of the senior management Group (GEMG). This is part of an ongoing leadership development programme and is a key component of the board's succession planning.

One of the additional reporting requirements that has been introduced is the statement by the directors on page 74 that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable. The assurance process to support such a statement has been led by the Audit Committee, on behalf of the board, and details of the key issues considered are included in the Audit Committee report on pages 60 to 61.

ICAP's strong corporate governance framework continues to evolve in order to provide the open, honest and transparent environment required to support and execute ICAP's strategy. I am pleased to report that the principles and provisions of the UK Corporate Governance Code have again been complied with in full during the year. Our approach to tendering the external audit is set out in the Audit Committee report. The following pages provide details of the corporate governance framework which is in place to support the long-term success of the Group.

One of the most rewarding days as Chairman of ICAP is the day in December designated as Charity Day. Last December, a fantastic £9.5 million was raised and I would like to thank everyone involved in achieving such a magnificent result. More details of the causes the money is donated to can be found in the corporate responsibility and relationships section on pages 38 to 41.

Despite a very difficult year which included challenging market conditions, a changing regulatory environment, the impact of the regulatory settlements and a number of natural disasters in areas in which the Group operates, ICAP remains resilient. I would like to thank all employees and my board colleagues for their continuing support and commitment to ICAP.

Charles Gregson
Chairman
14 May 2014

Governance and directors' report

Corporate governance statement

UK Corporate Governance Code

The corporate governance statement sets out how the Company has applied the principles of the Code during the year ended 31 March 2014 and details ICAP's governance framework and its management practices, together with the directors' remuneration report on pages 54 to 88. The Code can be found on the FRC's website at www.frc.org.uk.

Board governance

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 the long-term objectives, commercial strategy and risk management strategy set by the board. Details of the strategic priorities and the business model are detailed in the strategic report on pages 8 to 19.

Roles and responsibilities

The roles of Chairman and Group Chief Executive Officer are clearly defined and distinctly separate. This division of responsibilities is set out in writing and approved by the board. The Chairman is responsible for the leadership of the board and for ensuring effective communication with shareholders, and the Group Chief Executive Officer is responsible for leading and managing the business, within the limits delegated to him by the board.

Board members

ICAP is headed by an appropriately experienced board of eight members, comprising the non-executive Chairman, three executive directors, (the Group Chief Executive Officer, the Group Executive Director, Americas and the Group Finance Director) and four independent non-executive directors. Hsieh Fu Hua retired as a non-executive director at the Company's annual general meeting in July 2013. Following this meeting Ivan Ritossa was appointed as a non-executive director. He brings to the board extensive experience of international markets, particularly in electronic trading.

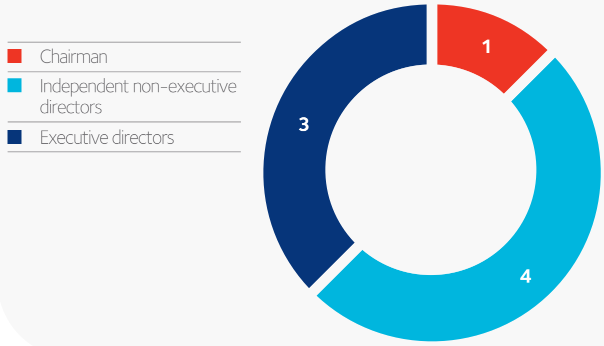
John Sievwright is the senior independent director and is available to shareholders should they have concerns which contact through the normal channels of Chairman, Group Chief Executive Officer or other executive director has failed to resolve or for which such contact is inappropriate.

The independence of the non-executive directors is reviewed on an annual basis as part of the directors' evaluation process. This takes into account length of tenure, ability to provide objective challenge to management and any relationships that might be considered as a factor when determining independence. The board has determined that all directors are independent against the criteria stated in the Code. All have shown independence of character and exercised independent judgement.

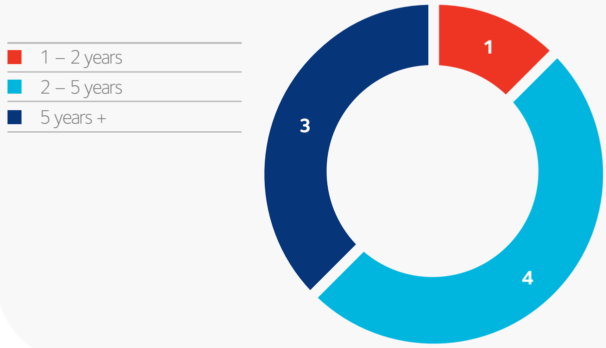
The non-executive directors are members of the principal committees of the board, these being Audit, Governance, Risk, Nomination and Remuneration. The Nomination Committee makes recommendations for appointments to the Audit and Risk Committees. The board makes all other committee appointments.

All ICAP's directors have a good understanding of the markets, regions and regulatory frameworks within which the Group operates as well as the technology it uses. The biographies of the directors highlight the skills and experience each director brings and are set out on pages 52 and 53. The Chairman has a limited number of other commitments, which reduced during the year with his resignation as Chairman of CPP Group Plc and St. James's Place plc.

Balance of the board



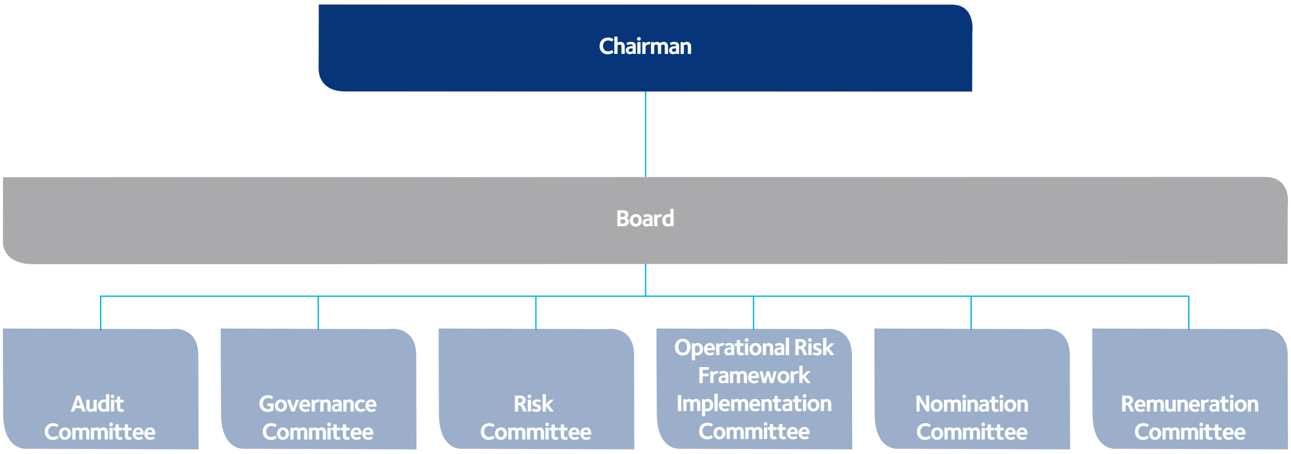
Directors' tenure



ICAP's governance framework

Board

The Chairman is responsible for the leadership of the board and for ensuring effective communication with shareholders.



Executive

The Group Chief Executive Officer is responsible for leading and managing the business, within limits delegated to him by the board.

Governance and directors' report

Corporate governance statement continued

Activities during the year

Summary of board business during the year ended 31 March 2014

May 2013 **London**

- Annual Report 2013
- final dividend recommendation
- review of progress against strategic objectives
- review of business reports and projects
- presentation on Global Broking business
- update on EBS Direct

July 2013 **London**

- update on major projects
- update on regulatory investigations
- financial update
- approval of interim management statement
- succession planning

September 2013 **London**

- review of full-year financial forecast
- Money Laundering Officer's annual report
- review of Global Broking structure and governance
- review of Group strategy

November 2013 **London**

- financial overview
- approval of half-year results
- presentation from the FCA
- SEF implementation update

January 2014 **Jersey City**

- business presentations from Traiana and ICAP Shipping management
- financial update and forecast
- approval of financing strategy
- approval of interim management statement
- SEF update
- ICAP Fusion update and demonstration

March 2014 **Shanghai**

- financial update
- approval of pre-close trading statement
- presentations on economic and political outlook in China
- ICAP's opportunities in China
- SEF update
- board and committees' effectiveness review

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 the discharge of their duties. In addition, directors receive management information on a monthly basis. GEMG members and other senior executives attend meetings by invitation to present on their areas of expertise and responsibility within the business.

The board operates in accordance with an approved schedule of matters reserved for the board. The board specifies policies and delegated authorities to which all members of the Group are required to adhere. Details of the principal matters reserved for the board include the following:

- to approve the Group's long-term objectives, commercial strategy, budget and significant acquisitions, investments and disposals;
- to determine the Group's risk appetite and risk management strategy;
- to approve changes to capital structure;
- to approve the Group's financial statements and its interim management statements; and
- to approve the interim dividend and make a recommendation for the final dividend.

Six board meetings were held during the year. Between these meetings, the board convened by conference calls to receive trading reports and updates on current issues which included regulatory investigations.

Board attendance

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

	Total	Attended
Charles Gregson	6	6
Michael Spencer	6	6
John Nixon	6	6
Iain Torrens	6	6
Hsieh Fu Hua *	2	1
Ivan Ritossa**	4	4
Diane Schueneman	6	6
John Sievwright	6	6
Robert Standing	6	6

* Hsieh Fu Hua retired from the board and stood down at the Company's annual general meeting in July 2013.

** Ivan Ritossa joined the board in July 2013 and has attended all meetings since his appointment.

Board induction and continuing 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.

Ivan Ritossa received the formal induction pack and specific briefings on the Group's financial position, financing facilities and the strategy and implementation of ICAP's SEF. In addition he attended the senior management conference and participated in a session entitled 'A view from the buy side'.

During the year all directors received a number of updates on the regulatory environment, from both external advisors and ICAP's senior managers, and update briefings on governance changes and their implications for ICAP. The board evaluation process identified specific areas of development for the coming year.

Board meetings were held at various Group locations to assist with the board's greater understanding of the business and to provide an opportunity for the directors to meet with local management and employees to gain a wider view of these businesses.

Board committees

To assist the board in carrying out its duties, certain roles and responsibilities are delegated to the board committees – Audit, Governance, Risk, Nomination and Remuneration Committees. During the year a new committee, the Operational Risk Framework Implementation Committee, was established with responsibility for the oversight of areas identified as requiring improvement in operational risk.

Details of the membership and work of these committees are shown on pages 60 to 69.

Board evaluation

During the year ended 31 March 2014 an external evaluation of the board and board committees was undertaken using an external facilitator, Lintstock. Board members and the Group Company Secretary were asked to complete a questionnaire. The objective of the evaluation was to provide insight into the effectiveness of the board and to identify actions for improving performance.

Lintstock does not provide any other advisory services to ICAP.

The review confirmed that board and committee meetings are conducted in such a way as to permit and foster an excellent atmosphere in which to have challenging discussions and provide sufficient time to meet the board and committee agendas. The board review suggested that, going forward, in the continuing evolving market environment, the board's priorities for 2014/15 continue to be strategy (testing and developing), people (talent development and succession planning) and a focus on ICAP's changing customer base.

The Chairman's evaluation was led by John Sievwright as senior independent director. It concluded that the Chairman's leadership of the board provides a culture of openness and debate and ensures that all directors are able to contribute at board meetings with no one individual able to dominate board discussions and decisions. The evaluation also noted that the Chairman uses the experiences and skills of the non-executive directors very constructively to assist with the board agenda and its development.

Directors' conflicts of interest

The board has procedures in place for the disclosure of conflicts of interest. Directors are aware of their responsibility to avoid a situation whereby they have an actual or potential conflict of interest and the requirement to inform the Chairman and the Group Company Secretary of any change in their situation. An effective procedure is in place for the board to authorise conflict situations should they arise, in accordance with the Companies Act 2006 and the Company's articles of association. The Group Company Secretary is responsible for keeping appropriate records, including the scope of any authorisations granted by the board and ensures the board undertakes regular reviews of conflict authorisations.

Compliance with the Code

It is the board's view that for the year ended 31 March 2014 the Company has been fully compliant with all the principles set out in the Code. The board's approach to tendering the external audit is set out in the Audit Committee report.

Governance and directors' report

Audit Committee

Chairman's overview

As chairman of the Audit Committee, I am pleased to introduce this report which sets out how the committee has discharged its responsibilities during the year. The committee's primary focus is to ensure the integrity of the financial reporting by reviewing the controls in place and those areas where judgement is required.

The principal areas of judgement which were considered by the committee were the annual goodwill impairment review, consideration of the Group's significant accounting policies, including the provisions and items to be considered exceptional, and the Group's tax strategy. Further details of the areas which were addressed can be found on page 61.

The board is also required to provide a statement that, taken as a whole, it believes the Annual Report and financial statements to be fair, balanced and understandable. The governance framework to provide such assurance to the committee, and to the board, and the statement itself, is set out in this report and on page 74.

There has been much external debate about the length of tenure of auditor appointments and the committee has discussed the challenges and benefits to these proposals. PricewaterhouseCoopers LLP and its predecessor firms have been ICAP's auditor since 1999. In order to ensure that PricewaterhouseCoopers LLP's independence is maintained, the committee considers PricewaterhouseCoopers LLP's effectiveness through the quality of the audit findings and management's response through an annual review process.

The committee considers that the relationship with the external auditor continues to work well and remains satisfied with its effectiveness and independence. In light of the Code's transitional arrangements, it is not considered necessary to require PricewaterhouseCoopers LLP to tender for the audit work for 2014/15 although this will be kept under regular review.

PricewaterhouseCoopers LLP's audit and non-audit fees are set, monitored and reviewed by the committee throughout the year. The non-audit fees for the year were primarily for COREP implementation and CRD IV impact analysis. The non-audit spend was in line with the current policy of not exceeding 75% of the audit fee.

John Sievwright
Chairman
Audit Committee
14 May 2014

Audit Committee

The Audit Committee is responsible for the effective governance of the Group's financial reporting, including the adequacy of financial disclosures and both the external and internal audit functions. It is authorised by the board to carry out any activity within its terms of reference, which are available to view on the Company's website at www.icap.com.

The principal areas of responsibility are:

- to review and challenge the integrity of external financial reporting;
- to review the Group's internal financial controls;
- to monitor and review the effectiveness of the Group's internal and external auditors;
- to consider the appointment of the external auditor and assess its independence;
- to review and approve the internal audit plan;
- to make recommendations to the board relating to the appointment or dismissal of the outsourced internal audit function;
- to review the major findings and recommendations of external audit reports; and
- to approve external audit fees.

The committee may seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Audit Committee and to obtain outside legal or other independent professional advice, and to secure the attendance of outsiders with relevant experience and expertise, if the committee considers this necessary, at the Group's expense.

The Audit Committee reports to the board.

Committee members

The Audit Committee members are all independent non-executive directors and the committee is chaired by John Sievwright. The board is satisfied that all committee members have recent and relevant financial experience and bring extensive financial expertise to the committee. Under the committee's terms of reference, and to ensure a free flow of information, at least one member of the Audit Committee should be a member of the Risk Committee. Currently, all members of the committee are also members of the Risk Committee.

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	5
Robert Standing	5	5

Meetings are regularly attended by the Chairman of the board, Group Finance Director, Group Chief Operating Officer, Group General Counsel, Deputy Group CFO, CFO Group Finance, KPMG Group Head of Internal Audit and the external audit partner.

The chairman of the Audit Committee maintains contact with attendees throughout the year. There have been two meetings during 2013/14 when the committee has met with the KPMG Group Head of Internal Audit and the external audit partner without any executive director or member of management present.

Activities during the year

An annual work plan is prepared to ensure all areas of significance are considered by the committee and that business and reporting requirements are met.

During the year, the committee's work included:

- the appropriateness of the half-year and annual financial statements and financial announcements to the London Stock Exchange;
- the going concern statement and the appropriateness of preparing the Group's financial statements for the year and half year on a going concern basis;
- the review of financial reports from internal auditors and the effectiveness of systems for the internal control and financial reporting;
- the annual schedule of work to be conducted by the external and internal audit teams;
- auditor rotation and appropriate timing;
- the effectiveness of the external audit; and
- the effectiveness of internal audit.

Financial reporting

The 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.

During the year, the committee considered certain accounting and financial reporting areas to be of a more subjective nature. Throughout the year, management presented to the committee its position on those areas that were material in nature and involved significant management judgement and assumptions.

The committee considers the annual goodwill impairment review to be a significant judgement area and, as such, reviewed the impairment testing which had been undertaken by management during March 2014. The impairment test identified an impairment loss of £11 million which management presents in the acquisition and disposal costs column in the consolidated income statement. In reviewing this area, the committee considered the appropriateness of management's judgements and estimates and, where appropriate, discussed these judgements and estimates with the external auditor, see note 14 to the financial statements.

The committee considered and approved the Group's significant accounting policies, including management's position on provisions and its definition of exceptional items (see the basis of preparation statement on page 103), which remained consistent with the prior year. The committee discussed and approved the appropriateness of items, considering their nature and materiality, that were presented in the exceptional items column in the consolidated income statement. The committee, where appropriate, discussed management's judgements and estimates with the external auditor, and approved the provisions as at 31 March 2014.

The committee considered and approved the Group's tax strategy, the strategic objectives of which were to deliver shareholder value by complying with all tax obligations and being open and transparent with the relevant tax authorities.

Additionally, the auditing standards require the external auditor to presume risks of fraud in revenue recognition and the risk of management override of controls as significant audit risk areas and to perform procedures to address those risks. The committee concluded that, based on the findings reported by the external and internal auditors, and from its own review of internal control and the risk management system, the financial statements for the year ended 31 March 2014 were not exposed to a material risk arising from either of these risk areas.

The work described above provided the assurance to the committee, and to the board, that the Annual Report for the year ended 31 March 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

The committee has delegated responsibility for the day-to-day financial management and monitoring of financial controls to the GRACC.

Internal audit

The internal audit function, which is outsourced to KPMG, reports to the Audit Committee. 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 management and the Audit and Risk Committees that the system of internal control achieves its objectives and highlights gaps and areas for improvement.

An evaluation of the KPMG internal audit team and its work was carried out by questionnaire during the year. The results showed that the relationship was improving as the KPMG team become more familiar with the Group's business, history and risk profile. The internal audit priorities for 2014/15 will be on thematic audits that focus on the big areas of concern and risk for the Group, including information technology.

External auditor

The committee has discussed the requirements of the Code in respect of tendering the Group's external audit and has recommended to the board not to carry out a tender process for 2014/15. This decision will be kept under regular review, in light of the Code's transitional arrangements that will require the Group audit to be tendered by 2017/18. There are no contractual obligations restricting the Company's choice of external auditor.

During the year, the committee reviewed and approved the proposed audit fee and terms of engagement for the 2013/14 audit and recommended to the board that it proposes to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditor for 2014/15. PricewaterhouseCoopers LLP expressed their willingness to continue as auditor of the Company and resolutions proposing their re-appointment and determination of their remuneration will be proposed at the annual general meeting to be held on 16 July 2014.

Governance and directors' report

Governance Committee

A policy is in place whereby the expenditure with the Group's auditor on non-audit fee should not exceed 75% of the audit fee. The committee monitors the balance of spend on audit and non-audit fees to ensure their continued independence. During the year PricewaterhouseCoopers LLP provided a limited amount of non-audit fee work, including COREP implementation, CRD IV impact analysis and tax advisory work. The total spend on these services was £700,000 being 19% of the audit fee (2012/13 – 20%). 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 3 to the financial statements details the fees paid to the external auditors for audit and non-audit services.

An evaluation of the effectiveness of the external audit process for 2012/13 was carried out by questionnaire following the completion of the audit for that year. The results of this assessment were reviewed by the committee in March 2014 and concluded the external audit team continued to be effective throughout the Group. The appointment of a new lead partner had not affected the continuity or level of service and further improvement in the working relationship going forward was anticipated. The assessment of the effectiveness of the external audit process for 2013/14 will be undertaken following completion of the Group audit.

Committee evaluation

The results of the external evaluation showed that the effectiveness of the Audit Committee was highly rated. It was noted in particular that the quality of the information provided to the committee by internal audit had improved and that this had greatly assisted the committee in its review.

The areas of focus for 2014/15 will include ongoing regulatory training and a continued focus on technology competencies and business resilience.

Governance Committee

The committee is responsible for the review of governance arrangements and to offer recommendations and make decisions in relation to all aspects of the governance environment of the Group and its principal subsidiaries and to ensure the Group's governance facilitates efficient, effective management that can deliver shareholders value over the longer term. It is authorised by the board to carry out any activity within its terms of reference, which are available to view on the Company's website at www.icap.com.

The principal areas of responsibility are:

- to review the Group's governance standards;
- to review regulatory enquiries;
- to review and approve the Group Policies and Delegated Authorities;
- to review and approve the design and delivery of training provided to the Company's directors and directors of subsidiary companies;
- to approve the terms of reference of the board committees;
- to approve the composition of the boards of the Group's principal financing subsidiaries and the regulated entities;
- to review the operation of the applicable governance arrangements for ICAP's RIE and the SEF entities and other significant subsidiaries; and
- to review and determine reputation risk issues related to proposed new business initiatives or transactions.

The committee reports to the board.

Committee members

The Governance Committee membership 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 chairman of the committee and the Group Chief Operating Officer and the Group General Counsel are attendees.

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

	Governance Committee meetings	
	Total	Attended
Charles Gregson (chairman)	6	6
John Sievwright	6	5
Michael Spencer	6	4
Iain Torrens	6	5

Apologies for absence were received in advance by John Sievwright, Michael Spencer and Iain Torrens owing to unavoidable diary conflicts.

Risk Committee

Activities during the year

An annual work plan is prepared to ensure all areas of significance are considered by the committee and that business and reporting requirements are met.

During the year, the committee's work included:

- review of ICAP Americas' governance arrangements;
- approval of the appointment of directors for regulated entities;
- review of ISDX governance arrangements and processes to launch new products;
- review of delegated authorities and new business initiatives policy;
- review summary of ICAAP for each UK regulated entity; and
- review of proposed governance structure of the SEF.

Of particular significance were the discussions on the Undertakings agreed with the CFTC and the FCA Body of Orders to be implemented following the yen Libor settlements and the review of the remediation programme and cultural changes required. As part of the review the committee has taken responsibility for the delivery of both the Undertakings agreed with the CFTC and the FCA Body of Orders.

Under the committee's responsibility for reviewing core governance standards, the committee has reviewed the Company's compliance with the Code and explanations to shareholders as to how its implementation is consistent with good governance.

Chairman's overview

I am pleased to introduce the Risk Committee report and to use this opportunity to highlight a number of the areas on which the committee has spent its time during the year.

One of the committee's principal areas of responsibility is to review the quality and effectiveness of the Group's risk management framework and to ensure that the key risks of the Group are properly assessed and mitigated. The Group's risk profile remained largely unchanged during the year under review with strategic, operational and liquidity risks continuing to be the Group's three principal risks. The committee is also responsible for assessing risk in the Group's strategy and emerging risks and during the year this included a review of the risks, and mitigation of those risks, in the launch of the ICAP SEF in the US. The committee reviewed the Group's business continuity planning following the learnings following Hurricane Sandy in the US.

Another important focus for the committee during the year has been that of operational risk following the identification of a number of areas which required improvement. A separate board committee, the Operational Risk Framework Implementation Committee chaired by Charles Gregson, has been established to provide oversight of the implementation of the improvement programme. To support the programme, the Risk Committee has received a number of presentations from divisional chief executive officers on the risks faced by their specific businesses and the mitigating actions. These have provided valuable assurance to the committee that the business, as the first line of defence, is fully engaged in the risk management process.

The committee's evaluation review confirmed that the committee's agenda covers appropriate areas and that there is a high quality of discussion at meetings. Due to the committee members' experience, there is a very high level of engagement and understanding of the risk issues facing ICAP both internally and externally which provides a high level of challenge to management.

The following section provides further detail of how the committee fulfilled its responsibilities.

John Sievwright
Chairman
Risk Committee
14 May 2014

Governance and directors' report

Risk Committee continued

Risk Committee

The committee is responsible for setting the overall risk strategy, risk appetite and risk tolerance for the Group to ensure that the risk management function within the Group promotes the success of the Company within this framework. The Risk Committee is authorised by the board to carry out any activity within its terms of reference, which are available on the Company's website at www.icap.com.

The principal areas of responsibility are:

- to review the quality and effectiveness of the Group's risk management framework, in particular to ensure that the key risks of the Group (including emerging threats) are properly assessed and mitigated;
- to monitor the mechanisms of internal control; and
- to review the internal audit programme as part of integrated assurance.

To ensure and reinforce the independence of the risk and compliance functions, the committee is 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.

The committee reports to the board.

Committee members

The Risk Committee members are independent non-executive directors and the committee is chaired by John Sievwright. Three members of the committee are also members of the Audit Committee which facilitates full and free flow of information.

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

	Risk Committee meetings	
	Total	Attended
John Sievwright (chairman)	7	7
Ivan Ritossa*	4	4
Diane Schueneman	7	7
Robert Standing	7	7

* Ivan Ritossa joined the committee on his appointment to the ICAP plc board in July 2013.

The Chairman of the board, the Group Finance Director, the Group Chief Operating Officer, the Group General Counsel, the Global Chief Risk Officer, the Group Head of Compliance, the KPMG Group Head of Internal Audit, the KPMG IT Internal Audit Partner and the external audit partner regularly attend meetings of the committee.

The chairman of the Risk Committee maintains contact with attendees throughout the year and meets with the Global Chief Risk Officer without other members of the executive being present.

Activities during the year

An annual work plan is prepared to ensure all areas of significance are considered by the committee and that business and reporting requirements are met.

During the year, the committee's work included:

- update on operational risk;
- ICAAP project review and scenario challenge follow-up;
- risk review of ICAP's SEF;
- review of internal audit reports;
- update on regulatory investigations;
- restructuring of information security and IT security functions;
- approval of amendments to risk taxonomy;
- review of learnings from Hurricane Sandy in respect of business continuity plans; and
- presentation of global business continuity management plans.

To support the Risk Committee in the day-to-day risk management of the Group certain responsibilities have been delegated to the GRACC.

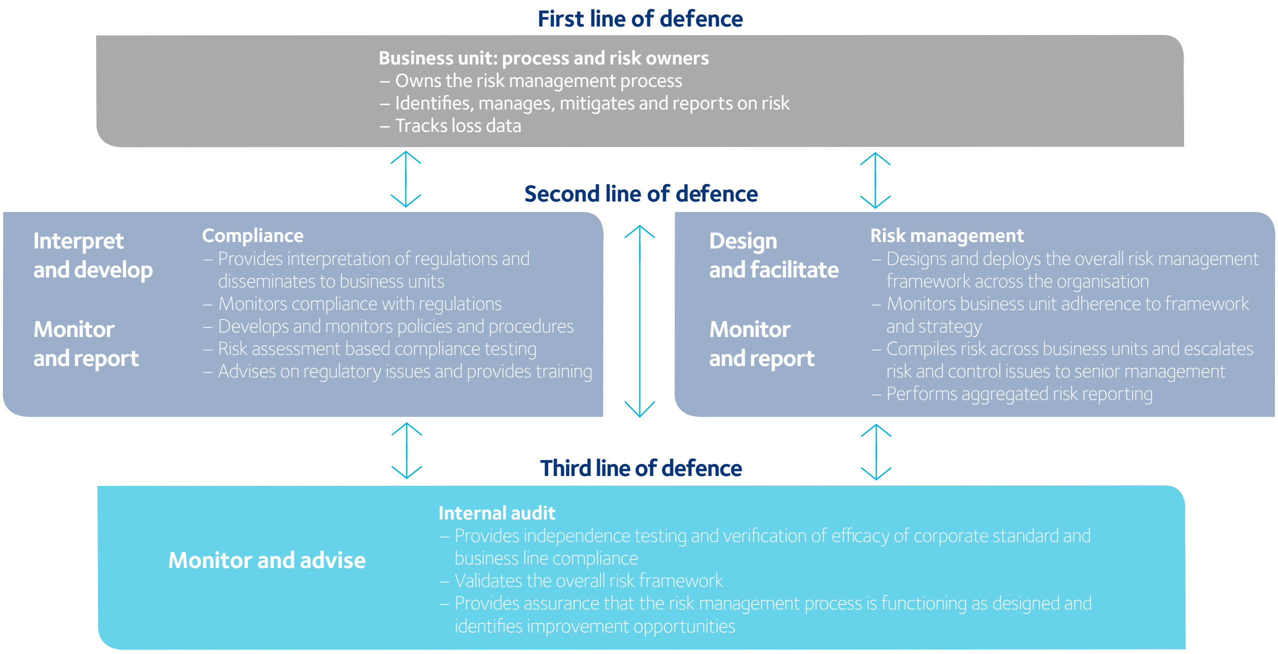
The Audit Committee, the Risk Committee and the GRACC have terms of reference that require all aspects of the Group's risk management activities to be regularly reviewed. The Global Chief Risk Officer and the Group Head of Compliance are members of the GRACC and the KMPG Group Head of Internal Audit is an 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.

Committee evaluation

The results of the external evaluation showed that the effectiveness of the Risk Committee, and in particular the leadership of the chairman of the committee, was highly rated.

The committee's focus for 2014/15 will include the Group's ICAAP, risk appetite and ongoing training for changing regulatory requirements.

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.

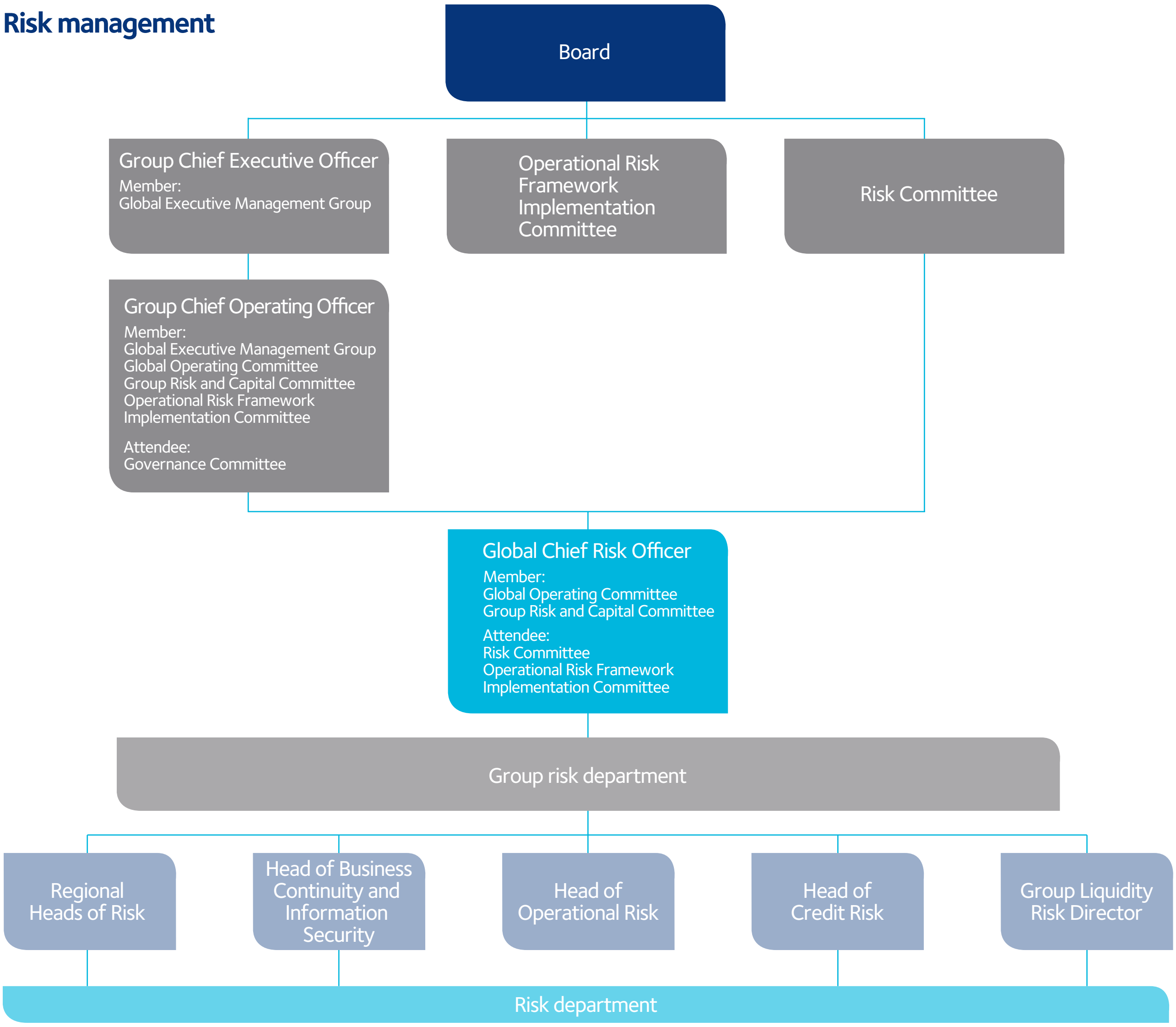
A key tenet of the three lines of defence model is that the senior management of the Group, in particular those senior managers with responsibility for overseeing the front, middle and back office functions, are responsible for all control-related business issues and have full accountability for the 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.

Governance and directors' report

Risk Committee continued

Risk management



The Group's risk management function operates under the mandate set by the board. The Global Chief Risk Officer reports functionally to the Group Chief Operating Officer. 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 attends the Risk and the Operational Risk Framework Implementation Committees.

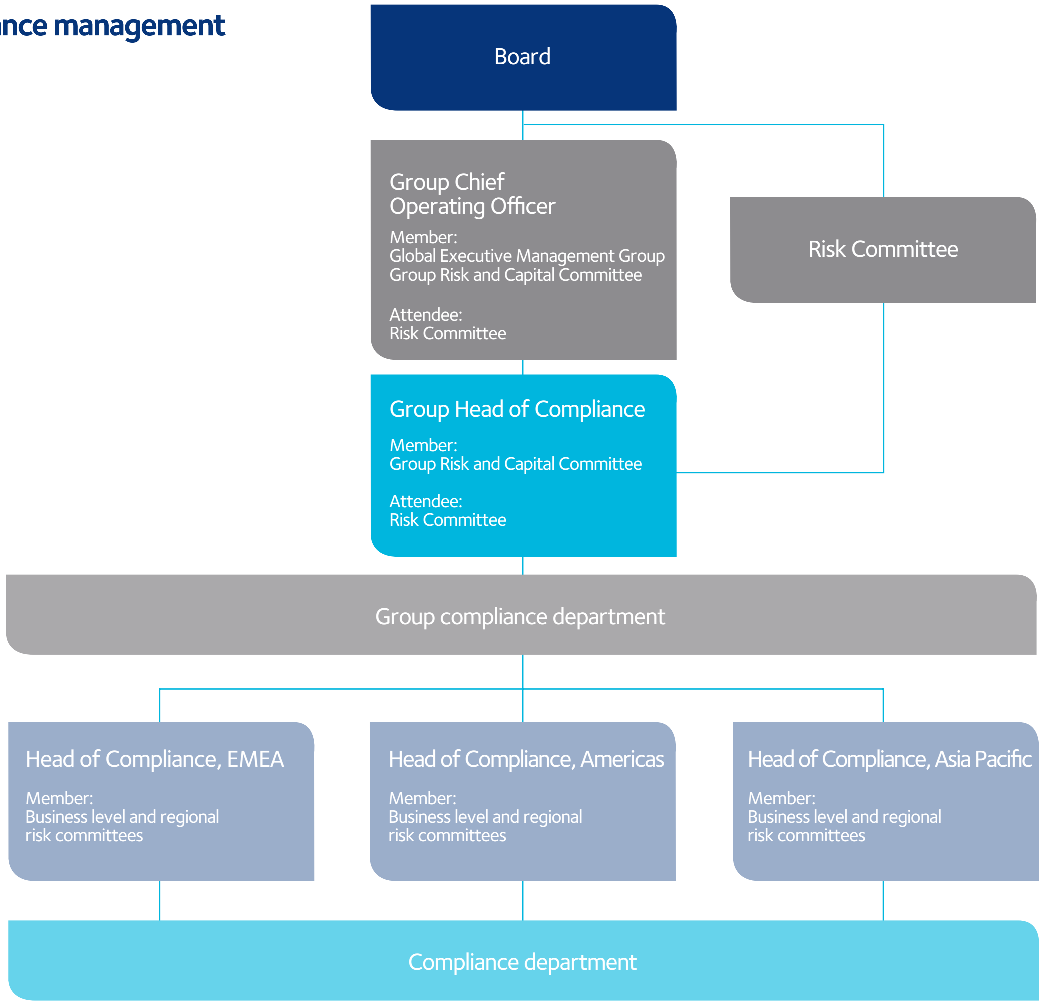
Day-to-day management of risk and its mitigation is the responsibility of business heads. Risk management provides an independent assessment of the Group's risks and supports the business heads in identifying, monitoring, mitigating and reporting key risks through the use of a range of tools. In this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

Compliance management



The Group's compliance department reports to the Group Head of Compliance who in turn reports to the Group Chief Operating Officer. Dedicated compliance departments support the businesses operating in EMEA, the Americas and Asia Pacific regions, each under the leadership of regional heads of compliance who are members of regional and business level risk committees. The Group Head of Compliance is a member of the GRACC and is an 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.

Governance and directors' report

Risk Committee continued

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 and Risk Committees. 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 effectiveness of the internal control system is reviewed regularly by the independent internal audit function.

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.

Operational Risk Framework Implementation Committee

During the year the board agreed that a committee, reporting to the board, should be established to provide oversight of the operational risk areas identified as requiring improvement. The purpose of the committee is to ensure the effective implementation of an appropriate operational risk framework globally and to oversee the embedding of risk within the business and as an integral part of ICAP culture.

Committee members

The committee is appointed by the board from the directors and senior managers of the Company and consists of the Chairman of the board, a non-executive director, the Group Finance Director, the Group General Counsel, the Group Chief Operating Officer, the Global Head of Risk and the Chief Executive Officer, Global Broking. The chairman of the committee is the Chairman of the board.

Activities during the year

The committee met five times during the year to discuss and review progress of the implementation of the operational risk framework programme.

Nomination Committee

Nomination Committee

The committee is responsible for reviewing the structure, size and composition of the board and for identifying and nominating, for the approval of the board, candidates to fill board positions as and when they arise.

As well as assessing the balance of skills, knowledge and experience on the board, the committee gives consideration to succession planning for directors and other senior executives.

The Nomination Committee operates within its terms of reference which are available on the Company's website at www.icap.com

The principal areas of responsibility are:

- to identify and nominate, for the approval of the board, candidates to fill board positions as and when they arise;
- to balance the skills, knowledge and experience on the board;
- to give full consideration to succession planning for directors and other senior executives; and
- to keep under review the leadership needs of the organisation, both executive and non-executive.

The committee reports to the board.

Committee members

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

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)	3	3
Michael Spencer	3	3
Hsieh Fu Hua*	1	0
Diane Schueneman	3	3
John Sievwright	3	3
Robert Standing	3	3

* Hsieh Fu Hua retired as a director in July 2013.

Activities during the year

Following Hsieh Fu Hua's decision to retire as a director, the committee identified the skill set required to fill this position. Led by the Chairman, a number of meetings were held with potential candidates identified by members of the board. The particular knowledge and industry experience of Ivan Ritossa was considered to be the most closely aligned to the requirements set out by the committee. It was therefore determined that the use of an external search consultancy or open advertising was not required for this appointment.

As part of the committee's discussions, succession planning was reviewed for directors and other senior executives to ensure there continued to be the appropriate mix of skills and experience within the Group to cover the various challenges and opportunities facing the Company.

Board appointment policy

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. Accordingly, all board appointments, including those for non-executive directors are made on merit, acknowledging the benefits a diverse range of skills, experience, background and gender can bring to the board and it therefore does not support the implementation of quotas.

Committee evaluation

The performance of the Nomination Committee was positively rated in the external evaluation undertaken.

The focus for 2014/15 will include board succession planning and the identification of any talent gaps within senior management.

Governance and directors' report

Global Executive Management Group

Global Executive Management Group (GEMG)

The management team is headed up by:

Michael Spencer
Group Chief Executive Officer

John Nixon
Group Executive Director, Americas

Iain Torrens
Group Finance Director

Biographies of these directors can be found on page 52.

The role of the GEMG is to propose commercial strategy to the board, to oversee the performance of Group business and to set the commercial direction of these businesses. The committee is responsible for ensuring there is clear executive management accountability for all parts of ICAP's businesses, joint ventures and key investments and for generating an annual strategic plan and preparing a Group budget and forecast for recommendation to the board.

Members of the committee are:

Group Chief Executive Officer (chairman)
Group Executive Director, Americas
Group Finance Director
Chief Executive Officer, Global Broking
Chief Executive Officer, Asia Pacific, Global Broking
Chief Executive Officer, BrokerTec
Chief Executive Officer, EBS and Executive Chairman, Traiana
Managing Director and Chief Executive Officer of ICAP SEF
Group Chief Operating Officer
Group General Counsel

David Casterton
Chief Executive Officer,
Global Broking

Since September 2012, David Casterton has been responsible for the 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.

Hugh Gallagher
Chief Executive Officer,
Asia Pacific, Global Broking

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.

Seth Johnson
Chief Executive Officer,
BrokerTec

Seth Johnson has been leading the expansion of the product portfolio of ICAP's Electronic Markets since November 2011. He is the Chief Executive Officer of BrokerTec. Seth 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.

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 its Executive Chairman. 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.

Laurent Paulhac

Managing Director and Chief Executive Officer of ICAP SEF

Laurent Paulhac joined ICAP April 2014. He is responsible for leading ICAP's global SEF initiative as well as the SEF's strategic direction with regard to new regulatory reforms and the Company's alliances and partnerships with exchanges and CCPs. Laurent is also involved in managing i-Swap in the US. Laurent joined ICAP from the CME Group where he was a member of the management team and Senior Managing Director for Interest Rate and OTC Products and Services with responsibility for CME Group's global listed interest rate franchise and all OTC businesses, including OTC Clearing. Prior to CME, Laurent served as Chief Executive Officer of CMA, a provider of credit derivatives market data, analytics and trading support services, which was purchased by CME in 2008.

Ken Pigaga

Group Chief Operating Officer

Ken Pigaga was appointed Group Chief Operating Officer in November 2013 and was appointed a member of the GEMG. He joined ICAP in 2006 as Chief Operating Officer for ICAP Americas and led the programme on the use of technology to implement efficiency and control. He also led a multi-disciplined team responsible for the development of ICAP's SEF. Prior to joining ICAP, Ken was a managing director at JPMorgan in the Investment Bank focused on e-commerce activities. From 1991 to 2001 he was at Goldman Sachs where he held several roles in emerging markets trading, portfolio structuring and e-commerce. Ken is a member of the GOC and GRACC.

Duncan Wales

Group General Counsel

Duncan Wales oversees the legal 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.

Other statutory information

Set out below is additional statutory information that ICAP is required to disclose in its directors' report.

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 strategic report. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the financial review. Notes 10 and 12 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The strategic report includes an analysis of the key risks facing the Group and the Group's approach to risk management. After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Group and the Company have adequate resources to continue to operate for the foreseeable future and confirm that the Group and the Company are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Disclosure of information to auditor

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 Company's auditor in connection with preparing its report, of which the Company's auditor is 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 Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Related party transactions

Details of related party transactions are set out in note 27 to the financial statements.

Political donations

No political donations were made during the year (2012/13 – nil).

Environment

Details of the Group's environmental policy are given on page 37.

Events after the balance sheet date

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

Employees

Details of the Company's policies in respect of employee involvement, diversity and human rights are given on page 12 of the strategic report.

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.

Directors' indemnity arrangements

Throughout the financial year the Company has maintained Directors' and Officers' liability insurance in respect of itself and its directors and officers, when acting in their capacity as a director of the Company or associated companies.

Articles of association

The Company's articles of association may be amended by a special resolution at a general meeting of shareholders. The articles of association are available on the Company's website at www.icap.com.

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 2014, 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. 16,707,521 Treasury Shares were held by the Company at 31 March 2014 representing 2.51% of the issued share capital (2012/13 – 18,346,181). 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 did not purchase any of its own shares during the year (2012/13 – 97,523). As at 31 March 2014, and at 12 May 2014, the Company had an unexpired authority to repurchase shares up to a maximum of 64,625,889 ordinary shares of 10p each. All changes in share capital are detailed in note 24 to the financial statements.

Dividends

Details of the proposed final dividend for the year ended 31 March 2014 are given in the strategic report on page 33.

	Per share
Final dividend (proposed) to be paid on 24 July 2014	15.4p
Interim dividend paid on 7 February 2014	6.6p
Total dividend for year ended 31 March 2014	22.0p

Substantial shareholders

As at 31 March 2014 and at 12 May 2014, the latest 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.

	Percentage of voting rights		
	Indirect	Direct	Total
Michael Spencer together with INFBV and INCAP Overseas B.V.*	16.29	0.59	16.88
Schroders plc	10.93	–	10.93
Silchester International Investors LLP	10.08	–	10.08
FIL Ltd	5.02	–	5.02
Newton Investment Management Ltd	–	4.93	4.93
AXA SA	3.79	0.80	4.59

*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 105,569,560 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 Sanne Trust Company Limited as trustee of the ICAP Trust. The shares held in the ICAP Trust include basic awards to Michael Spencer under the BSMP and matching awards under the BSMP in respect of which there are no unsatisfied performance or continuity of employment conditions. Michael Spencer has an interest in a further 3,284 share options under the SAYE scheme and holds 236,083 shares in his own name.

Employee share trusts

The ICAP Trust holds 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 Trust 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.

In order to simplify administration, on 21 February 2014, shares in the Garban Trust were transferred to the ICAP Trust. The Garban Trust was closed on 26 March 2014.

Awards under employee share schemes

As at 31 March 2014, share awards and options existed over 16,989,189 of the Company's ordinary shares in relation to employee share awards and option schemes. Of this figure, 5,721,011 are awards and options over existing shares which are held in the ICAP Trust. Future awards granted under the Company's share plans are expected to be satisfied by either new issues of shares, the use of Treasury Shares or by shares held in the ICAP Trust. 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.

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, the senior independent director and the executive directors have met with key shareholders during the year to discuss the governance framework and remuneration issues.

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.

Governance and directors' report

Other statutory information continued

Statement of directors' responsibilities for the Annual Report

The directors are responsible for preparing the Annual Report, the strategic 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 Group and Company 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they consider the Annual Report taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

The directors are responsible for the maintenance and integrity of the information on 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 FCA's Disclosure and Transparency Rules

The directors are also required by the Disclosure and Transparency Rules to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company. Each of the directors, whose name and function is listed in the directors' biographies, 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 which are contained in the strategic report 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.

Annual general meeting

The Company's sixteenth annual general meeting will be held on Wednesday 16 July 2014 at 2 Broadgate, London EC2M 7UR. This provides shareholders with an opportunity to ask questions of the directors on the Group's business. All directors, with the exception of Hsieh Fu Hua, who was retiring from the board, attended the 2013 annual general meeting.

In accordance with the Code and the Company's articles of association all directors are subject to election by shareholders. At the annual general meeting to be held in July 2014, Ivan Ritossa, who was appointed to the board since the last annual general meeting, will stand for appointment. All other directors will stand for re-election.

Details of the resolutions to be proposed at the annual general meeting are set out in the notice of annual general meeting. The notice is made available to shareholders on the Company's website, or sent to them if they have elected to receive hard copies, at least 20 working days before the meeting. Details of proxy votes for and against each resolution, together with votes withheld, will be made available after the vote has been dealt with on a show of hands.

By order of the board

Deborah Abrehart
Group Company Secretary

ICAP plc
2 Broadgate
London EC2M 7UR
Company number 3611426
14 May 2014

Remuneration report

Remuneration Committee

Chairman's statement

On behalf of the board, I am pleased to present the directors' remuneration report which provides details of the remuneration policy, the remuneration for each of the directors of ICAP plc for the year ended 31 March 2014 and the proposals for their remuneration for 2014/15.

Remuneration principles

The Remuneration Committee recognises that remuneration policies and practices have a key role to play in ensuring that all employees are effectively incentivised and rewarded and that the Company's risks are effectively managed.

ICAP's remuneration policy therefore sets out to provide a framework which is based on the following key objectives:

– to drive the longer-term success of the Company;

– to reinforce the Company's corporate values and key business objectives; and

– to be affordable and flexible while remaining easy to understand and operate.

We believe that this policy is important in promoting our fundamental values and principles. As a committee we aim to ensure that these principles are applied to the Group's executive remuneration framework.

Company performance for 2013/14 financial year

As in previous years, the executive directors' bonus plan was structured as a pool derived from trading profit before tax for the year. 75% of the plan relates to the achievement of the financial objective and 25% to the achievement of strategic objectives.

As detailed in the strategic report, market conditions throughout 2013/14 were extremely challenging, reflecting a combination of structural and cyclical external factors impacting the global financial industry. ICAP and its customers also faced an enormous amount of change in the post-financial crisis regulatory landscape. As a result, the overall financial performance of the Group did not meet the targeted trading profit before tax.

The committee considered at length the impact of the settlements with the CFTC and the FCA in respect of the behaviour of some of our former brokers and their role in the attempted manipulation of yen Libor. As a result, the trading profit before tax for the year was reduced by the full amount of the exceptional cash costs relating to the yen Libor settlements, resulting in an adjusted trading profit before tax of £203 million to determine the executive director bonus pool.

The committee assessed achievement against strategic objectives (see page 85) and agreed that 68% of those objectives for 2013/14 had been achieved. Adjustment of the gross bonus pool for the element relating to the achievement of objectives resulted in a final bonus pool of £3 million, a reduction of over 50% compared with 2012/13. The year-on-year decline in the executive directors' bonus pool compares with the 4% fall in trading profit before tax.

The committee used its discretion to allocate the pool between the executive directors, resulting in payments (50% in cash and 50% in shares) of £700,000, £1,300,000 and £1,000,000 to Michael Spencer, John Nixon and Iain Torrens respectively. This is a reduction in bonus of 75%, 33% and 31% respectively from 2012/13.

The matching awards granted under the BSMP in 2011 will lapse as the relevant EPS growth target will not be met.

New remuneration reporting regulations

This report represents ICAP plc's first opportunity to comply with the new directors' remuneration reporting regulations introduced last year by the UK government.

As required by these regulations, this report is split into two sections:

– directors' remuneration policy – this sets out details of ICAP's remuneration policy for executive directors. This will be put to a binding vote at the 2014 annual general meeting and, subject to shareholder approval, will apply from the 2014 annual general meeting; and

– annual report on remuneration – this gives details of how remuneration was paid in respect of the 2013/14 financial year and how we intend to apply our remuneration policy in 2014/15. This section will be put to an advisory shareholder vote at the forthcoming annual general meeting.

Looking forward

The committee will be undertaking a review of our executive remuneration arrangements over the coming year to ensure they continue to align with the business strategy. We will consult with major shareholders in respect of any material changes and your views will be welcome.

I will be happy to answer questions on our remuneration policy and the remuneration committee's activities at our 2014 annual general meeting, and look forward to receiving your continuing support.

Robert Standing
Chairman
Remuneration Committee
14 May 2014

Governance and directors' report

Remuneration report continued

Remuneration Committee

The Remuneration Committee is authorised by the board to review and approve proposals to ensure that ICAP's global salary and discretionary bonus plans, revenue-based bonus plans, long-term incentive plans, all other reward and employee benefits support the business strategy of the Group.

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. Full terms of reference can be found on the Company's website at www.icap.com.

The committee's principal areas of responsibility are:

- reviewing and approving the overall remuneration policy of ICAP at least every three years (unless there are major changes proposed);
- setting remuneration and pension policies for executive directors, senior staff and other key employees;
- approving any contracts of employment for employees below the board with terms that exceed certain agreed levels of duration, notice period or compensation;
- ensuring that remuneration proposals are compliant with both the letter and spirit of any local legislation or regulatory guidelines; and
- to consider any implications for risk management.

Remuneration Committee members and meetings

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

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

	Total	Attended
Robert Standing (chairman)	6	6
Hsieh Fu Hua*	2	2
Ivan Ritossa**	4	4
Diane Schueneman	6	5

* Hsieh Fu Hua retired from the board and stood down at the Company's annual general meeting in July 2013.

** Ivan Ritossa joined the committee in July 2013 and has attended all meetings since his appointment.

Apologies were received in advance from Diane Schueneman for her unavoidable absence from one committee meeting.

Activities during the year

The principal activities and matters addressed by the committee during the year included:

- the review and approval of the executive directors' bonuses for the year ended 31 March 2014, including assessment of the level of achievement of the executive directors' objectives for the year;
- the review of performance against the EPS performance target for 2011 BSMP award;
- the review and approval of the remuneration of Code staff;
- the review of highest earners' compensation arrangements across the Group; and
- the review of the impact of the directors' remuneration reporting requirements on ICAP, including development of a revised remuneration report to comply fully with the regulations.

Remuneration policy report

The following sections of this report set out our directors' remuneration policy (the policy), which will be put to shareholders for their approval at the 2014 annual general meeting in accordance with section 439A of the Companies Act 2006.

If approved, the remuneration policy will be effective from 16 July 2014, the date of the 2014 annual general meeting. All payments will be made in accordance with the approved policy.

The committee recognises that shareholder preference is for the policy to be effective for three years following approval. However, the committee intends to undertake a full review of the Group's remuneration arrangements during 2014 to ensure that they continue to align with the business strategy. ICAP will consult with major shareholders in respect of any material changes and submit a revised policy to shareholders at the annual general meeting to be held in 2015.

Future policy table for executive directors

The table below summarises the policy in respect of each component of remuneration for executive directors.

Purpose and link to ICAP's strategy	Operation, performance metrics and maximum opportunity
Salary	
Core element of remuneration reflecting individual role and experience. Salary is intended to be set at an appropriate level to attract the right talent into the Group to deliver the business strategy.	Salaries are reviewed annually in the context of the total remuneration opportunity. The committee takes into consideration a number of factors when setting salaries, including: – the size and scope of the individual's responsibilities; – the individual's skills, experience and performance; – typical salary levels for comparable roles within appropriate pay comparators; and – pay and conditions elsewhere in the Group. Any increase usually takes effect from 1 April in each financial year. However, the Remuneration Committee may award increases at any other time as it considers appropriate, for example where an executive director takes up a new role or has a change of remit. Maximum levels of salary have not been set by the committee but executive director salary increases will normally be in line with the wider employee population. Higher increases than the average for the wider employee population may be awarded in exceptional circumstances, at the Remuneration Committee's discretion, including for a significant increase in scope and/or responsibility of the individual's role or rebalancing of fixed and variable pay. In addition, where an executive director has been appointed to the board at a lower than typical salary, larger increases may be awarded to move them closer to market practice as their experience develops. There are no performance conditions attached to salary or salary increases, although overall performance of the individual may be one of the considerations in setting salary levels.
Pension	
Fixed element of remuneration to assist employees with retirement planning.	Directors are normally enrolled in the relevant pension plan (if any) for senior managers in their country of residence. The maximum pension contribution for UK directors is equivalent to 5% of salary. UK directors may opt out of the defined contribution plan operated in the UK and instead receive an equivalent cash allowance. A bonus sacrifice arrangement is also offered in the UK. US directors do not currently participate in any pension arrangements. Individual arrangements are shown on page 84. The levels of cash supplement and/or employer defined contribution are intended to be below typical market levels due to the close management of fixed costs. The committee reserves the right to make adjustments to these levels.

Governance and directors' report

Remuneration report continued

Purpose and link to ICAP's strategy	Operation, performance metrics and maximum opportunity
Benefits	
Fixed element of remuneration that provides a competitive and cost-effective benefits package.	Executive directors are eligible to receive certain benefits. Benefits vary by director and may include (but are not limited to) medical, life insurance, car and travel benefits as appropriate to reflect the director's individual circumstances. The current Group Chief Executive Officer also has the use of a driver. In order to recognise the unique circumstances of the role and the travel requirements involved, in certain circumstances our executive directors may also be accompanied by their spouse/partner on business trips. This will only be where there is a genuine business reason. Executive directors may participate in any all-employee arrangements operated in the local market in which the executive director is based, including the SAYE scheme in the UK. Actual benefits received by each executive director are detailed on page 84 of the report. Where executive directors are required to relocate or complete an international assignment, the Remuneration Committee may offer additional expatriate benefits, if considered appropriate, or vary benefits according to local practice. Where executive directors perform duties outside their home location, ICAP may cover any additional taxation arising in another location as a result of carrying out their global duties and provide assistance with tax return preparation. While there is no maximum benefit level, benefits are generally set taking into account affordability and local market practice for comparable roles. Given the complexities of setting an absolute cap on benefits (as the cost may vary year to year as a result of, for example, changes in healthcare premiums), the committee has not set a maximum limit for benefits. However, the committee keeps the benefit policy and levels under review. It may remove benefits that executive directors receive or introduce other benefits if it considers it is appropriate to do so.
Annual bonus and investment shares	
The bonus plan incentivises executive directors to achieve the Company's key financial metrics and the Company's strategic objectives, while also aligning their interests with those of shareholders. Investment of a significant percentage of bonus in shares closely aligns executives with the longer-term interests of employees and shareholders.	Annual bonus awards are made from a pool, the value of which is determined by achievement against annual financial and strategic performance targets, which may change from year to year. Distribution of the resulting bonus pool between executive directors is at the committee's discretion. The size of the bonus pool for executive directors varies each year, but is subject to a cap determined by the Remuneration Committee at the beginning of the relevant financial year. The cap currently operates at a maximum achievement of 120% of the target financial performance. The maximum potential bonus pool for the 2014/15 financial year of £15.21 million is calculated as outlined in the table on page 87. Currently, 75% of the bonus is determined based on financial performance, with the balance determined on the achievement of strategic objectives. There is no payment for performance below a threshold set at the beginning of each financial year. The size of the pool may be adjusted to reflect changes in the number of participants and other considerations at the discretion of the committee prior to the distribution of the pool. In particular, the committee reserves the right to adjust the pool to reflect exceptional events. A significant portion of the bonus (currently 50%) must be used by the executive director to acquire investment shares under the BSMP. Sufficient ICAP shares have to be retained for a defined period, currently three years, for the matching shares to vest. Further details on the applicable performance targets for 2014/15 are provided on page 87 of this report.

Purpose and link to ICAP's strategy	Operation, performance metrics and maximum opportunity
BSMP	
This is ICAP's long-term incentive plan to reward sustained Company performance and the creation of shareholder value over the longer term.	Awards of matching shares are normally made annually to executive directors who have agreed to acquire and/or retain investment shares under the terms of the plan approved by shareholders at the 2012 annual general meeting. A matching award is granted with a value equal to half of the individual's pre-tax cash bonus. Awards may be structured in the form of conditional share awards or nil-cost options. They are subject to achievement of relevant performance measures over a period of three years. The vesting of awards is subject to achievement of a trading EPS performance condition. Threshold performance results in vesting of 10% of the award, with full vesting occurring at the maximum performance level set by the committee for each grant. In all cases, the vesting of the matching shares is subject to the retention of investment shares. The matching shares must be held by the participant for a period of six months following vesting. Unvested matching awards may be cancelled or reduced in the case of any of the following: – a material misstatement in the Company's financial results and/or accounts or an error which has resulted in an excessive award being granted; – gross misconduct of the employee/reasonable evidence of employee misbehaviour or material error; – a material failure of risk management; or – a material downturn in financial performance. Participants may receive a payment equivalent to the value of dividends paid on any vested matching award shares when the participant receives those shares.
Shareholding requirements	
To create alignment with shareholders by encouraging longer term focus.	Executive directors are required to build up over time, and thereafter maintain, a shareholding in the Company's shares. The minimum shareholding guideline for the Group Chief Executive Officer is 500% of base salary and 300% of base salary for the other executive directors.

Future policy table for the Chairman and non-executive directors

Purpose and link to ICAP's strategy	Operation and fee levels
Non-executive directors' fees	
To attract and retain a high performing Chairman and non-executive directors with the right level of skills, international experience and industry knowledge to oversee the business strategy.	The Chairman receives a fee for the role, as determined by the Remuneration Committee. The Chairman is entitled to an additional fee for the chairmanship of the Nomination Committee, but has waived his entitlement to this additional fee. The non-executive directors receive an annual fee in respect of their duties. Further fees may be paid in respect of chairmanship of board committees. No fees are paid for membership of a board committee. Additional fees may be paid to non-executive directors who sit on the board of the ICAP SEF entities and/or any other subsidiary boards due to the additional time commitment for discharging these roles. Non-executive directors' fees are considered and approved by the executive directors and the Chairman. Fees are set at a level which is considered appropriate to attract and retain the calibre of individuals required by the Company. Fees are reviewed regularly against comparable companies and may be adjusted from time to time. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on benefits. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties. The current fee levels can be found in the annual report on remuneration on page 84.

Governance and directors' report

Remuneration report continued

Notes to the policy table

Legacy matters

The committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed:

- before the policy came into effect; or
- at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' include the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

In particular, under the 2003 BSMP, a bonus in lieu of dividend is paid on vested but unexercised awards.

Performance conditions

The performance conditions for the annual bonus and BSMP matching award are chosen to align directly with the short and long-term strategy of the business.

The performance target is set annually by the committee at the start of the financial year at a level that takes into account the board's business plans and ensures a level of stretch. The committee may vary any measures year-by-year to ensure they remain fully aligned with the Company's strategy.

The committee believes that an annual measure of trading profit before tax combined with strategic objectives and a longer-term measure of trading EPS (basic) continue to be the appropriate performance conditions for another financial year. These measures underpin continuing forward growth in the Group's earnings and promote the long-term success of the Company. More detail on the annual bonus and BSMP measures and targets can be found on pages 84-85.

Remuneration arrangements throughout the Group and wider employment conditions

There are consistent overarching principles of remuneration which apply across the Group, as outlined in the chairman of the Remuneration Committee's statement. The Group:

- communicates the business agenda;
- helps employees enhance individual performance; and
- drives individual reward by individual performance, with overall spend driven by business performance.

Given the nature of our business, there is no single structure of remuneration that applies consistently to all employees throughout the Group. For example, the pay structure for brokers is different from that of other employees. However, a significant element of pay is performance linked ensuring that all ICAP's employees are focused on delivering strong financial results and achieving our strategic goals.

For members of the GEMG and other senior executives in the Group, a proportion of their remuneration is deferred into Company shares, incentivising long-term alignment with the interests of shareholders.

The committee takes into consideration the pay and conditions of employees throughout the Group when determining remuneration arrangements for executive directors. ICAP manages the costs of employment at the corporate level and expects changes in total remuneration for directors to reflect changes in the Company's performance. Changes in salary are aligned to both policy and practice for increases for the wider population in terms of annual increases, market positioning and adjustments for promotions and changes of role. Director remuneration is expected over time to correlate with corporate performance and as such has the potential to be much more volatile than the remuneration of the wider population.

The Company does not consult directly with employees on the policy but information relating to wider workforce remuneration is provided in regular updates to the committee.

Recruitment policy

In determining remuneration for new appointments to the board, the committee will apply the following principles:

- the committee will consider all relevant factors including, but not limited to, the calibre of the individual, the external market and existing arrangements for the Company's current executive directors, with a view to ensuring that any arrangements offered are in the best interests of the Company and shareholders and without paying any more than is necessary; and
- the committee will seek, as far as possible, to align new executive directors' remuneration packages with the remuneration policy as set out above.

Components and approach

Generally, pay on recruitment will be consistent with the usual policy for executive directors, as set out in the policy table above. However, the committee considers it important that the recruitment policy has sufficient flexibility in order to attract the calibre of individual that the Company may require to continue to grow a successful business.

The committee may, in its absolute discretion, include remuneration components or awards which are not specified in the policy table, where necessary. The committee will ensure that this is done only where there is a genuine commercial need and it is in the best interests of the Company and its shareholders. The committee commits to explain to shareholders the rationale for the relevant arrangements following any appointment.

Where the new appointment is replacing a previous executive director, salaries, pension and total remuneration opportunity may be higher or lower than the previous incumbent. For example, if the appointee is expected to develop into the role, the committee may decide to appoint the new executive director to the board at a lower than typical salary. Larger increases (above those of the wider employee population) may then be awarded over a period of time to move the executive director closer to market level as their experience develops and they prove themselves successful in the role.

On the recruitment of a new executive director, the committee reserves discretion to adjust the size of the bonus pool to take account of a new/additional executive director joining the board.

Where an executive director is appointed from within the Group, the normal policy of the Company is that any existing arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive director is appointed following an acquisition of or a merger with another company, legacy terms and conditions would be honoured.

Maximum level of variable pay

The maximum level of variable pay which may be awarded to a new executive director in respect of their appointment shall be limited to that set out in the policy table above for each component of remuneration. This excludes any one-off awards made to compensate the director for awards forfeited from their previous employer (see below).

Buy-outs

In order to facilitate recruitment, the committee may make a one-off award to 'buy-out' incentive awards and any other compensation arrangements that a new director has had to forfeit on leaving their previous employer. In doing so, the committee will take into account all relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of these conditions being met, the proportion of the vesting/performance period remaining and the form of the award (for example cash or shares). Where possible, the forfeited awards will normally be bought out on a like-for-like basis.

The committee is at all times conscious of the need to pay no more than is necessary, particularly when determining any buy-out arrangements.

Contractual terms

The Company's usual policy on notice periods is up to 12 months' notice from the Company or executive director in order 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.

An executive director, however, may initially be hired on a contract requiring the Company to provide 24 months' notice which then reduces pro rata over the course of the first year of the contract to require 12 months' notice.

Recruitment of Chairman and non-executive directors

In the event of the appointment of a new Chairman and/or non-executive director, the remuneration framework will normally be in line with the table on page 79.

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Service contracts and policy on payment for loss of office

Executive directors

Key terms relating to ICAP's policy in the event of the termination of an executive director are set out in the table below:

Provision	Policy
Notice period	Up to 12 months' notice by the Company or executive director. As outlined above, an executive director may be hired initially on a contract requiring the Company to provide 24 months' notice which then reduces pro rata over the course of the first year of the contract to require 12 months' notice.
Termination payment	Contractual entitlement limited to salary and benefits (including pension) over the notice period. The Company would normally expect executive directors to mitigate any loss on their departure.
Incentive plans	Participation in all incentive plans is non-contractual and at the committee's discretion. **Annual bonus** The committee may determine that an executive director may be eligible to receive a discretionary time pro-rated annual bonus in respect of the period until cessation of employment, except in respect of any period of garden leave. In determining whether to award a bonus, the committee will assess performance during the financial year. The committee reserves the right to make any such payment in cash with no requirement to acquire investment shares. **BSMP** The rules of the 2013 BSMP were approved by the Company at the general meeting on 11 July 2012. Outstanding awards will be treated in accordance with the relevant plan rules. The rules relating to termination are summarised here. Unvested matching awards will vest in the event of death, ill-health, injury or disability, retirement, redundancy, the transfer or sale of the individual's employing company outside of the Group, or any other scenario at the committee's discretion (other than summary dismissal) provided the performance condition has been met. If an individual leaves before the end of the relevant performance period in other circumstances, his unvested awards lapse. Awards will vest following the determination of the applicable performance conditions by the Remuneration Committee. The number of shares which vest will be pro-rated for the time served during the performance period that has elapsed, and will normally be determined by reference to the extent to which the performance condition has been satisfied at the point of cessation of employment or such other period as the Remuneration Committee may determine.

Governance and directors' report

Remuneration report continued

The key termination provisions of ICAP's current executive directors' contracts are set out below:

Michael Spencer

Michael Spencer's notice period is 12 months. He is entitled to receive salary and benefits for the duration of his notice period. His contract includes a pay in lieu of notice clause which allows the Company to make a payment equal to salary and benefits in lieu of any applicable period of notice. He may be eligible to receive a discretionary bonus.

Iain Torrens

Iain Torrens' notice period is 12 months. He is entitled to receive salary and benefits for the duration of his notice period. He is also eligible to participate in the annual bonus plan, except in respect of any period of garden leave.

John Nixon

John Nixon's notice period is 12 months. His contract provides for him to receive salary and benefits for the duration of his notice period. As a US employee he also remains eligible for a discretionary bonus in respect of his full notice period.

On 31 March 2014 John Nixon announced his intention to retire from the board on 31 March 2015.

The Company has entered into a three-year consulting agreement with John Nixon effective 1 April 2015 to provide advice, support and oversight relating to various strategic and new business initiatives as identified by the Company and provide advice and support relating to the Company's senior-level customer relationships, including the maintenance of such relationships.

For these services ICAP intends to pay John Nixon a monthly consulting fee of $83,333.

His consulting agreement also contains specific provisions relating to non-competition for the duration of the agreement.

Change of control

In the event of a change of control or a voluntary winding up of the Company, the number of BSMP matching shares which vest will be determined by reference to the extent to which the performance condition has been satisfied over the reduced performance period and pro-rated for time, unless the Remuneration Committee determines that a higher number of shares should vest.

Non-executive directors

The non-executive directors and the Chairman of the Company have letters of appointment which set out their duties and responsibilities. They do not have service contracts. The key terms of the appointments are set out in the table below:

Provision	Policy
Notice period	Non-executive directors and the Chairman are not entitled to compensation on leaving the board, other than fees in respect of any notice period. There is no notice period, other than in the event of a change of control for non-executive directors (excluding the Chairman) in which case a three-month notice period will apply.

Availability of documentation

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Consideration of shareholder views

The committee is committed to ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The committee takes into account the views of significant shareholders when formulating and implementing the policy.

The committee will undertake a review of executive director remuneration in 2014/15 and will consult with major shareholders where any material changes to the current framework are proposed.

Minor amendments

The committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Charts illustrating the policy

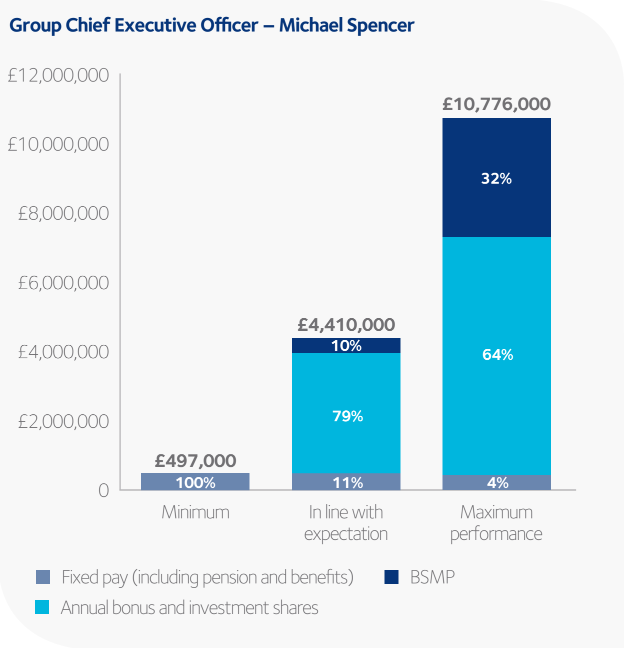
The charts below illustrate the remuneration policy for 2014/15 in line with the policy table on pages 77-79. ICAP's remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of demanding short and long-term performance targets.

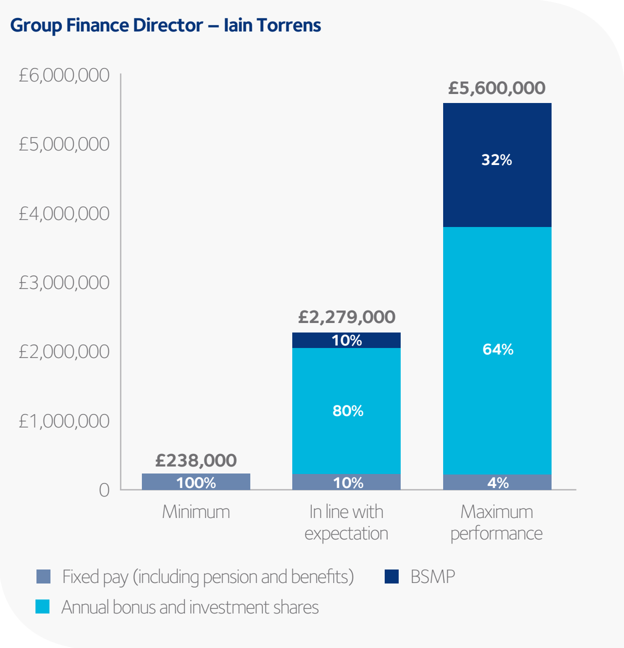
The charts show hypothetical values for the remuneration package for executive directors under three performance scenarios:

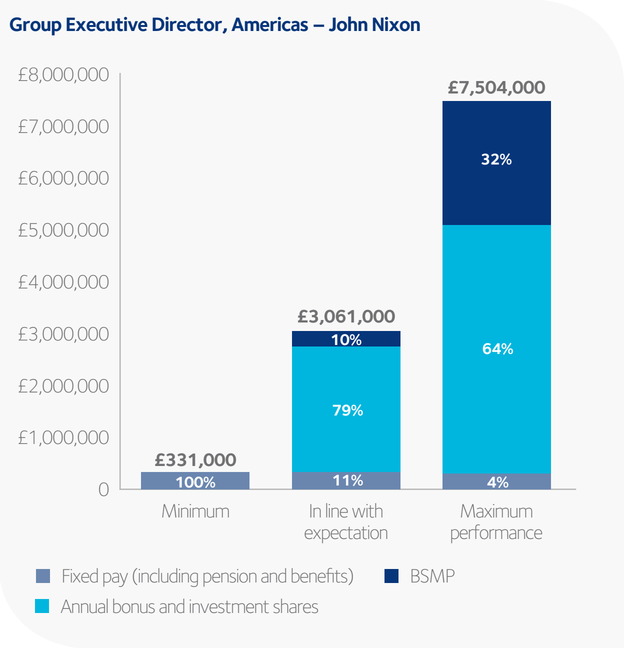
– minimum performance (fixed elements of pay only, with no bonus award or vesting of BSMP matching shares);

– performance in line with expectation (annual bonus award and vesting of BSMP matching shares for achievement of target performance); and

– maximum performance (100% award under the annual bonus and full vesting of BSMP matching shares).







Notes to the charts

Fixed pay constitutes base salary, benefits and a pension allowance of 5% of salary for UK directors only.

For annual bonus, some assumptions have been made to generate a synthetic bonus outcome for performance in line with expectation and maximum performance:

– for performance in line with expectation, we have assumed achievement of target trading profit before tax and 50% achievement of strategic measures;

– for maximum performance, we have assumed that the cap under the bonus plan is reached with full achievement of strategic objectives; and

– bonus allocation between executive directors is on a discretionary basis and will vary year on year; the allocation shown in the charts is based on the same ratio as the 2012/13 actual bonuses.

For the BSMP we have assumed 25% vesting of awards for performance in line with expectation. Full vesting is assumed at maximum performance.

The scenarios do not take into account share price growth or dividends. The value of each component has been rounded to the nearest £1,000.

Governance and directors' report

Remuneration report continued

Annual report on remuneration

The information in this section up to and including the 'statement of directors' shareholding and share interests' section is subject to audit. The complete annual report on remuneration is subject to an advisory vote by shareholders.

Single total figure of remuneration

The following table sets out the total remuneration for executive directors and non-executive directors for the years ended 31 March 2014 and 31 March 2013.

	Salary and fees (a) £'000		Benefits (b) £'000		Annual bonus (c) £'000		Pension/cash allowance (d) £'000		Subtotals £'000		Bonus in lieu of dividend (e) £'000		Total £'000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive directors														
Michael Spencer	**360**	360	**119**	110	**700**	2,780	**18**	18	**1,197**	3,268	**1,018**	1,058	**2,215**	4,326
John Nixon[1]	**314**	316	**17**	7	**1,300**	1,940	**–**	–	**1,631**	2,263	**308**	331	**1,939**	2,594
Iain Torrens	**225**	225	**2**	3	**1,000**	1,450	**11**	13	**1,238**	1,691	**87**	91	**1,325**	1,782
Non-executive directors														
Charles Gregson	**300**	275	**31**	23	**–**	–	**–**	–	**331**	298	**–**	–	**331**	298
Ivan Ritossa[2]	**58**	–	**–**	–	**–**	–	**–**	–	**58**	–	**–**	–	**58**	–
Diane Schueneman	**80**	80	**3**	3	**–**	–	**–**	–	**83**	83	**–**	–	**83**	83
John Sievwright	**110**	105	**6**	8	**–**	–	**–**	–	**116**	113	**–**	–	**116**	113
Robert Standing	**90**	90	**–**	1	**–**	–	**–**	–	**90**	91	**–**	–	**90**	91
Former non-executive directors														
Hsieh Fu Hua[3]	**22**	80	**–**	5	**–**	–	**–**	–	**22**	85	**–**	–	**22**	85

Notes to the table – methodology

(a) Salary and fees – the base salary or fees paid in respect of the relevant financial year.

(b) Benefits – the taxable value of all benefits paid in respect of the relevant financial year. Benefits vary for each executive director but include medical, car and travel benefits. Michael Spencer also has use of a driver. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties. Benefits for 2013 have been restated on a like-for-like basis.

(c) Annual bonus – this represents the bonus awarded in respect of the performance year, including the deferred portion. One half of the bonus amount, after the deduction of tax and costs, is applied in the purchase of investment shares under the 2013 BSMP.

(d) Pension/cash allowance – Michael Spencer and Iain Torrens participate in the UK defined contribution plan. Iain Torrens also participates in the bonus sacrifice arrangement offered in the UK. As a US-based director, John Nixon does not participate in any pension arrangements.

(e) Bonus in lieu of dividend – the amounts shown reflect payments in lieu of dividends received on the basic and matching awards for 2008 and basic awards and promises granted under the BSMP for 2009, 2010 and 2011.

1. The elements of John Nixon's remuneration that are paid in dollars have been converted to pounds sterling using the average exchange rate for the year of \$1.5905 (2012/13 – \$1.5816).
2. Ivan Ritossa was appointed to the board on 10 July 2013.
3. Hsieh Fu Hua did not stand for re-election to the board at the 2013 annual general meeting and retired from the board on 10 July 2013.

Additional disclosures in respect of the single total figure of remuneration table

2013/14 annual bonus

The 2013/14 bonus scheme was 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 is payable, a payout curve which increases up to the target level and a maximum level above which no additional bonus is payable.

The scheme is structured so that increasing upside is made available to executive directors for growing the Group's profitability by achieving trading profit before tax in line with the 2011/12 figure (£354 million), adjusted for RPI plus 3% growth per annum. This is consistent with the objective of the plan to reward long-term growth.

For 2013/14, the payout curve is shown below. The bonus pool was capped at a maximum achievement of 120% of the target profit figure.

Tier	Trading profit before tax £m	Marginal bonus rate for 2013/14 %
1	0 – 79	0
2	80 – 159	2.75
3	160 – 239	3.50
4	240 – 318	4.25
5	319 – 375	5.00
6	376 – 450	10.00
7	451+	0

The gross bonus pool is calculated from this schedule, reduced by 12.5% to reflect the current participation level of three executive directors.

Of the total bonus pool, 75% relates to achievement of the financial objective and 25% to achievement of the strategic objectives over which the committee exercised its judgement as to the level of achievement.

While the trading profit before tax achieved in the year was £272 million, for the purposes of calculating the bonus pool the trading profit was reduced by the full amount of the exceptional cash costs relating to the yen Libor settlements, resulting in an adjusted trading profit figure of £203 million.

The committee agreed that 68% of the strategic objectives for 2013/14 had been achieved.

The objectives assessed by the committee for the year ended 31 March 2014 were based on six equally weighted key areas:

Strategy development: delivery of a three step plan, taking account of regulatory changes with a potentially favourable effect from a business perspective balanced by additional demands on capital and other resource requirements.

Customer alignment: understanding of customer needs significantly improved and reflected in take up and revenue increases in new products.

Product innovation: successful launch of ICAP SEF, expansion of EBS platform and integrated e-commerce and web delivery strategy being successfully implemented.

People development: significant progress in learning and development focusing on culture, leadership and compliance; improvements in broker productivity.

Operational efficiency: global procurement function created with significant savings realised, reduction in infrastructure headcount and costs and enhanced finance systems.

Governance: operational risk ownership embedded in the business, large amounts of regulatory change implemented, business model analysed to identify and minimise risks, Group-wide training on risk and compliance matters implemented and addressed the business and cultural impact of the yen Libor settlements.

Adjustment of the gross bonus pool relating to the achievement of objectives resulted in a bonus pool of £3 million. This pool has been allocated between the executive directors as follows:

Executive director	Total bonus
Michael Spencer	£700,000
John Nixon	£1,300,000
Iain Torrens	£1,000,000

50% of the total bonus must be used by the executive to acquire investment shares under the BSMP.

2011 BSMP matching award

The BSMP matching award granted in 2011 is subject to a performance condition based on trading EPS growth over the three financial years to 31 March 2014. The matching award is released only if trading EPS has grown by at least 9% above RPI over the three financial years to 31 March 2014.

As the Company's trading EPS fell by 17% over the three-year period the award will not vest.

Details of share awards granted in the year

2013 BSMP matching award

On 22 May 2013, BSMP matching awards were granted to the three executive directors as shown in the table below.

	Type of award	Number of shares	Face value (£)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Michael Spencer	Nil-cost option over ordinary 10p shares in the Company	406,698	1,390,000	10%	100%	31 March 2016
John Nixon	Conditional share award	283,811	970,000			
Iain Torrens	Nil-cost option over ordinary 10p shares in the Company	212,127	725,000			

The face value of awards is based on the average closing share price for the five business days following the preliminary announcement of 2012/13 results (£3.4058).

The committee selected trading EPS as the appropriate performance condition on the basis that 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 is based on graduated vesting where 10% of the matching award will vest at RPI + 6% per annum, increasing to 100% vesting at RPI +15% per annum over a three-year period.

Where awards have been granted in the form of options, the exercise price of the nil-cost option is £1. The exercise period for these options will commence on the day of the announcement of the Company's annual results for the financial year ending on 31 March 2016 and will last for a period of five years.

Governance and directors' report

Remuneration report continued

SAYE options
During the year, Iain Torrens participated in the HMRC approved ICAP plc 2008 Sharesave Scheme (SAYE), under which participants may be granted options at a 20% discount to market value at grant. Options granted under the SAYE are not subject to a performance condition.

On 13 June 2013, 3,308 options over ordinary shares in the Company were granted to Iain Torrens at an option price of £2.72. The exercise period for the options will commence on 1 August 2016 and will last for a period of six months to 31 January 2017.

Payments to past directors
No payments to past directors have been made in the year.

Payments for loss of office
No payments for loss of office have been made in the year.

Statement of directors' shareholding and share interests
In 2012 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.

Shares that count towards the guideline are those that are beneficially owned and shares that are held by the ICAP Trust in respect of BSMP basic awards and any vested matching awards.

The minimum shareholding guideline for the Group Chief Executive Officer is 500% of base salary and for the other executive directors is 300% of base salary. Each executive director had exceeded their target as at 31 March 2014, based on the share price at the close of business on that date.

The table below details the share interests of the directors in office at 31 March 2014.

Directors' share interests

Director	Note	Share interests as at 31 March 2014	Share interests as at 31 March 2013	Outstanding BSMP awards with performance condition	Outstanding unapproved options with performance condition	Outstanding SAYE options without performance condition
Charles Gregson		**229,612**	223,596	–	–	–
Michael Spencer	1,2	**3,120,668**	2,894,930	**2,275,342**	–	**3,284**
John Nixon	3	**209,386**	68,951	**1,183,823**	**250,000**	–
Iain Torrens		**427,211**	307,758	**513,169**	–	**3,308**
Ivan Ritossa	4	–	–	–	–	–
Diane Schueneman		–	–	–	–	–
John Sievwright		**20,000**	20,000	–	–	–
Robert Standing		**10,000**	10,000	–	–	–

Note:

1. Details of Michael Spencer's shareholding, including his connected parties, are set out in a note to the substantial shareholders section on page 73.

2. The outstanding BSMP awards with performance condition include the 2008 BSMP matching award which has vested and remains unexercised.

3. Under the BSMP John Nixon received the basic award as a promise of shares that will be released automatically to him at the time of vesting over the following number of shares: 476,852 awarded in 2011 and 423,160 awarded in 2012.

4. Ivan Ritossa was appointed to the board on 10 July 2013.

Hsieh Fu Hua did not stand for re–election to the board at the 2013 annual general meeting and retired from the board on 10 July 2013. He held no shares as of 31 March 2013 nor at his date of retirement.

Between 31 March 2014 and 12 May 2014 there were no transactions in the Company's shares by the directors.

External appointments
The Company recognises the opportunities and benefits to both the Company and to our executive directors of serving as non-executive directors of other companies. Executive directors are permitted to take on non-executive directorships with other companies with the approval of the Nomination Committee. Any fees arising from such appointments would be retained by the individual.

Michael Spencer received a fee of £100,000, which he retained, for his directorship of Tungsten Corporation plc.

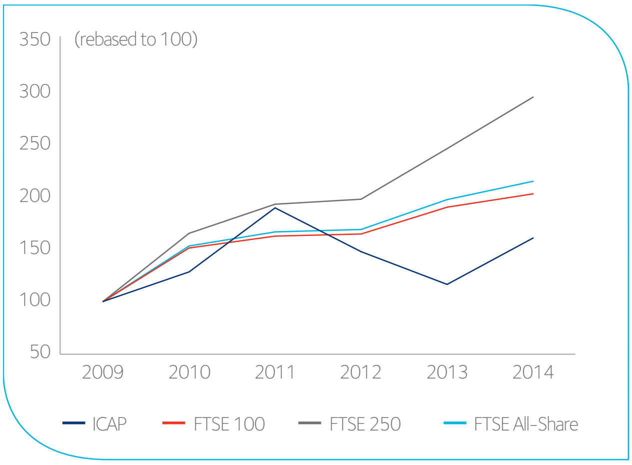
Total shareholder return

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 2014 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 conditions for the long term incentive awards made in 2009, 2010 and 2011 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 2014



Remuneration of the Group Chief Executive Officer

	2009/10	2010/11	2011/12	2012/13	2013/14
Single total figure of remuneration (£'000s)	6,069	10,727	5,524	4,326	2,215
Percentage of maximum bonus paid	N/A	N/A	56%	41%	12%
Percentage of maximum BSMP opportunity vesting	100%	100%	0%	0%	0%

Note:
No maximum bonus stated prior to 2011/12.

Change in the remuneration of the Group Chief Executive Officer compared to other employees

The table below shows the percentage change in remuneration awarded to the Group Chief Executive Officer and all other employees of the Group between 2012/13 and 2013/14.

	Salary	Benefits	Bonus
Group Chief Executive Officer	0%	8%	–75%
All other employees	–2.5%	5%	–11.5%

Relative importance of spend on pay

	2013/14 £m	2012/13 £m	Change %
Total remuneration	771	824	–6
Dividends	141	141	0

Statement of implementation of the remuneration policy in the coming year

No changes to salary, benefits or pension arrangements for executive directors have been made with effect from 1 April 2014.

The 2014/15 bonus plan retains a similar structure to the 2013/14 bonus plan. The threshold for the bonus pool has been adjusted to reflect RPI growth in the past year, with corresponding increases in each of the thresholds.

The marginal rates at which the bonus pool accrues have been reduced for 2014/15 to reflect the current number of participants in the pool.

Consistent with the approach taken in 2013/14, the tier 6 threshold has been held at the profit level for 2011/12 (£354 million) adjusted for RPI plus 3% growth per annum. This is consistent with the original objective of the plan to reward long-term growth and provides a strong incentive to rebuild the Group's profitability.

Tier	Trading profit before tax £m	Marginal bonus rate for 2014/15 %
1	0 – 83	0
2	84 – 167	2.41
3	168 – 251	3.06
4	252 – 334	3.72
5	335 – 360	4.38
6	361 – 433	8.75
7	434+	0

Of the gross bonus pool, 75% relates to the achievement of the financial objective as set out in the table above and 25% to the achievement of the strategic objectives over which the committee will exercise its discretion as to the level of achievement.

The strategic objectives for the year ending 31 March 2015 will be based on the six strategic priorities described on pages 18 and 19.

Governance and directors' report

Remuneration report continued

The targets set for the strategic performance measures are commercially sensitive and (as permitted by the regulations) are not being disclosed in advance. Further details will be provided in next year's annual report with as much context as possible on performance against those targets and the resulting bonus outturn within commercial constraints.

The bonus pool for 2014/15 will continue to be allocated between the executive directors on a discretionary basis.

BSMP

Of the 2013/14 bonus pool, half will be paid in cash. In order to be eligible for the BSMP, 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. This matching award will be released in 2017 if the executive director to whom the award was made has retained the investment shares purchased with his net of tax bonus amount and the trading EPS performance condition(s) has been met, subject to the rules of the plan (see page 81).

10% of the 2014 BSMP matching award will vest for growth of RPI +6% per annum, increasing to 100% vesting at RPI +15% per annum over the three-year period to 31 March 2017. Vesting of the award will be pro-rated on a straight-line basis for performance between RPI +6% per annum and RPI +15% per annum.

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

Chairman and non-executive directors' fees

The table below shows the non-executive director fee structure as at 1 April 2014:

Position	Fee
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
Membership of the ICAP SEF board and/or any other subsidiary board**	£15,000/$25,000

* Charles Gregson waived his entitlement to the additional fee for his role as chairman of the Nomination Committee. There are no fees paid for membership of board committees.

** Additional fees will be paid to non-executive directors who sit on the board of the ICAP SEF entities due to the additional time commitment for discharging this role.

Support to the committee

Details of the committee's responsibilities and membership during the year are shown on page 76.

The committee is supported by the Group Chief Executive Officer, Group Finance Director, the Group Head of HR and the Group Company Secretary.

The committee received external independent advice from Deloitte LLP at one committee meeting in relation to the drafting of the remuneration report in line with the new regulations. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte LLP was appointed by the Company. The committee is satisfied that the advice received from Deloitte LLP was independent as it was factual and not judgemental. The total fee in respect of the advice was £8,000. Deloitte LLP also provided tax, consulting and corporate finance services to ICAP during the year.

Statement of voting at the 2013 annual general meeting

At the 2013 annual general meeting held on 10 July 2013 votes cast in respect of the remuneration report were:

	To approve the directors' remuneration report	
	Total number of votes	Votes cast
For	482,641,326	95.39%
Against	23,340,763	4.61%
Number of votes cast	505,982,089	
Votes withheld	5,845,458	

The committee is pleased to note that more than 95% of our shareholders approved the 2012/13 remuneration report.

Independent auditors' report to the members of ICAP plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2014 and of the Group's profit and of the Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Company financial statements (the 'financial statements'), which are prepared by ICAP plc, comprise:

- the consolidated and Company balance sheet as at 31 March 2014;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and Company statements of changes in equity and statements of cash flows for the year then ended;
- the basis of preparation, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 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 for the year ended 31 March 2014 (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £13.6 million, which was 5% of trading profit before tax, acquisition and disposal costs and exceptional items. We based materiality on profit before tax, acquisition and disposal costs and exceptional items. The removal of these items mitigates undue volatility in determining our materiality

Although our audit was designed to identify material misstatements, we agreed with the Audit Committee that we would report to them uncorrected misstatements identified above £500,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group reports its operating results and financial position along three business lines, being Global Broking, Electronic Markets and Post Trade Risk and Information. The Group financial statements are a consolidation of these business lines, which comprise 219 separate legal entities located in 32 countries, and the Group's centralised functions.

Independent auditors' report to the members of ICAP plc continued

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units (being a legal entity in a business unit or a centralised function) by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We identified 16 reporting units across the Global Broking and Electronic Markets business lines centralised functions that, in our view, required an audit of their complete financial information, either due to their size, or their risk characteristics. As part of our planning procedures, the Group engagement team visited the UK and US component teams (the two most significant countries in the Group). Specific audit procedures on certain balances and transactions were performed at a further 12 reporting units, which included the two largest entities in the Post Trade Risk and Information segment, located in Sweden and Singapore. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

Through our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 61.

Areas of focus	How the scope of our audit addressed the area of focus
Goodwill impairment assessment We focused on this area due to the size of the goodwill balance, and because the directors' assessment of the carrying value of the Group's cash generating units ('CGUs') involves judgements about the future results of the business and the discount rate applied to the future cash flow forecasts. The directors booked an impairment charge of £11 million. We needed to obtain evidence for the remaining £830 million of goodwill in this part of the business. (Refer also to note 14 to the financial statements.)	We tested the directors' future cash flow forecasts, by comparing them to the latest board approved budgets and by comparing the current year results with the equivalent figures included in the prior year forecast to test historical budgeting accuracy. We challenged the directors' key assumptions for discount and long-term growth rates by comparing rates used to past results and available external data. We also performed sensitivity analysis over the key assumptions of the cash flow forecast. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in the key assumptions arising. We paid particular attention to the Global Broking businesses due to their performance being impacted by cyclical factors including low interest rate and foreign exchange volatility.
Fraud in revenue recognition We focused on the timing of the recognition and presentation in the income statement of: – commissions 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. These revenue streams are dependent on the fulfilment of contractual obligations which may involve subjective estimation with regard to stage completion. (Refer to note 1 to the financial statements.) In addition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.	We evaluated the relevant IT systems and tested the internal controls over the accuracy and timing of commissions and fees recognised in the financial statements. We tested the reconciliations between the revenue systems used by the Group and its financial ledgers and journal entries posted to revenue accounts to identify unusual or irregular items. We also tested the timing of revenue recognition, checking the necessary contractual obligations had been fulfilled. We tested revenue recognised by agreeing to cash received or account receivable as appropriate. We also tested the recoverability of the year end account receivables.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries to determine the rationale for manual adjustments.

Independent auditors' report to the members of ICAP plc continued

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 74, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's and Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the strategic report and the governance and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the Code). We have nothing to report having performed our review.

On page 74 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 61, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities for the Annual Report set out on page 74, the directors are responsible for the preparation of the Group and Company 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 Group and Company financial statements in accordance with applicable law and ISAs (UK & 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.

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

London, United Kingdom
14 May 2014

In this section

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Consolidated income statement

Year ended 31 March 2014

	Note	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	1	1,397	–	–	1,397
Operating expenses	3	(1,108)	(79)	(76)	(1,263)
Other income		6	–	–	6
Operating profit	1	295	(79)	(76)	140
Finance income	9	11	6	–	17
Finance costs	9	(38)	(1)	–	(39)
Share of profit of associates after tax	21	4	–	–	4
Profit before tax		272	(74)	(76)	122
Tax	7	(60)	26	12	(22)
Profit for the year		212	(48)	(64)	100
Attributable to:					
Owners of the Company		213	(48)	(64)	101
Non-controlling interests		(1)	–	–	(1)
		212	(48)	(64)	100
Earnings per ordinary share (pence)					
– basic	4	33.2			15.7
– diluted	4	32.6			15.4

Consolidated income statement continued

Year ended 31 March 2013

	Note	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	1	1,472	–	–	1,472
Operating expenses	3	(1,173)	(157)	(60)	(1,390)
Other income		9	–	–	9
Operating profit	1	308	(157)	(60)	91
Finance income	9	11	–	–	11
Finance costs	9	(40)	(1)	–	(41)
Share of profit of associates after tax	21	5	–	–	5
Profit before tax		284	(158)	(60)	66
Tax	7	(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	4	33.0			6.7
– diluted	4	32.5			6.6

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Consolidated statement of comprehensive income

	Note	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit for the year		100	43
Other comprehensive (expense)/income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Cash flow hedges			
– fair value gains/(losses)	25	6	(12)
– fair value gains/(losses) transferred to income statement	25	2	(1)
		8	(13)
Exchange differences		(135)	49
Income taxes		(1)	(3)
Other comprehensive (expense)/income for the year, net of tax		(128)	33
Total comprehensive (expense)/income for the year		(28)	76
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(27)	76
Non-controlling interests		(1)	–
		(28)	76

Consolidated and Company balance sheet

		Group		Company	
	Note	As at 31 March 2014 £m	As at 31 March 2013 £m	As at 31 March 2014 £m	As at 31 March 2013 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	14	935	1,080	–	–
Intangible assets arising from development expenditure	13	96	83	–	–
Property and equipment	23	44	50	–	–
Investment in subsidiaries	20	–	–	2,036	2,036
Investment in associates	21	65	59	1	1
Deferred tax assets	7	12	15	–	–
Trade and other receivables	17	6	6	124	124
Available-for-sale investments	22	19	29	–	–
		1,177	1,322	2,161	2,161
Current assets					
Trade and other receivables	17	22,937	16,898	99	98
Restricted funds	11	39	37	–	–
Cash and cash equivalents	11	703	602	–	–
		23,679	17,537	99	98
Total assets		24,856	18,859	2,260	2,259
Liabilities					
Current liabilities					
Trade and other payables	18	(22,914)	(16,880)	(391)	(429)
Borrowings	10	(247)	(71)	–	–
Tax payable		(66)	(134)	–	–
Provisions	15	(10)	(1)	–	–
		(23,237)	(17,086)	(391)	(429)
Non-current liabilities					
Trade and other payables	18	(9)	(29)	–	–
Borrowings	10	(540)	(506)	(135)	(124)
Deferred tax liabilities		(74)	(66)	–	–
Retirement benefit obligations		(4)	(3)	–	–
Provisions	15	(9)	(13)	–	–
		(636)	(617)	(135)	(124)
Total liabilities		(23,873)	(17,703)	(526)	(553)
Net assets		983	1,156	1,734	1,706
Equity					
Capital and reserves					
Called up share capital	24	66	66	66	66
Share premium account		454	454	454	454
Other reserves	25	86	78	1	1
Translation		(44)	91	–	–
Retained earnings		379	414	1,213	1,185
Equity attributable to owners of the Company		941	1,103	1,734	1,706
Non-controlling interests		42	53	–	–
Total equity		983	1,156	1,734	1,706

The financial statements on pages 96 to 149 were approved by the board on 14 May 2014 and signed on its behalf by:

Michael Spencer
Group Chief Executive Officer

Iain Torrens
Group Finance Director

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Consolidated statement of changes in equity

Year ended 31 March 2014	Share capital £m	Share premium £m	Other reserves (note 25) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 2013	66	454	78	91	414	1,103	53	1,156
Profit for the year	–	–	–	–	101	101	(1)	100
Other comprehensive income/(expense)								
Cash flow hedges	–	–	8	–	–	8	–	8
Income taxes	–	–	–	–	(1)	(1)	–	(1)
Exchange differences	–	–	–	(135)	–	(135)	–	(135)
Total comprehensive income/(expense) for the year	–	–	8	(135)	100	(27)	(1)	(28)
Own shares acquired for employee trusts	–	–	–	–	4	4	–	4
Other movements in non-controlling interests	–	–	–	–	2	2	–	2
Dividends paid in the year	–	–	–	–	(141)	(141)	(10)	(151)
Balance at 31 March 2014	66	454	86	(44)	379	941	42	983

Year ended 31 March 2013	Share capital £m	Share premium £m	Other reserves (note 25) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 2012	66	453	91	42	516	1,168	42	1,210
Profit for the year	–	–	–	–	43	43	–	43
Other comprehensive income/(expense) (net of tax)								
Cash flow hedges	–	–	(13)	–	–	(13)	–	(13)
Net deferred tax recognised in other comprehensive income	–	–	–	–	(3)	(3)	–	(3)
Exchange differences	–	–	–	49	–	49	–	49
Total comprehensive income/(expense) for the year	–	–	(13)	49	40	76	–	76
Own shares acquired for employee trusts	–	–	–	–	(3)	(3)	–	(3)
Ordinary shares issued	–	1	–	–	–	1	–	1
Share-based payments in the year	–	–	–	–	1	1	–	1
Other movements in non-controlling interests	–	–	–	–	5	5	11	16
Dividends paid in the year	–	–	–	–	(145)	(145)	–	(145)
Balance at 31 March 2013	66	454	78	91	414	1,103	53	1,156

Company statement of changes in equity

Year ended 31 March 2014	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance as at 1 April 2013	66	454	1	1,185	1,706
Profit for the year	–	–	–	165	165
Total comprehensive income for the year	–	–	–	165	165
Dividends paid in the year	–	–	–	(141)	(141)
Own shares acquired for employee trusts	–	–	–	4	4
Balance as at 31 March 2014	66	454	1	1,213	1,734

Year ended 31 March 2013	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance as at 1 April 2012	66	453	1	1,336	1,856
Loss for the year	–	–	–	(3)	(3)
Total comprehensive loss for the year	–	–	–	(3)	(3)
Ordinary shares issued	–	1	–	–	1
Dividends paid in the year	–	–	–	(145)	(145)
Own shares acquired for employee trusts	–	–	–	(3)	(3)
Balance as at 31 March 2013	66	454	1	1,185	1,706

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Consolidated and Company statement of cash flow

	Note	Group Year ended 31 March 2014 £m	Group Year ended 31 March 2013 £m	Company Year ended 31 March 2014 £m	Company Year ended 31 March 2013 £m
Cash flows from operating activities	11(a)	141	272	–	–
Cash flows from investing activities					
Investments in subsidiaries		–	–	–	(48)
Dividends received from subsidiaries		–	–	167	–
Dividends received from associates		4	1	–	–
Other equity dividends received		3	6	–	–
Payments to acquire property and equipment		(14)	(7)	–	–
Intangible development expenditure		(53)	(32)	–	–
Proceeds from disposal of available-for-sale investments		1	5	–	–
Proceeds from disposal of interest in subsidiaries		3	22	–	–
Acquisition of interests in subsidiaries		–	(3)	–	–
Acquisition of associates and joint ventures		(6)	(9)	–	–
Net cash flows from investing activities		(62)	(17)	167	(48)
Cash flows from financing activities					
Dividends paid to non-controlling interests		(10)	–	–	–
Payments to acquire own shares for employee trusts		–	(3)	–	(3)
Proceeds from exercise of share options		4	1	4	1
Dividends paid to owners of the Company		(141)	(145)	(141)	(145)
Repayment of borrowings		(121)	(251)	–	(21)
Funds received from borrowing, net of fees		349	193	12	–
Receipts from subsidiaries		–	–	2	218
Payments to subsidiaries		–	–	(44)	(2)
Net cash flows from financing activities		81	(205)	(167)	48
Net increase in cash and cash equivalents		160	50	–	–
Cash and cash equivalents at beginning of the year		602	538	–	–
FX adjustments		(59)	14	–	–
Cash and cash equivalents at end of the year	11(c)	703	602	–	–

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 and the Companies Act 2006 applicable to companies reporting under IFRS. 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 incorporated and 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 intangible assets arising on consolidation (note 14) to be the area 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 in 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.

During the year, the Group has early adopted amendments to IAS32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities and amendments to IFRS7 Financial Instruments: Disclosures and made the necessary disclosures in note 17 – Trade and other receivables. The Group also adopted other new standards, interpretations and amendments to standards that did not have a significant impact on the financial statements. They include IFRS13 Fair Value Measurement, amendments to IAS1 Presentation of Financial Statements and amendments to IAS19 Employee Benefits.

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 its trading profit. This is the profit measure used to calculate trading EPS (note 4) and is considered to be the most appropriate as it better reflects the Group's trading earnings. Trading profit is 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 intangible 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 remeasurement 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.

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.

Subsidiaries

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 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.

Financial statements

Basis of preparation continued

Basis of consolidation continued

Subsidiaries continued

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 interest's 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.

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.

Joint ventures

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.

Associates

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 resulting from exchanges, differences are recognised directly in other comprehensive income.

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 year 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 rates for the year or at the rate prevailing at the time of the transaction where more appropriate.

Future accounting developments

At 31 March 2014, 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, the 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.
- 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 IFRS11 and IAS28 (2011) is disclosed in note 20 to the financial statements. Adoption of the other standards will have an immaterial impact on the Group financial statements.

In November 2013, the IASB announced the completion of phase III (hedge accounting) of the IFRS9: Financial Instruments project. In an announcement made on 19 November 2013 the IASB postponed the previously targeted mandatory effective date of 1 January 2015, citing that the impairment phase (phase II) of the project had not yet been completed. The IASB also noted that a new date will be decided on when the entire IFRS9 project is closer to completion. The impact on the Group financial statements of adopting phase I (classification and measurement) and phase III (hedge accounting) is currently under review, but the Group will only adopt IFRS9 as a complete standard.

Financial statements

Index to the notes to the financial statements

Notes to the financial statements

1. Segmental information

The Group has determined its operating segments based on the management information including trading revenue and trading operating profit 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 Group reviews the composition of the operating segments at the beginning of each fiscal year to determine whether they remain appropriate. In September 2012, ICAP created the Global Broking division, an amalgamation of ICAP's three regional voice broking businesses, to streamline the management of Global Broking businesses around the Group. Reporting of information to the CODM under the new structure took effect in June 2013, when Global Broking was reported as one segment in addition to Electronic Markets and Post Trade Risk and Information, which continue to be the other two operating segments. The change is reflected in the segmental information table below, where the prior year comparatives have been re-presented. The change in the reporting structure also resulted in a change in identification of cash generating units for the purposes of goodwill impairment testing (see note 14).

Revenue comprises brokerage or access fees from its Electronic Markets business, fees from the provision of Post Trade Risk and Information services and commission from the Group's Global Broking business.

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 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 services to third parties. These are stated net of value added tax, rebates and other sales taxes and recognised in revenue on an accruals basis to match the provision of the service. Amounts receivable at the year end are reported as other trade receivables within trade and other receivables (note 17).

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 17).

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

Execution on exchange business

The Group also acts as a broker of exchange listed products, where the Group executes customer orders as principal and then novates the trade to the underlying customer's respective clearing broker for settlement. Revenue is generated by raising invoice and is recognised on the trade date.

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Notes to the financial statements continued

1. Segmental information continued

	Year ended 31 March 2014			
	Electronic Markets £m	Post Trade Risk and Information £m	Global Broking £m	Total £m
Revenue	265	212	920	1,397
Trading operating profit	107	96	92	295

	Year ended 31 March 2013			
	Electronic Markets £m	Post Trade Risk and Information £m	Global Broking £m	Total £m
Revenue	268	207	997	1,472
Trading operating profit	113	90	105	308

Reconciliation to the consolidated income statement

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Trading operating profit	295	308
Acquisition and disposal costs	(79)	(157)
Exceptional items	(76)	(60)
Operating profit	140	91
Finance income	17	11
Finance costs	(39)	(41)
Share of profit of associates after tax	4	5
Profit before tax	122	66
Tax	(22)	(23)
Profit for the year	100	43

Revenue earned by asset class is disclosed below:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m*
Rates	570	587
FX and money markets	306	327
Commodities	169	191
Emerging markets	164	160
Equities	115	108
Credit	73	99
Total revenue	1,397	1,472

* During the current year the allocation of asset classes have been amended to improve the accuracy of revenue allocated to each asset. The prior year revenue by 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 £477m (2012/13 – £523m) and £518m (2012/13 – £507m) from entities in the UK and US respectively. The remainder of £402m (2012/13 – £442m) came from various entities outside the UK and US. ICAP's UK regulated companies, those that are within the scope of CRD IV disclosures, will disclose certain financial and other information in their 2013/14 financial statements as required under the scope of CRD IV disclosure requirements.

The amortisation and impairment arising from development expenditure recognised by the Group on a segment basis is as follows: Electronic Markets £16m (2012/13 – £11m), Post Trade Risk and Information £4m (2012/13 – £6m) and Global Broking £8m (2012/13 – £9m).

The depreciation of property and equipment recognised by the Group on a segment basis is as follows: Electronic Markets £7m (2012/13 – £7m), Post Trade Risk and Information £2m (2012/13 – £2m) and Global Broking £9m (2012/13 – £11m).

2. FX exposures

The table below shows the actual impact on the Group's 2013/14 results of the movement during the year of the dollar and euro exchange rates in terms of transactional and translational exposure.

	For the year ended 31 March 2014			For the year ended 31 March 2013		
	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Group trading operating profit	–	(7)	(7)	4	–	4
Other	–	–	–	–	–	–
Group operating profit	–	(7)	(7)	4	–	4

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

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

	Closing rate as at 31 March 2014	Closing rate as at 31 March 2013	Average rate year ended 31 March 2014	Average rate year ended 31 March 2013
Dollar	1.67	1.52	1.59	1.58
Euro	1.21	1.18	1.19	1.22

The table below shows the impact on the Group's 2013/14 results of a 10 cents appreciation, 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
Group trading operating profit	17	7	24
Other	–	–	–
Group operating profit	17	7	24

See note 26 for the Group's currency risk management approach.

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3. Operating expenses

Profit before tax is stated after charging:	Year ended 31 March 2014 £m	Year ended 31 March 2013* £m
Trading operating expenses		
Employee costs***	756	808
Information technology costs**	147	139
Professional and legal fees (including auditors' remuneration)	37	36
Depreciation and impairment of property and equipment (excluding IT)	5	7
Governance costs***	21	18
Clearing and settlement fees	19	14
Operating lease rentals – minimum lease payments	25	25
Exchange adjustments	2	(2)
Other	96	128
Trading operating expenses	1,108	1,173
Acquisition and disposal costs		
Amortisation of intangible assets arising on consolidation	64	69
Impairment of intangible assets arising on consolidation	11	81
Other acquisition and disposal costs	4	7
Acquisition and disposal costs	79	157
Exceptional items (note 6)	76	60
Total	1,263	1,390

Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the parent Company's and consolidated financial statements	0.8	0.7
Fees payable to the Company's auditors for other services:		
– the auditing of any subsidiary of the Company	2.8	2.9
– audit-related assurance services	0.2	0.1
– taxation compliance services	–	0.2
– taxation advisory services	0.1	0.5
– other assurance services	0.4	0.1
	4.3	4.5

* Prior year comparatives have been re-presented to enable comparability.

** Information technology costs include depreciation and amortisation costs.

***Governance costs include fees associated with risk, compliance, internal audit and legal. £15m (2012/13 – £16m) of employee costs are included in governance costs. Employee costs as per note 8(a) is £771m (2012/13 – £824m).

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, and agency, mortgage and equity trades for its customer base. Clearing arrangements for certain US matched principal transactions are now outsourced to third parties (see note 17). In Europe and Asia Pacific, with the exception of base metal clearing on LCH.Clearnet Group Limited, 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.

4. Earnings per share

The Group presents basic and diluted EPS 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 trading EPS from the trading profit. The Group believes that this is the most appropriate measurement for assessing ICAP's performance since it better reflects the business's trading earnings.

The diluted EPS is calculated by adjusting share capital in issue for additional weighted average number of ordinary shares that are likely to be issued under various employee share award schemes as of the balance sheet date. Weighted average number of ordinary shares excludes the weighted average number of shares held as Treasury Shares of 17m (2012/13 – 18m) and those owned by employee share trusts relating to employee share schemes on which dividends have been waived, being 6m shares (2012/13 – 6m).

EPS relating to the Group's operations

	Year ended 31 March 2014			Year ended 31 March 2013		
Trading basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Trading basic	213	642	33.2	211	640	33.0
Dilutive effect of share options	–	12	(0.6)	–	10	(0.5)
Trading diluted	213	654	32.6	211	650	32.5

	Year ended 31 March 2014			Year ended 31 March 2013		
Basic and diluted	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic	101	642	15.7	43	640	6.7
Dilutive effect of share options	–	12	(0.3)	–	10	(0.1)
Diluted	101	654	15.4	43	650	6.6

5. Dividends payable

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

Amounts recognised as distributions to equity holders in the year	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Final dividend for the year ended 31 March 2013 of 15.40p per ordinary share (2012 –16.00p)	99	102
Interim dividend for the year ended 31 March 2014 of 6.60p per ordinary share (2013 – 6.60p)	42	43
Total dividend recognised in year	141	145

The final dividend for the year ended 31 March 2013 and the interim dividend for the year ended 31 March 2014 were both satisfied in full with cash payments of £99m and £42m respectively.

The directors have proposed a final dividend of 15.4p per share for the year ended 31 March 2014. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £103m. Therefore, subject to shareholders' approval of the proposed final dividend of 15.4p per share, the full-year dividend will be 22.0p per share, which will be covered 1.5 times (2012/13 – 1.5 times) by trading EPS of 33.2p (2012/13 – 33.0p).

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.

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6. Exceptional items

Exceptional items are non-recurring significant items that are considered material in both size and nature. These are disclosed separately to enable a full understanding of the Group's financial performance.

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Exceptional items before tax		
Regulatory matters including associated legal and professional fees	76	12
Staff termination and property exits	–	30
Information technology	–	18
Total exceptional items before tax	76	60
Tax	(12)	(12)
Total exceptional items after tax	64	48

During the year, ICAP Europe Limited (IEL) reached settlement agreements with the CFTC and the FCA relating to the involvement of certain former brokers in the attempted manipulation of yen Libor by bank traders between October 2006 and January 2011. Under the terms of the settlements, IEL paid penalties of $65m to the CFTC and £14m to the FCA, totalling £55m. See note 16.

A provision of £9m was recorded during the year with respect to a potential settlement by Link with the SEC. See note 15.

The remaining £12m exceptional costs relate to legal and professional fees associated with the investigations noted above.

7. 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 tax bases of the assets and liabilities. 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.

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.

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, 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.

7. Tax continued

Tax charged to the consolidated income statement in the year

Tax on trading profit	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Current tax		
Current year	69	85
Adjustment to prior years	(28)	(13)
	41	72
Deferred tax		
Current year	4	(3)
Adjustment to prior years	15	3
Impact of changes in tax rates	–	1
	19	1
Tax charge on trading profit	60	73
Tax credit on acquisition and disposal costs		
Current year	(1)	(1)
Adjustment to prior years	(19)	–
Deferred tax current	(19)	(37)
Deferred tax adjustment to prior years	13	–
Total tax credit on acquisition and disposal costs	(26)	(38)
Tax credit on exceptional costs		
Current year	(11)	(8)
Adjustment to prior years	(5)	–
Deferred tax charge/(credit) on exceptional items	4	(4)
Total tax credit on exceptional costs	(12)	(12)
Total tax charge to the consolidated income statement	22	23

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Trading profit before tax	272	284
Tax on trading profit at the standard rate of Corporation Tax in the UK of 23% (2012/13 – 24%)	63	68
Reconciling items:		
Expenses not deductible for tax purposes	4	3
Non-taxable income	(3)	(2)
Impact of overseas tax rates and bases	9	9
Prior year adjustment to current and deferred tax	(13)	(10)
Impact of change in rates	–	1
Deferred tax assets not recognised	–	4
	(3)	5
Total tax charge on trading profit	60	73

The Group's 2013/14 effective tax rate on trading profit is 22% (2012/13 – 26%).

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Notes to the financial statements continued

7. Tax continued

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Profit before tax	122	66
Tax on profit at the standard rate of Corporation Tax in the UK of 23% (2012/13 – 24%)	28	16
Reconciling items:		
Trading profit (see above)	(3)	5
Acquisition and disposal costs and exceptional items not deductible for tax purposes	14	14
Impact of overseas tax rates on adjusted items	(5)	(7)
Impact of change in rates on adjusted items	(1)	(5)
Impact of prior years' adjustments on adjusted items	(11)	–
	(6)	7
Total tax charged to the consolidated income statement	22	23

Legislation to reduce the main rate of Corporation Tax from 23% to 21% from 1 April 2014 was included in the Finance Act 2013. Further reductions to the main rate have been enacted reducing it to 20% by 1 April 2015. These latter changes have been substantially enacted at the balance sheet date and are therefore included in the tax charge. Deferred tax will unwind at a rate of 21% in the period to 31 March 2015 but this 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 2014 £m	As at 31 March 2013 £m
Deferred tax assets	12	15
Deferred tax liabilities	(74)	(66)
Net balances	(62)	(51)

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 1 April 2013	(37)	(61)	22	7	9	9	(51)
Tax (charge)/credit	(29)	29	2	(2)	(8)	(8)	(16)
FX adjustments	4	3	(2)	(1)	–	1	5
Net balances as at 31 March 2014	(62)	(29)	22	4	1	2	(62)

	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 1 April 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 of £25m (2012/13 – £19m) have not been recognised in respect of certain trading losses because it is not probable that future profits 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.

8. Employee information and expense

ICAP operates a number of pension plans throughout the Group including both defined benefit and defined contribution schemes. 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.

The Group awards share options and other share-based payments as part of its employee incentive schemes as well as other share-based payment transactions. The fair value of services acquired is measured by the fair value of the shares or share options awarded at the grant date and is charged to employee expenses over the period the service is received on a straight-line basis. A corresponding amount is recognised in equity.

(a) Analysis of employee costs

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Salaries (including bonuses)	705	761
Social security costs	58	56
Share-based payments (see below)	–	1
Pension costs	8	6
	771	824

As at 31 March 2014, there is a net defined benefit liability position of £4m (2012/13 – £3m).

(b) Number of employees analysed by business segment

	Average		Year end	
	Year ended 31 March 2014	Year ended 31 March 2013*	As at 31 March 2014	As at 31 March 2013*
Electronic Markets	519	497	543	500
Post Trade Risk and Information	535	477	564	510
Global Broking	3,126	3,319	3,076	3,204
Infrastructure	754	754	757	762
	4,934	5,047	4,940	4,976

*The prior year comparative for employee numbers by businesses and Infrastructure have been re-presented to enable comparability.

(c) Share-based payments

The total charge to the consolidated income statement in respect of employee share awards in the year was £nil (2012/13 – £1m).

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Bonus Share Matching Plan (BSMP)	(2)	(1)
Long term incentive plan (LTIP)	1	1
Other share-based payments schemes	1	1
Total	–	1

The BSMP is a long-term incentive plan for the executive directors where the directors are granted a number of ICAP plc shares with a value equal to half their pre-tax cash bonus. These awards are subject to certain service and performance conditions. The £2m credit in the year relates to the 2011 and 2012 schemes. The credit arises as management revised down the probability of 2011 and 2012 awards vesting in 2014 and 2015 respectively.

(d) Key management remuneration

Key management consists of the members of the GEMG, including the executive directors of the board. The aggregate remuneration for key management was £10m (2012/13 – £19m). The executive directors' remuneration of £5m (2012/13 – £9m) is disclosed separately in the remuneration report.

A credit of £2m (2012/13 – credit of £1m) was recognised in the consolidated income statement relating to share options held by key management. As disclosed in the remuneration report, the vesting of the matching shares awarded to key management are subject to the satisfaction of certain performance conditions.

Retirement benefits accruing to eight (2012/13 – seven) members of the GEMG under defined contribution schemes and, during the year, key management received £0.1m (2012/13 – £0.4m) in post-retirement benefits.

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Notes to the financial statements continued

9. Net finance expense

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Finance income		
Interest receivable and similar income		
Bank deposits	3	5
	3	5
Other finance income		
Dividends received on equity investments	3	6
Revaluation of deferred considerations*	6	–
Other	5	–
	14	6
Total finance income	17	11
Finance costs		
Interest payable and similar charges		
Bank loans and overdrafts	(38)	(40)
	(38)	(40)
Other finance costs: unwinding of deferred consideration*	(1)	(1)
Total finance costs	(39)	(41)
Net finance expense	(22)	(30)

*The revaluation and unwinding of deferred consideration are presented in the acquisition and disposal costs column of the income statement, in line with the Group's presentation of the income statement policy as disclosed in page 103.

Interest rate risk exposure

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, euro, yen and dollar debt drawn on fixed and floating rate terms. The Group's objective is to minimise its interest cost and the impact of interest rate 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 2014, after taking into account the impact of cross currency swaps and FX swaps, the interest rate profile of the Group's cash and debt was as follows.

	Year ended 31 March 2014			Year ended 31 March 2013		
	Floating rates £m	Fixed rates £m	Total £m	Floating rates £m	Fixed rates £m	Total £m
Pound sterling						
Cash	396	–	396	269	–	269
Debt	(164)	(412)	(576)	(171)	(208)	(379)
Dollars and currencies closely related to the dollar						
Cash	210	–	210	245	–	245
Debt	–	(117)	(117)	(127)	–	(127)
Other currencies						
Cash	97	–	97	88	–	88
Debt	–	(94)	(94)	(71)	–	(71)
Total						
Cash	703	–	703	602	–	602
Debt	(164)	(623)	(787)	(369)	(208)	(577)

9. Net finance expense continued

A 100 basis-points parallel increase in pound sterling Libor and Libid rates, which the Group considers to be an appropriate sensitivity measure, would decrease net finance costs by £2m. An equal impact would result from a similar movement in dollar rates. In the event that Libor and Libid rates each diverge by an additional 100 basis-points in the pound sterling rate, net finance costs would increase by £4m. A £2m increase would result from the same movement in the dollar rate.

Company

The Company is only exposed to interest rate movements as a result of a loan from a subsidiary of £140m. It is estimated that the impact of a 100 basis-point movement in interest rates would not have a significant impact on the net finance costs of the Company.

10. 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

	Fair value as at 31 March 2014 £m	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m	Company as at 31 March 2014 £m	Company as at 31 March 2013 £m
As at 1 April		506	374	124	–
New long-term borrowings		299	124	11	124
Reclassified as short-term borrowings		(246)	–	–	–
Exchange adjustment		(16)	10	–	–
Fair value hedging adjustment		(3)	(2)	–	–
As at 31 March		540	506	135	124
Analysis of long-term borrowings					
Five-year senior notes repayable 2019	289	288	–	–	–
Five-year senior notes repayable 2014	–	–	255	–	–
Subordinated loan notes repayable 2015	117	117	127	–	–
RCF repayable 2016	–	–	–	–	–
Retail bond repayable 2018	134	124	124	124	124
Ten-year senior notes repayable 2023	12	11	–	11	–
As at 31 March	552	540	506	135	124

In March 2014, the Group issued €350m five-year senior notes with a coupon of 3.125% and a maturity in 2019. These senior notes were issued at a re-offer price of 99.654 and are presented on the balance sheet at amortised cost, net of fees. 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 €250m of the notes from euros to pound sterling at an FX rate of 1.21. These swap €250m of the notes from a fixed effective euro interest rate of 3.20% to a fixed pound sterling interest rate of 4.39%. The swaps have been accounted for as a cash flow hedge and at 31 March 2014 have a fair market value of £1m and they offset the effect of FX on the notes. This resulted in a £nil charge (2012/13 – £nil) being recognised in the consolidated income statement and a £nil credit (2012/13 – £nil) in other comprehensive income during the year. The remaining €100m of the notes remain in euros and have been designated as a net investment hedge of the Group's euro denominated net assets.

In June 2013, the Group refinanced its $880m RCF with a £425m RCF provided by eight banks. This new RCF has a maturity date of December 2016 and incorporates a $200m swingline facility of which $75m is available as a late day fronted solution. The drawings under the RCF as at 31 March 2014 were £nil (2012/13 – £nil). The weighted average effective interest rate for the year was 2.5% (2012/13 – 2.2%). Additionally, in May 2013 the Group issued a €15m senior note with a coupon of 4.3% and a maturity in 2023.

The Group's bank facilities contain a number of customary financial and operational covenants. Included in these, the Company is required to remain as the ultimate holding company in the Group. The Group and Company remained in compliance with the terms of all its covenants throughout the year ended 31 March 2014.

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Notes to the financial statements continued

10. Borrowings continued

(a) Long-term borrowings continued

Fair values of five-year senior notes repayable 2019 and retail bond repayable 2018 have been measured using level 1 fair value measurement inputs. The fair value measurements of the subordinated loan notes repayable 2015 and ten-year senior notes repayable 2023 use level 2 fair value measurement inputs, which are derived from the fair values of similar bonds.

At 31 March 2014, the Group had committed headroom under its core credit facilities of £425m (2012/13 – £580m).

Committed facilities

	Group as at 31 March 2014 £m Drawn	Group as at 31 March 2014 £m Undrawn*	Group as at 31 March 2013 £m Drawn	Group as at 31 March 2013 £m Undrawn*
Less than one year	246	–	71	–
Between one and two years	117	–	255	580
Between two and five years	412	425	127	–
More than five years	11	–	124	–
	786	425	577	580

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

At 31 March 2014, the Group's long-term issuer ratings were Baa2 (negative) by Moody's and BBB (stable) by Fitch. The outcome of a review with Moody's, completed in June 2013, was an unchanged rating. In June 2013, Fitch downgraded its rating from BBB+ following its regular peer review of the Group and other interdealer broker firms.

The retail bond and ten-year senior notes are issued in the Company.

(b) Short-term borrowings

	Fair value as at 31 March 2014 £m	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m	Company as at 31 March 2014 £m	Company as at 31 March 2013 £m
Five-year senior notes repayable 2014	252	246	–	–	–
Yen loan	–	–	71	–	–
Overdrafts	1	1	–	–	–
	253	247	71	–	–

Since October 2012, the Group has entered into a series of JPY10bn term loans with The Tokyo Tanshi Co. Limited, borrowing each for a term of up to six months. These loans have been refinanced either immediately on maturity or a few days thereafter with similar terms. The most recent loan was repaid on 27 March 2014.

In September 2013, the Group entered into a one-year term loan agreement of £50m. This loan was drawn down in September 2013 and repaid in March 2014.

The carrying value of the five-year senior notes of £246m (2012/13 – £255m) has been reclassified as short-term borrowings at 31 March 2014 as they mature in July 2014. The carrying value of the notes includes a fair value hedging adjustment to decrease the carrying value by £9m (2012/13 – £3m increase). On issuance, 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 an FX rate of 1.16. €100m of the notes was swapped to fixed and these swaps have been accounted for as a cash flow hedge and at 31 March 2014 have a fair market value of £4m liability (2012/13 – £2m liability). These swaps resulted in a £nil charge (2012/13 – £nil) being recognised in the consolidated income statement and a £nil credit (2012/13 – £nil) in other comprehensive income during the year. €200m of the notes was swapped to floating and these swaps have been treated as a fair value hedge, have a fair market value of £6m liability (2012/13 – £2m) at 31 March 2014 and resulted in £nil (2012/13 – £nil) 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 £nil (2012/13 – £nil).

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

11. 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 comprise 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 2014 £m	Group year ended 31 March 2013 £m
Profit before tax	122	66
Operating exceptional items	76	60
Share of profit of associates after tax	(4)	(5)
Amortisation of intangible assets arising on consolidation	64	69
Impairment of intangible assets arising on consolidation	11	81
Amortisation and impairment of intangible assets arising from development expenditure	30	26
Depreciation and impairment of property and equipment	18	20
Loss on disposal of property and equipment	–	2
Other acquisition and disposal costs	3	6
Share-based payments	–	1
Net finance expense	22	30
Release of provision	(3)	–
Operating cash flows before movements in working capital	339	356
Decrease in trade and other receivables	34	71
(Increase)/decrease in restricted funds	(2)	13
Decrease in trade and other payables	(58)	(53)
Cash generated by operations before exceptional items	313	387
Operating exceptional items paid	(72)	(34)
Cash generated by operations	241	353
Interest received	3	4
Interest paid	(34)	(31)
Tax paid	(69)	(54)
Net cash flow from operating activities	141	272

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 2014 is an inflow of £9m (2012/13 – outflow of £7m).

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Notes to the financial statements continued

11. Cash continued

(b) Net (debt)/cash

Net (debt)/cash comprises total cash less other debt.

	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m
Gross debt (note 10)	(787)	(577)
Cash and cash equivalents	703	602
Net (debt)/cash	(84)	25

(c) Total cash

	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m
Cash and cash equivalents	703	602
Overdrafts	(1)	–
Net cash and cash equivalents	702	602
Restricted funds	39	37
Total cash	741	639

Total cash includes £484m cash (including £39m restricted funds) held within the Group's trading entities; £257m cash held in central treasury functions towards repaying the five-year senior notes of £246m maturing in July 2014 (note 10(b)).

(d) Client money

At 31 March 2014, the Group held client money of £13m (2012/13 – £36m). 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 increased during the year by £2m to £39m at 31 March 2014.

12. Capital and liquidity planning and management

The Group does not seek to take proprietary market risk positions, so does not seek to expose its capital to market risk, and it does not undertake any form of maturity transformation so does not seek liquidity risk. Thus, the overall approach to the planning and management of the Group's capital and liquidity is to ensure the Group's solvency, i.e. its continued ability to conduct business, deliver returns to shareholders and support growth and strategic initiatives. This risk profile meets the necessary conditions for an investment firm consolidation waiver and the Group continues to benefit from a waiver under the CRD IV provisions in force since 1 January 2014.

Liquidity

Group

The Group incurs exposure to liquidity risk as a result of trades executed as principal and trades executed on exchange on behalf of clients. As principal trades are executed as matched principal they give rise to no net funding requirement in the normal course of business and the liquidity requirements arise only 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.

12. Capital and liquidity planning and management continued

Liquidity continued

Group continued

In order to execute and clear matched principal trades in securities the relevant entities need access to clearing and settlement facilities, which requires access to credit during the settlement cycle, so typically only for a one to three day period. In order to execute trades in on-exchange derivatives the entities need access to credit facilities to carry the trades until they are taken up by customers.

In both cases, the Group can be required to post collateral or margin to support the credit lines, so access to liquidity is needed to ensure trades can continue to be supported uninterrupted. 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. Following the introduction of a new clearing arrangement for US Treasuries in the prior year (February 2013) US margin requirements have been significantly reduced and deposits averaged $15m during the year (compared with $36m in the prior year). Trading entities of the Group use locally held highly liquid assets, predominantly cash held to meet capital requirements, together with committed and uncommitted credit facilities to meet their liquidity requirements.

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 meets its liquidity requirements, the Group has maintained minimum core liquidity, in the form of centrally held cash and undrawn debt facilities, of $250m throughout the year.

At 31 March 2014, the Group had gross debt of £787m (2012/13 – £577m), the maturity analysis of which is set out in note 10, and cash and cash equivalents of £703m (2012/13 – £602m) (see note 11(c)). Cash has increased from 31 March 2013 due to funds raised as a result of the issue of the €350m senior notes in advance of the maturity in July 2014 of the £246m senior notes. Cash held at clearing houses, or a financial institution providing ICAP with access to a CCP, to which the Group has no immediate access in practice is disclosed as restricted funds in the financial statements (see note 11(e)).

The Group invests its cash balances in a range of capital protected instruments including money market deposits, AAA-rated 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. Counterparty limits applied are reviewed by the GRACC in conjunction with the risk function.

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 due 2018, and the €15m bond due 2023, all of the Company's financial liabilities are payable within three months.

Capital management

The Group's capital strategy is to maintain 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 capital structure of the Group consists of debt (see note 10) and equity, including share capital (see note 24), share premium, other reserves (see note 25) and retained earnings.

The Group seeks to ensure that it has sufficient regulatory capital at Group level and in individual regulated trading entities to meet regulatory requirements. The Group has regulated subsidiaries in approximately 40 countries, most notably the UK and the US, and is subject to consolidated supervision by the FCA. On 1 January 2014 the provisions of CRD IV came into force. The rules preserved the derogation for the FCA to waive the application of the consolidated capital requirements. The FCA has confirmed the grandfathering of our existing waivers which fall due for renewal in April 2016. The requirements of the waiver are equivalent under CRD IV to the pre-existing BIPRU rules which prevent the Group from taking proprietary positions. The Group continues to comply with these requirements.

The waiver modifies the calculation of the Group regulatory capital position, in effect excluding goodwill adjustments from the capital computation and, in so doing, allows the Group to undertake acquisitions using debt rather than equity finance. As a result of the waiver, 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 (2012/13 – £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 and the distribution of subsidiaries' profits to the Company.

Financial statements

Notes to the financial statements continued

12. Capital and liquidity planning and management continued

Capital management continued

Regulatory capital at solo entity level depends on the jurisdiction in which it is incorporated and operates. In each case the approach is to hold an appropriate surplus over the local minimum. The highest capital requirements arise in the UK, where they are predominantly driven by the fixed overhead requirement, which is based on the fixed costs of the prior year and so does not fluctuate significantly within the year. As the Group does not take proprietary positions it does not have an inventory of assets so regulatory capital is mostly represented by cash.

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 assesses the economic capital required to cover expected risks. The process followed at Group level is consistent with the CRD requirement for ICAP's FCA regulated entities to perform an internal capital adequacy assessment (ICAAP) under Pillar 2. The results for both are documented, updated and approved annually by the board and the UK regulated entity boards respectively. The Group overall and each regulated trading company complied with their regulatory capital requirements throughout the year.

In general, higher levels of market volatility result in increased demand for the Group's services. However, as the regulatory capital requirement is driven predominantly by the fixed cost base the impact of changes in volumes on the capital requirement is significantly dampened. 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.

13. 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 cost 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 trading operating expenses. Amortisation is charged against assets from the date at which the asset becomes available for use.

Group	2013/14 £m	2012/13 £m
Cost		
As at 1 April	204	183
Additions	53	32
Disposals	(9)	(31)
Reclassifications	13	14
Exchange adjustments	(14)	6
As at 31 March	247	204
Accumulated amortisation and impairment		
As at 1 April	121	115
Amortisation charge for the year	28	26
Impairment in the year	–	10
Disposals	(7)	(29)
Reclassifications	16	–
Exchange adjustments	(7)	(1)
As at 31 March	151	121
Net book value		
As at 31 March	96	83

14. Intangible assets arising on consolidation

Since 1 April 2004, intangible assets arising on consolidation include goodwill and other separately identifiable intangible assets such as customer relationships and customer contracts that arose on business combinations. 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 acquired businesses and reassesses the period over which the acquired intangible asset is likely to continue to generate cash flows that exceed the carrying value.

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures, when the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceed the amount of the identifiable net assets acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognised immediately in the income statement. Goodwill is initially recognised at cost and is subsequently held at cost less any provision for impairment.

Goodwill arises on the acquisition of interests in associates when the cost of investment exceeds ICAP's share of the net fair value of the associate's identifiable assets and liabilities. Goodwill arising on the acquisition of associates is included in 'Interests in associates' and is not tested separately for impairment. See note 21.

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.

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 are 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 for which 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 CGU at acquisition for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. The identification of CGUs is reviewed where there is a significant change to the Group's segmental reporting structure. Impairment testing is performed by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on the assets and liabilities of each CGU, including attributable goodwill. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use (VIU). VIU is the present value of the expected future cash flows from a CGU. Where the carrying value of the asset exceeds its VIU, 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.

Financial statements

Notes to the financial statements continued

14. Intangible assets arising on consolidation continued

(a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2013	1,075	632	1,707
Disposals	(3)	–	(3)
Exchange adjustments	(57)	(10)	(67)
As at 31 March 2014	1,015	622	1,637
Amortisation and impairment			
As at 1 April 2013	174	453	627
Amortisation charge for the year	–	64	64
Impairment in the year	11	–	11
As at 31 March 2014	185	517	702
Net book value			
As at 31 March 2014	830	105	935
Cost			
As at 1 April 2012	1,043	619	1,662
Additions	5	2	7
Reclassifications	(4)	4	–
Exchange adjustments	31	7	38
As at 31 March 2013	1,075	632	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
Reclassifications	–	4	4
Exchange adjustments	–	(1)	(1)
As at 31 March 2013	174	453	627
Net book value			
As at 31 March 2013	901	179	1,080

(b) Impairment testing of intangible assets arising on consolidation

The Group recognises £935m of intangible assets arising on consolidation, with £830m relating to goodwill and £105m relating to other intangible assets. The other intangible assets at 31 March 2014, all represent customer relationships and have varying remaining amortisation periods across CGUs.

During the year, goodwill and other intangible assets formerly attributed to 20 smaller Global Broking businesses were aggregated and reviewed for impairment at a single Global Broking CGU level. This change in the identification of CGU reflects the creation of Global Broking division to enable the Group to execute a global strategy for all voice broking businesses and is in line with the change in the reporting structure as discussed in note 1. The rationale for the aggregation of goodwill was presented to the Audit Committee, where the appropriateness was debated and approved.

Prior to the aggregation, individual goodwill balances in Global Broking were reviewed for impairment indicators, which resulted in a £7m impairment losses recognised in the year. The remaining £4m of impairment losses relate to the writing off of goodwill attributable to two small Electronic Markets businesses.

14. Intangible assets arising on consolidation continued

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

		As at 31 March 2014			
CGU	**Business segment**	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
BrokerTec	Electronic Markets	16	145	–	145
EBS	Electronic Markets	39	307	54	361
Reset	Post Trade Risk and Information	13	126	–	126
TriOptima	Post Trade Risk and Information	9	60	21	81
Traiana	Post Trade Risk and Information	12	91	25	116
Information	Post Trade Risk and Information	–	3	–	3
Global Broking	Global Broking	11	98	5	103
Total		100	830	105	935

		As at 31 March 2013*			
CGU	Business segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
BrokerTec	Electronic Markets	14	148	–	148
EBS	Electronic Markets	39	337	88	425
Reset	Post Trade Risk and Information	13	138	–	138
TriOptima	Post Trade Risk and Information	10	60	44	104
Traiana	Post Trade Risk and Information	13	100	37	137
Information	Post Trade Risk and Information	–	3	–	3
Global Broking	Global Broking	11	113	12	125
Total		100	899	181	1,080

*As a result of the change in the identification of CGUs during the year, the prior year allocation of goodwill and other intangibles assets have been re-presented to enable comparability.

Impairment testing methodology

The recoverable amount of a CGU is determined using VIU calculations, which are based on discounting management's pre-tax cash flow projections for the CGU. The pre-tax discount rate used is the weighted average cost of capital (WACC) ICAP allocates to investments in the businesses within which the CGU operates. A long-term growth rate estimate is used to extrapolate the cash flows in perpetuity because of the long-term nature of the businesses in the CGUs. For the 2013/14 annual impairment testing, management's cash flow projections for the year ending 31 March 2015 were used.

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 rate		Long-term growth rate	
	2014 %	2013 %	2014 %	2013 %
BrokerTec	9.3	11	4.8	3
EBS	9.6	11	4.6	2
Reset	9.7	11	4.5	2
TriOptima	9.4	11	4.1	3
Global Broking	9.6	n/a	0	n/a

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Notes to the financial statements continued

14. Intangible assets arising on consolidation continued

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

Discount rates

The Group's pre-tax WACC was 9.3% (2012/13 – 10.7%), reflecting a downward revision of the market risk premium estimate. The Group WACC is a function of the Group's cost of equity, derived using a Capital Asset Pricing Model (CAPM), and the Group's cost of debt. The cost of equity estimate depended on inputs in the CAPM reflecting a number of variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These inputs are based on the market's assessment of economic variables and management judgement, which are subject to scrutiny by the Governance committees, including the GRACC and the Audit Committee (see page 60). All inputs to the CAPM model were externally sourced. The CGU specific WACCs were then derived by adjusting the Group WACC for business specific risk factors.

Nominal long-term growth rate

The growth rate reflects weighted average GDP growth and inflation for the countries within which the CGUs operate. The rates are based on International Monetary Fund's medium-term forecast growth rates as they are deemed to be a reliable estimate of likely future trends. The rates applied do not exceed the expected growth in the local economy or, for businesses which operate on a global scale, the global GDP.

Management's judgement in estimating the cash flows of a CGU

The cash flow projections for each CGU are based on plans approved by the board of directors. The key assumptions included in the cash flow projections of the CGUs are discussed below:

BrokerTec

BrokerTec cash flow projections are largely predicated on continued growth of the on-the-run US Treasury actives market and forecasted improvement in the volume of UST off-the-run trading. The key challenges to the cash flow projections arise from potential increased competition in the US Treasury active market space and from uncertainty around how regulatory reforms, such as higher capital requirements for banks, will affect the US and European repo markets.

EBS

The key assumptions included in the cash flow projections for EBS are that the new initiatives and growth areas, including EBS Direct, will continue to drive revenue in 2014/15 and the projections are also based on EBS Market's growing market share in emerging market currencies. The key challenge to the cash flow projections is a worse than anticipated decrease in EBS Market revenue driven by a decrease in FX market activity.

Reset

The cash flow projections for Reset is predicated on expected positive changes to the macroeconomic environment in 2014/15, specifically some sporadic or small increase in the volatility expectations. Our ability to achieve the budgeted cash flow for Reset could be challenged if central banks continue their policy of quantitative easing and low and stable interest rates.

TriOptima

The key assumption included in the cash flow projections for TriOptima reflect continued growth anticipated in triResolve revenues as new subscribers continue to join the service in response to significant changes in our customers' regulatory requirements. The key risk to our cash flow projections is a worse than expected performance in triReduce as the market migrates to CCPs where the compression value proposition is lesser than for bilateral trades.

Global Broking

The cash flow projections for Global Broking are based on management's assumption that the challenging market conditions experienced in many asset classes in 2013/14 will continue in 2014/15. The trading activity levels in the last quarter of the financial year indicate that while ICAP continues to hold significant market share, the decline in revenue is consistent with general market trends. The key risk to the 2014/15 cash flow assumptions arise from worsening market volumes and brokerage rates and the impact of short-term uncertainties arising from regulatory reforms continue to be felt next year.

Based on the conditions at the balance sheet date and having assessed sensitivities of the key assumptions, management determined that a reasonably possible change in any of those key assumptions noted above would not cause an impairment in any of CGUs.

15. 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.

	Regulatory matters £m	Legal £m	Other £m	Total £m
As at 1 April 2013	–	7	7	14
Amounts recognised in the income statement	13	–	–	13
Released to the income statement	–	(3)	(1)	(4)
Released against receivables	–	(2)	–	(2)
Exchange adjustments	–	(1)	(1)	(2)
As at 31 March 2014	13	1	5	19
As at 1 April 2012	–	10	9	19
Amounts recognised in the income statement	–	–	1	1
Released to the income statement	–	(3)	(3)	(6)
As at 31 March 2013	–	7	7	14

In October 2012, four former cash equity brokers of Link Brokers Derivatives LLC (Link), one of Global Broking subsidiaries, were charged with wrongdoing by the SEC and the US Department of Justice, in respect of conduct that largely pre-dates ICAP's acquisition of Link in April 2008. Since then Link has continued to co-operate with the SEC's investigation. Link closed its cash desk in 2010, and ceased all commercial operations in April 2013.

Regulatory matters include a provision of £9m recorded at 31 March 2014 in respect of any potential settlement by Link with the SEC as a result of the former brokers' conduct.

The remaining £4m regulatory matters provision made during the year relates to estimated professional services fees to comply with the orders in the undertakings that were agreed with the CFTC, as part of reaching settlement on the yen Libor investigations.

Legal provisions represent amounts for certain claims brought against subsidiaries of the Group in relation to certain tax matters and the provisions have been acquired by the Group on the acquisition of subsidiary undertakings. Based on the developments in the year, management determined that as at 31 March 2014, the probability of an economic outflow relating to certain legal provisions were less than remote, hence released £3m to the income statement.

At the present time, the timing of any payment is uncertain and the matters are reviewed by the Group on a regular basis. It is unlikely that the outcome of these legal claims will give rise to any significant loss beyond the amounts provided at 31 March 2014.

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Notes to the financial statements continued

16. Contingent liabilities, contractual commitments and guarantees

The Group's contingent liabilities include possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of ICAP. Additionally, contingent liabilities also include present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Contingent liability

On 25 September 2013, ICAP Europe Limited (IEL), one of ICAP's Global Broking division's subsidiaries, reached settlement agreements with the FCA and the CFTC relating to the involvement of certain brokers in the attempted manipulation of yen Libor by bank traders. ICAP continues to respond to requests from several government agencies in relation to the setting of yen Libor, including ongoing investigations being conducted by the Competition Directorate of the European Commission. IEL does not believe that it has breached EU competition laws, however it is not practicable to predict the ultimate outcomes of these investigations or to provide an estimate of any potential financial impact on the Group. IEL continues to work closely and co-operate fully with an ongoing investigation by the US Department of Justice relating to the Libor matters. The US Department of Justice has not taken action against IEL nor any other ICAP company to date. Based on ICAP's present assessment of this matter, no provision has been made. In addition, ICAP plc is a named defendant in three civil litigations against various Libor and Tibor setting banks in the US. It is not practicable to predict the ultimate outcomes of these litigations or to provide an estimate of any potential financial impact on the Group, but the Company intends to defend the claims vigorously.

ICAP continues to co-operate with the CFTC's inquiries into the setting of USD ISDAFIX rates. ICAP Capital Markets LLC was the collection agent for ISDAFIX panel bank submissions in dollar up until January 2014, when the collection process was changed by ISDA. It is not practicable to predict the ultimate outcome of this investigation or to provide an estimate of any potential financial impact on the Group.

From time to time the Group is engaged in litigation in relation to a variety of matters. It is also frequently required or requested to retain and/or provide transaction records and other 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 in litigation, nor identify the purpose or outcome of any regulatory requests, but currently there are none expected to have a material adverse impact on the Group's consolidated results or net assets.

Contractual commitments

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 2014 £m	As at 31 March 2013 £m
Within one year	24	16
Between one and five years	71	83
After five years	30	41
	125	140

No amounts were expected to be received under non-cancellable sub-leases as at 31 March 2014 (2012/13 – £nil). Operating lease commitments relate to the rental of premises for office space in the UK, US, Israel and Asia Pacific, in the locations that the Group operates.

Guarantees

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/software. As at 31 March 2014, the Group has given £357m (2012/13 – £354m) of guarantees to counterparties.

ICAP plc has provided a subordinated guarantee to a subsidiary company in respect of the $193m subordinated loan notes repayable in 2015. The fair value of the guarantee at 31 March 2014 was immaterial.

17. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost 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 derivative financial instruments is included in the currency risk management note (note 26).

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

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

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.

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Notes to the financial statements continued

17. Trade and other receivables continued

	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m	Company as at 31 March 2014 £m	Company as at 31 March 2013 £m
Non-current receivables				
Deposits	2	–	–	–
Derivative financial instruments	1	–	–	–
Other receivables	3	6	124	124
	6	6	124	124
Current receivables				
Matched principal trade receivables	21,821	15,614	–	–
Deposits paid for securities borrowed	795	919	–	–
Other trade receivables	192	201	–	–
Impairment of other trade receivables	(3)	(3)	–	–
Derivative financial instruments	4	3	–	–
Amounts owed by subsidiaries	–	–	99	97
Amounts owed by associates	2	4	–	–
Other receivables	70	66	–	1
Prepayments	56	94	–	–
	22,937	16,898	99	98

(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 counterparts 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. Approximately 85% 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. 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:

	As at 31 March 2014 £m	As at 31 March 2013 £m
Financial assets of the Group (note 19)	23,648	17,473
Guarantees given to counterparties	357	354
	24,005	17,827

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.

17. Trade and other receivables continued

(b) Impairment of other trade receivables

Other trade receivables represent amounts receivable in respect of agency business and information services. All receivables are individually assessed for impairment at the reporting date. Management judgement is applied in determining whether there is objective evidence that a loss event has occurred and, if so, the measurement of the impairment allowance. In determining whether there is objective evidence that a loss event has occurred, judgement is exercised in evaluating all relevant information on indicators of impairment, which is not restricted to the consideration of whether payments are contractually past due but includes broader consideration of factors indicating deterioration in the financial condition and outlook of customers affecting their ability to pay. For those receivables where objective evidence of impairment exists, management determines the size of the allowance required based on a range of factors, including probability of default and, if defaulted, expectation of recovery. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the reversal is recognised in the income statement.

As at 31 March 2014, £3m of other trade receivables remain impaired (2012/13 – £3m). There have been no new impairments during the year.

Past due but not impaired trade and other receivables are those in respect of which the debtor has failed to make a payment or a partial payment in accordance with the contractual terms of the invoice, but there is no major concern over the creditworthiness of the counterparty, hence not impaired. In the prior reporting periods, receivables past a 'normal settlement date' were considered past due and were reported on that basis. As of 1 April 2013, the Group realigned the age grouping of receivables to reflect better how management monitors aged receivables internally. As at 31 March 2014, the following trade and other receivables were past due but not impaired:

	As at 31 March 2014 £m	As at 31 March 2013* £m
Less than 30 days overdue	108	120
Over 30 days, but less than 90 days overdue	59	56
Over 90 days, but less than 180 days overdue	10	13
Over 180 days overdue	12	9
As at 31 March	189	198

* The prior year comparatives have been re-presented to enable comparability.

(c) Offsetting financial assets and financial liabilities

Under a clearing arrangement for certain US matched principal transactions on a fully disclosed clearing basis, the Group has 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 were recorded on a net basis.

	As at 31 March 2014 £m	As at 31 March 2013 £m
Gross recognised receivable	128,545	329,220
Gross recognised payable	128,151	328,571
Gross amounts that are netted	128,151	328,571
Gross amounts subject to netting arrangements that are not offset	394	649
Deposit securities paid (collateral)	10	9

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Notes to the financial statements continued

17. Trade and other receivables continued

(d) Trade receivables by currency

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

As at 31 March 2014

Group	Trade receivables					
	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Matched principal trade receivables	4,441	10,494	4,799	459	1,628	21,821
Deposits paid for securities borrowed	–	795	–	–	–	795
Other trade receivables (net)	32	112	20	3	22	189
	4,473	11,401	4,819	462	1,650	22,805

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

18. Trade and other payables

Accounts payable are recognised initially at fair value based on the amounts exchanged and subsequently held at amortised cost.

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

Details of the accounting policy relating to derivative financial instruments is included within the currency risk management note (note 26).

	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m	Company as at 31 March 2014 £m	Company as at 31 March 2013 £m
Current payables				
Matched principal trade payables	21,765	15,587	–	–
Deposits received for securities loaned	836	922	–	–
Other trade payables	11	20	–	–
Amounts owed to subsidiaries	–	–	388	429
Derivative financial instruments	16	10	–	–
Accruals	226	285	–	–
Other tax and social security	17	15	–	–
Deferred income	18	2	–	–
Other payables	22	35	3	–
Contingent deferred consideration	2	1	–	–
Deferred consideration	1	3	–	–
	22,914	16,880	391	429

	Group as at 31 March 2014 £m	Group as at 31 March 2013 £m	Company as at 31 March 2014 £m	Company as at 31 March 2013 £m
Non-current payables				
Accruals	4	9	–	–
Contingent deferred consideration	3	8	–	–
Amounts owed to subsidiaries	–	–	–	–
Derivative financial instruments	–	1	–	–
Other payables	1	–	–	–
Deferred income	1	11	–	–
Total	9	29	–	–

As at 31 March 2014, the fair value of trade and other payables is not materially different from their book values.

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Notes to the financial statements continued

18. Trade and other payables continued

(a) Maturity of trade and other payables

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

Maturity of trade and other payables and provisions as at 31 March 2014

	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	21,765	–	–	–	21,765
Deposits received for securities loaned	836	–	–	–	836
Other trade payables	6	5	–	–	11
Derivative financial instruments	–	16	–	–	16
Other payables	17	5	1	–	23
Contingent deferred consideration	–	2	3	–	5
Deferred consideration	–	1	–	–	1
Accruals	78	148	2	2	230
	22,702	177	6	2	22,887

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

	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

The gross amounts payable have been disclosed above, rather than their net present value. Based on their short-term 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 £391m (2012/13 – £429m) are all due within 90 days.

(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 acquisitions 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 2014, contingent deferred consideration of £5m (2012/13 – £9m) was outstanding.

19. Financial assets and liabilities

(a) Financial assets

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

As at 31 March 2014 and 2013, the fair values of financial assets are not materially different from their book values.

Classification of financial assets as at 31 March 2014

	Hedging instruments £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents	–	–	703	703
Restricted funds	–	–	39	39
Available-for-sale investments	–	19	–	19
Matched principal trade receivables	–	–	21,821	21,821
Deposits paid for securities borrowed	–	–	795	795
Non-current deposits paid	–	–	2	2
Other trade receivables (net)	–	–	189	189
Derivative financial instruments	5	–	–	5
Other receivables	–	–	75	75
	5	19	23,624	23,648

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
Other receivables	–	–	71	71
	3	29	17,441	17,473

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

	As at 31 March 2014 £m	As at 31 March 2013 £m
Current and non-current receivables (note 17)	22,943	16,904
Available-for-sale investments (note 22)	19	29
Cash (including restricted funds)	742	639
Excluded:		
Non-financial other receivables	–	(5)
Prepayments	(56)	(94)
	23,648	17,473

Prepayments and certain items included within other receivables are not defined as financial assets under IAS39. During the year, ICAP's £9m investment in Corretaje e Informacion Monetaria y de Divisas SA (CIMD) was reclassified from an available-for-sale investment to associate. See note 22.

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Notes to the financial statements continued

19. Financial assets and liabilities continued

(b) Financial liabilities

As at 31 March 2014 and 31 March 2013, the fair values of financial liabilities are not materially different from their book values except for the fair value of the retail bond repayable in 2018. See note 10.

Classification of financial liabilities

	31 March 2014			31 March 2013		
	Hedging instruments £m	Amortised cost £m	Total £m	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	21,765	21,765	–	15,587	15,587
Deposits received for securities loaned	–	836	836	–	922	922
Other trade payables	–	11	11	–	20	20
Derivative financial instruments	16	–	16	11	–	11
Other payables	–	23	23	–	35	35
Contingent deferred consideration	–	5	5	–	9	9
Deferred consideration	–	1	1	–	3	3
Accruals	–	230	230	–	294	294
Borrowings and overdrafts	–	787	787	–	577	577
	16	23,658	23,674	11	17,447	17,458

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

	As at 31 March 2014 £m	As at 31 March 2013 £m
Current and non-current payables	22,923	16,910
Borrowings and overdrafts (note 10)	787	577
Provisions (note 15)	19	14
Excluded:		
Provisions	(19)	(14)
Other tax and social security	(17)	(15)
Deferred income	(19)	(14)
	23,674	17,458

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

Company

Financial assets and liabilities

All 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.

20. Principal subsidiaries and joint ventures

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

The Company recognises investments in subsidiaries initially at fair value, and subsequent changes in value as a result of impairment are recognised in the income statement.

(a) Investment in subsidiaries – Company

The Company's immediate subsidiary companies are ICAP Group Holdings plc, Intercapital Limited and Garban Group Holdings Limited, all of which are incorporated in England and Wales and are 100% owned by the Company. At 31 March 2014, these investments had a cost and net book value of £2,036m (2012/13 – £2,036m). There were no significant acquisitions or disposals of subsidiaries during the year. There were no impairment charges recognised during the year.

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, joint ventures 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 Global Derivatives Limited	100
	ICAP Energy Limited	100
	ICAP Europe Limited	100
	ICAP Management Services Limited	100
	ICAP Securities Limited	100
	iSwap Limited	50.1
Japan	ICAP Totan Securities Co Limited	60
Singapore	Reset Private Limited	100
Sweden	TriOptima AB	100
Switzerland	EBS Service Company Limited	100
United States	EBS Dealing Resources Inc	100
	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	86.7

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. ICAP Energy Ltd, ICAP Europe Ltd, ICAP Securities Ltd, EBS Dealing Resources International Ltd, ICAP Securities USA LLC, ICAP Corporates LLC and ICAP Electronic Broking LLC each operate from branches outside the countries of incorporation.

All subsidiaries are involved in Electronic Markets, Post Trade Risk and Information or Global Broking activities.

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Notes to the financial statements continued

20. Principal subsidiaries and joint ventures continued

(b) Joint ventures – Group

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

		% held	Principal activity
England	TFS-ICAP Limited*	23.0	Broking
Germany	TFS-ICAP GmbH	33.3	Broking
United States	TFS-ICAP LLC	23.0	Broking
Mexico	SIF ICAP, SA de CV	50.0	Broking

All joint ventures have a 31 December year end.

*TFS-ICAP Limited has operations in Australia, Japan and Singapore that are proportionately consolidated in Group financial statements.

Summary financial information of joint ventures

The Group's share of joint ventures' assets and liabilities are proportionately included in the consolidated balance sheet and their results are also proportionately included in the consolidated income statement.

	As at 31 March 2014 £m	As at 31 March 2013 £m
Assets	15	15
Liabilities	(7)	(7)
Net assets	8	8
Goodwill included in the Group's balance sheet	2	2
Net investment in joint ventures	10	10

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Revenue	19	15
Operating expenses	(14)	(11)
Profit before tax	5	4
Tax	(1)	(1)
Profit for the year	4	3
Attributable to		
Equity holders of the Company	4	3

As noted in the future accounting developments section on page 105, the Group will adopt IFRS11 Joint Arrangements and IAS28 Associates and Joint Ventures for the financial year beginning 1 April 2014. The Group determined that as a result of these adoptions the joint ventures' results will not be proportionately consolidated in the Group financial statements but will be treated under the equity accounting method.

If IFRS11 and amendments to IAS28 were applied in the current year, Group's revenue and operating expenses would have been £19m and £14m lower respectively. Group's profit before tax and tax charge would have both been £1m lower. However, there would be no impact on the Group's profit for the year as £4m income from joint ventures (net of tax) would have recorded after the Group's operating profit.

21. Investment in 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.

Investments in associates are reviewed for indicators of impairment under IAS39 Financial instruments: Recognition and Measurement. Whenever application of IAS39 indicates that an investment may be impaired, the carrying amount of the investment, including attributed goodwill, is tested for impairment as a single asset under IAS36, by comparing the carrying amount with its recoverable amount (higher of VIU and fair value less costs to sale).

Movements in interests in associates

	2013/14 £m	2012/13 £m
As at 1 April	59	54
Additions	4	7
Disposals	–	(3)
Transfer to joint venture	–	(2)
Transfer from available-for-sale investment	10	–
Share of profit for the year	4	5
Dividends received	(4)	(1)
Exchange adjustments	(8)	(1)
As at 31 March	65	59

Summary financial information for associates

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

	As at 31 March 2014 £m	As at 31 March 2013 £m
Assets	61	38
Liabilities	(26)	(7)
Net assets	35	31
Goodwill and intangible assets arising on consolidation	30	28
Net investment in associates	65	59

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Revenue	32	34
Operating expenses	(26)	(26)
Profit before tax	6	8
Tax	(2)	(3)
Share of profit of associates after tax	4	5

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21. Investment in associates continued

During the year, the Group acquired 22.9% interest in Enso LP, provider of innovative portfolio reporting and data analytics services, for a cash consideration of \$6.5m (£4m) with the investment classified as an associate.

During the year, the Group reclassified its £9m available-for-sale investments in Corretaje e Informacion Monetaria y de Divisas SA (CIMD) as an associate. The reclassification was a result of establishing ICAP's significant influence through increased representation on CIMD's board of directors.

As at 31 March 2014, the Group held a 15.2% equity interest in OpenGamma Inc with the investment classified as an associate. The Group has significant influence through its representation on the board of directors of OpenGamma Inc.

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

		% held	Principal activity
China	Shanghai CFETS-ICAP International Money Broking Co Limited	33.0	Broking
England	BSN Capital Partners Limited	25.1	Broking
Hong Kong	Capital Shipbrokers Limited	49.0	Broking
Japan	Totan ICAP Co Limited	40.0	Broking
	Central Totan Securities Co Limited	20.0	Broking
Jersey	Enso LP	22.9	Post Trade Risk and Information
Malaysia	Amanah Butler Malaysia Sdn Bhd	32.1	Broking
Spain	CIMD	19.9	Broking
United States	CLS Aggregation Services LLC	42.5	Post Trade Risk and Information
	OpenGamma Inc	15.2	Post Trade Risk and Information

All share holdings are in ordinary shares except for 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.

22. Available-for-sale investments

Available-for-sale financial assets are debt and equity non-derivative financial assets and are initially recognised at fair value.

Available-for-sale investments in equity assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are subsequently recorded at cost less impairment. If there is objective evidence that an impairment loss has been incurred on such financial assets, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All other available-for-sale financial assets are fair valued subsequently at each period end. Any subsequent changes in fair value are recognised directly in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative unrealised loss that had been recognised in other comprehensive income is transferred to the consolidated income statement.

Impairment losses recognised in the consolidated income statement for an investment in an available-for-sale equity instrument are not reversed through the consolidated income statement. Dividends on available-for-sale equity investments are recognised in the consolidated income statement when the right to receive payment is established. When an available-for-sale financial asset is derecognised, 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.

22. Available-for-sale investments continued

	2013/14 £m	2012/13 £m
As at 1 April	29	31
Additions	1	2
Disposals	(1)	(5)
Transfer to associates	(9)	–
Exchange adjustments	(1)	1
As at 31 March	19	29
Non-current available-for-sale investments		
Held at fair value	1	2
Held at cost	18	27
Total	19	29

The fair value of £1m (2012/13 – £2m) was determined using level 1 inputs, being the quoted prices of the equity instruments.

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Listed securities		
Equities listed in the US	–	1
Equities listed in the rest of the world	1	1
Total listed securities	1	2
Unlisted securities		
Equity investments	16	25
Other	2	2
Total unlisted securities	18	27
Total available-for-sale investments	19	29

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 2014	8	3	1	5	2	19
As at 31 March 2013	8	3	9	6	3	29

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23. 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 into its intended use. Property and equipment is subsequently presented 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.

	As at 31 March 2014			As at 31 March 2013		
Group	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Total £m	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Total £m
Cost						
As at 1 April	35	148	183	33	205	238
Additions	1	13	14	–	7	7
Disposals	–	(9)	(9)	–	(55)	(55)
Reclassifications	17	(20)	(3)	1	(15)	(14)
Exchange adjustments	(4)	(14)	(18)	1	6	7
As at 31 March	49	118	167	35	148	183
Accumulated depreciation						
As at 1 April	15	118	133	13	143	156
Charge for the year	4	14	18	2	18	20
Impairment in the year	–	–	–	–	8	8
Disposals	–	(9)	(9)	–	(55)	(55)
Reclassifications	14	(20)	(6)	–	–	–
Exchange adjustments	(2)	(11)	(13)	–	4	4
As at 31 March	31	92	123	15	118	133
Net book value						
As at 31 March	18	26	44	20	30	50

24. 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) Issued share capital

	As at 31 March 2014		As at 31 March 2013	
Allotted, called up and fully paid	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
As at 1 April	665	66	664	66
Issued during the year	–	–	1	–
As at 31 March	665	66	665	66

During the year no ordinary shares were issued (2012/13 – 217,261) or cancelled (2012/13 – nil).

The number of ordinary shares in issue at 31 March 2014 was 664,537,006 (2012/13 – 664,537,006) with 16,707,521 (2012/13 – 18,346,181) held as Treasury Shares and 5,721,011 (2012/13 – 6,193,738) 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 reported as other receivables.

(b) Potential issues of share capital

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

				Number of shares millions	
Year of grant	Weighted average exercise price (pence)	Exercise period from	Exercise period to	As at 31 March 2014	As at 31 March 2013
2003/04	270.0	31/08/2006	26/11/2013	–	0.4
2005/06	297.0	01/07/2008	30/06/2015	1.0	1.0
2006/07	486.0	01/06/2009	06/09/2016	1.3	1.3
2010/11	288.0	01/08/2013	31/03/2014	0.5	1.2
2011/12	346.0	01/08/2014	23/11/2021	0.3	0.4
2012/13	285.4	24/05/2015	26/06/2022	1.4	1.6
2013/14	272.0	01/08/2016	31/03/2017	1.3	–
Total potential issues of share capital				5.8	5.9

(c) Shares held in trust for employee share schemes

The Company has established employee share trusts in respect of the SEEPP, the BSMP, the Traiana Plan and the LTIP 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 2014, these trusts owned 5,721,011 ordinary shares in the Company (2012/13 – 6,193,738) with a market value of £22m (2012/13 – £18m).

	Number of shares millions	
	Year ended 31 March 2014	Year ended 31 March 2013
As at 1 April	6	4
Acquired during the year	–	3
Exercised by employees during the year	–	(1)
As at 31 March	6	6

Financial statements

Notes to the financial statements continued

24. Share capital continued

(d) Treasury Shares

During the year the Company did not purchase any of its own shares (2012/13 – 97,523), but transferred 1,638,660 shares (2012/13 – 45,577) to employees under its share-based payments schemes. As at 31 March 2014, the number of shares held as Treasury Shares was 16,707,521 (2012/13 – 18,346,181).

	Number of shares millions	
	Year ended 31 March 2014	Year ended 31 March 2013
As at 1 April	18	18
Acquired during the year	–	–
Re-issued during the year	(1)	–
As at 31 March	17	18

25. 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 2013	28	1	(6)	55	78
Unrealised gains in the year	–	–	8	–	8
As at 31 March 2014	28	1	2	55	86

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
Unrealised loss in the year	–	–	(13)	–	(13)
As at 31 March 2013	28	1	(6)	55	78

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 from fair value movements of derivative financial instruments that were designated as cash flow hedges on the balance sheet.

(b) Company reserves

The Company has retained earnings of £1,213m (2012/13 – £1,185m) of which £512m (2012/13 – £512m) is not distributable.

26. Currency risk management

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

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

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

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.

The principal exchange rates which affect the Group are disclosed in note 2 to the financial statements.

Financial statements

Notes to the financial statements continued

26. Currency risk management continued

Group continued

(i) Transactional exposures

The Group's policy is for all subsidiaries to hedge their material non-functional currency transactional exposures through a combination of forward FX contracts and options for up to two years forward. The majority of these exposures relate to dollar and euro sales arising in pound sterling functional currency companies. The Group revised its hedging policy during the year such that, under the revised policy, a minimum of 75% of the forecast exposures are hedged for the first six months, 50% for the following six months and 25% for the next six months.

The Group has contracts in place, designated as cash flow hedges under IAS39 where appropriate, with a total notional value of 17% of its forecast dollar and 28% of its forecast euro transactional exposures for the year to 31 March 2015. These contracts are at average rates of $1.5955/£ and €1.1717/£ respectively.

(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. Where material, it is the Group's policy to hedge 100% of these exposures using a mix of foreign currency swaps and forward FX contracts. Cross currency swaps have therefore been used to hedge both the FX and the interest rate risks of the Group in relation to the €300m of five-year senior notes (note 10(a)).

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 these exposures. As at 31 March 2014, the Group has the subordinated loan notes, €100m of the 2019 five-year senior notes and the 2023 ten-year senior notes, designated as hedging instruments against the underlying dollar and euro exposures respectively. As at 31 March 2014, these exposures were $1.6bn (2012/13 – $1.4bn) and €0.2bn (2012/13 – €0.2bn) including intangible assets arising on consolidation, but before $0.2bn (2012/13 – $0.3bn) and €0.1bn (2012/13 – €nil) of hedging.

The Group disclosed in note 2 the actual impact and anticipated impact on the Group's 2013/14 operating profit from the movements during the year of the dollar and euro exchange rates in terms of transactional and translational exposures. The table below shows the actual impact on the Group's equity of movements in the dollar and euro exchange rates in terms of transactional and translational exposures. The table below also discloses the anticipated impact on the Group's equity of a 10 cent weakening, which the Group considers to an appropriate sensitivity measure, in the dollar and euro in terms of transactional and translational exposure.

	2013/14			2012/13		
	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Actual impact	(92)	(6)	(98)	(46)	(7)	(53)
10 cent weakening	(45)	(11)	(56)	(5)	(2)	(7)

26. Currency risk management continued

Group continued

(iii) Derivative financial instruments

Among other methods, the Group uses derivative financial instruments to implement its FX policy. These include the use of forward FX contracts to hedge a portion of its transactional dollar and euro exposures and cross currency interest rate swaps to hedge the FX and interest rate risks on its senior notes. Where these are designated and documented as cash flow hedges in the context of IAS39 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in other comprehensive income and transferred to the consolidated income statement on recognition of the underlying item being hedged. The below table presents the carrying value of the Group's derivative financial instruments.

	As at 31 March 2014		As at 31 March 2013	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	4	(6)	1	(6)
Cross currency swaps – cash flow hedges	–	(10)	–	(3)
Cross currency swaps – fair value hedges	1	–	2	–
Other	–	–	–	(2)
	5	(16)	3	(11)

No amounts (2012/13 – £nil) were recognised in the consolidated income statement in the year as a result of ineffective hedges.

Fair value hierarchy for the derivative financial instruments:

	As at 31 March 2014			As at 31 March 2013		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Derivative assets	–	5	–	–	3	–
Derivative liabilities	–	(16)	–	–	(11)	–

In deriving fair value of all derivatives instruments as at 31 March 2014, valuation models were used which incorporated observable market data. There were no significant inputs used in the models that were unobservable.

Company

Balance sheet translational exposures

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

At 31 March 2014, the Company had £12m financial assets or liabilities denominated in foreign currencies which related to its ten-year senior notes (2012/13 – £nil).

Financial statements

Notes to the financial statements continued

27. 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 £2,786 (2012/13 – £39,252). During the year, the Group charged IPGL £841 (2012/13 – £nil) in respect of employees of the Group who provided services to IPGL and its investments and £1,727 (2012/13 – £1,466) in respect of other services. As at 31 March 2014, IPGL owed the Group £6,125 (2012/13 – £nil).

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 £924 (2012/13 – £2,606) has been charged on these loans during the year. The Group collected revenue of £7.0m (2012/13 – £11.6m) on behalf of Exotix and recharged Exotix £255,210 (2012/13 – £270,707) for clearing-related services and £288,435 (2012/13 – £237,845) for other services provided during the year. As at 31 March 2014, there was a balance due to Exotix from the Group of £0.4m (2012/13 – £1.6m). 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) £15,000 (2012/13 – £0.4m) for the provision of FX data from its EBS platform. As at 31 March 2014, there was no balance outstanding with the Group (2012/13 – £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 £0.1m (2012/13 – £0.3m) 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 – £123,527 (2012/13 – £nil); TFS-ICAP Ltd – £25,475 (2012/13 – £16,750). As at 31 March 2014, the outstanding balance from all the joint ventures to the Group was £1.2m (2012/13 – £2.9m 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 £144,627 (2012/13 – £159,147) for these services. The Group also has a preferred brokerage agreement with BSN and has recognised revenue of £0.2m (2012/13 – £0.1m) during the year. As at 31 March 2014, the outstanding balance was £385,822 (2012/13 – £136,994).

27. Related party transactions continued

Group continued

(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 £nil (2012/13 – £19,131) for these services. The Group also invoiced and collected revenue of £201,703 for CFETS-ICAP in the year (2012/13 – £696,561). As at 31 March 2014, there was a balance due to CFETS-ICAP from the Group of £1,500,949 (2012/13 – £1,520,569).

(e) Capital Shipbrokers Ltd

The Group collected revenue on behalf of Capital Shipbrokers Ltd, an associate based in Hong Kong, of £2.0m (2012/13 – £2.7m). The Group also recharged Capital Shipbrokers Ltd £143,649 (2012/13 – £395,278) for overheads. The total outstanding balances due from the Group was £1.0m (2012/13 – £1.9m).

(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 £11,078 (2012/13 – £nil) was charged on the loan during the year. As at 31 March 2014, the outstanding balance due on the loan was £94,085 (2012/13 – £139,376).

(g) CLS Aggregation Services LLC (CLSAS)

The Group recharged CLSAS, an associate company, £3.8m (2012/13 – £4.4m) as compensation for technical services during the year. As at 31 March 2014, the total outstanding balance due to the Group was £0.7m (2012/13 – £1.3m). The Group received £6.3m (2012/13 – £5.2m) 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.

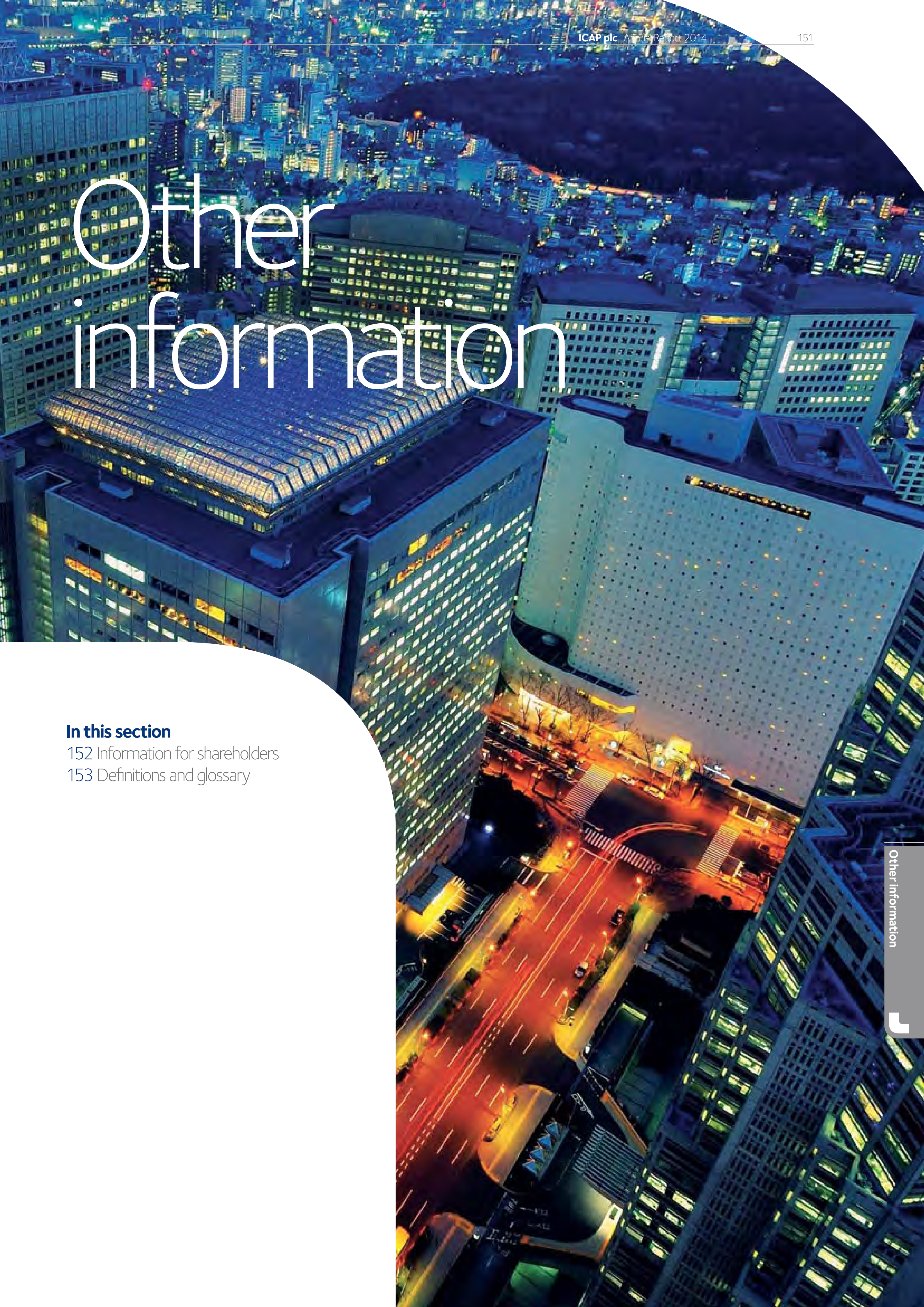
During the year, the Company entered into the following transactions with subsidiaries:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Management services expenses	–	–
Net interest from related parties	6.4	1.0

Amounts owed to the Company from subsidiaries are disclosed in note 17 and amounts owed by the Company to subsidiaries are disclosed in note 18. In March 2009, the Company novated the Group's bank facilities to its immediate subsidiary ICAP Group Holdings plc (IGHP) and simplified its intra-Group lending and borrowing with its subsidiaries.

28. Events after the balance sheet date

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



Other information

In this section

Other information

Information for shareholders

Information on ICAP plc (Company No 3611426) can be found on the Company's website, www.icap.com.

Financial calendar

2014

14 May	Results for year ended 31 March 2014 announced
2 July	Ex-dividend date for final dividend
4 July	Record date for final dividend
16 July	Annual general meeting, London
25 July	Final dividend payment
November	Results for half year to 30 September 2014 announced

Registrar

Capita Asset Services (Capita) is the Company's registrar and maintains the ICAP share register and manages all administrative shareholder matters.

Capita's contact details are:

ICAP Share Register
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Telephone: 0871 664 0565*
or +44 800 280 2584
or email icap@capita.co.uk
or view www.capitaassetservices.com.

Shareholders can access a range of shareholder information and services at www.icap-shares.com. Shareholders will need their investor code (account number) and postcode to view information on their own holding.

The service enables shareholders to:

- check their shareholdings in ICAP plc;
- make a change of address;
- amend bank details including dividend payment instruction details;
- use the internet to appoint a proxy to attend general meetings of ICAP plc, or to vote at any general meeting of the Company; and
- gain easy access to a range of other shareholder information.

Electronic communications

Shareholders can register to receive all shareholder communications by email. To register please visit www.icap-shares.com, shareholders will need their investor code, which can be found on the share certificate. Once registered, shareholders will be sent an email notification when a new shareholder report or other shareholder communication is placed on the website. This enables shareholders to read and/or download the information. There are no particular software requirements to view these documents other than those described on our website. The Company's Annual Report and all other shareholder communications can be found on the Company's website.

Shareholder helpline

Shareholders should call the ICAP shareholder helpline 0871 664 0565* or +44 800 280 2584 to notify any change of name or bank account details, or for assistance in any other shareholder enquiry. Some changes will need to be confirmed in writing. If shares are held in joint names, the notification must be signed by the first named shareholder.

Disability helpline

For shareholders with hearing difficulties a text phone number is available, 0871 664 0532* or +44 20 8639 2062.

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 documents section.

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.

Depositary for ICAP plc Level 1 ADR Program

The Company has a Level 1 American Depositary Receipt (ADR) program. The Bank of New York Mellon Corporation acts as the depositary bank for the program. ICAP's ADRs trade on the OTC market under the symbol 'IAPLY' and its CUSIP number is 450936109. Each ADR represents two ordinary shares.

* Calls to 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

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
US Commodity Futures Trading Commission

CGU
cash generating units

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

COREP
The European Banking Authority's common regulatory reporting framework

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

ECB
European Central Bank

EMEA
Europe, the Middle East and Africa

EMIR
European Market Infrastructure Regulation

EPS
earnings per share

ETR
effective tax rate

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

FCF
Free cash flow

FCM
Futures Commission Merchant

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

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

Other information

Definitions and glossary continued

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

GDP
gross domestic product

GEMG
Global Executive Management Group

GOC
Global Operating Committee. This executive committee reviews and makes recommendations to the board and the GEMG in relation to all matters affecting the operations of the ICAP Group.

GRACC
Group Risk and Capital Committee. This executive committee considers all aspects of the control environment, risk profile and capital structure of the Group.

Group
the Company and its subsidiary undertakings

Group CEO
Group Chief Executive Officer

HMRC
Her Majesty's Revenue & Customs

IASB
International Accounting Standards Body

ICAAP
internal capital adequacy assessment process

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

IIS
ICAP Information Services

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 LinkBrokers Derivatives LLC

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

LTIP
long term incentive plan

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

Merger
the merger of Garban and Intercapital on 9 September 1999

MiFID
Markets in Financial 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.

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

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.

Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the expectations, plans and aims of the Group relating to future performance, financial position and results. All forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control and/or that may cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. However, we can give no assurance that expectations will not differ materially from actual outcomes and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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