ICAP

Full-year results for the year ended 31 March 2013

Repositioning the business for future growth

London - 14 May 2013

ICAP plc (IAP.L), ICAP the world's leading interdealer broker and provider of post trade risk and information services, today announced its audited results for the year ended 31 March 2013.

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Change (%)
Revenue	**1,472**	1,681	(12)
Operating profit[1]	**308**	372	(17)
Profit before tax[1]	**284**	354	(20)
Profit before tax (statutory)[2]	**66**	217	(70)
EPS (adjusted basic)[3]	**33.0p**	40.1p	(18)
EPS (basic)	**6.7p**	21.1p	(68)
Dividend per share	**22.0p**	22.0p	-

Highlights for the year:

- Group revenue decreased by 12% to £1,472m with profit before tax[1] decreasing by 20% to £284m marginally ahead of previous guidance
- Electronic Markets and Post Trade Risk and Information contributed 66% of operating profit
- Key developments include the creation of the Global Broking division, the strengthening of EBS and the launch of i-Swap in US dollars
- £60m cost savings delivered this year, £10m more than previously announced. Equates to £80m annualised, £20m higher than previously announced
- Group operating profit[1] margin 21% (2011/12 - 22%)
- EPS (adjusted basic)[3] down 18% to 33.0p; Statutory EPS (basic) down 68% to 6.7p
- Ongoing free cash flow[4] of £274m (2011/12 - £268m), representing a profit[5] conversion of 130% resulting in net cash of £25m (2011/12 – net debt £82m)
- Proposed final dividend of 15.4p per share. The full-year dividend of 22.0p per share (2011/12 – 22.0p), reflects the continuing strong cash generation and confidence in ICAP's medium-term prospects

Michael Spencer, Group Chief Executive Officer, said: *"This has been an extraordinarily tough year in the wholesale financial markets. Trading activity across all asset classes was negatively affected by a combination of cyclical and structural factors including the depressed global economy, a low interest rate environment and lack of clarity around some aspects of regulatory reform. ICAP's financial performance reflects these extremely challenging conditions.*

"Despite the current climate, we're keeping our focus on the long term, delivering on our strategic goals and priorities. We're investing, innovating and adapting the business to ensure it will thrive in the new financial landscape that is being shaped by profound regulatory changes. Wholesale financial markets are vital to the global economy and ICAP plays a critical role in increasing the transparency and efficiency of the markets and reducing risk.

"ICAP continues to benefit from its diversified business and global reach. Our electronic, post trade risk and information businesses now contribute 66% of operating profit. We have deepened our relationships and aligned our interests with our customers by partnering with them in i-Swap and Traiana.

"We have exceeded our annualised cost savings target by £20 million, resulting in expected annualised run-rate savings of £80 million and a more flexible cost base going forward. ICAP remains a profitable and a very cash generative business with a strong balance sheet. Today we are a more efficient and collaborative business than we were a year ago and this will stand us in good stead for the future."

There will be a briefing for analysts and investors at 09:30am (BST) on Tuesday 14 May 2013 at 2 Broadgate, London EC2M 7UR.

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Notes to the editor

About ICAP

ICAP is the world's leading interdealer broker and provider of post trade risk and information services. The Group matches buyers and sellers in the wholesale markets in interest rates, credit, commodities, FX, emerging markets and equity derivatives through voice and electronic networks. Through our post trade risk and information services we help our customers manage and mitigate risks in their portfolios.

Notes:

1 Before acquisition and disposal costs and exceptional items

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

3 Adjusted basic EPS is based on earnings before acquisition and disposal costs and exceptional items

4 Ongoing free cash flow is net cash from operating activities before acquisition and disposal costs and exceptional items

5 Profit after tax before acquisition and disposal costs and exceptional items

All references to operating profit in this document are defined as operating profit before acquisition and disposal costs and exceptional items

Review of operations

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

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

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

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

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

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

ICAP continues to cooperate with international regulators as they further investigate the banks that set Libor and other international benchmarks. ICAP clearly does not have any direct role in the setting of Libor nor does it profit from the level at which it is set. The Company, however, is aware that one of its Global Broking entities is under investigation. Any allegation of wrongdoing by any of its employees is an extremely serious matter for ICAP and one that it continues to investigate. It is essential that there is confidence in financial markets and ICAP supports the objectives of regulators and market participants themselves as they seek to restore trust.

* Before acquisition and disposal costs and exceptional items

Changing market landscape

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

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

Last year saw the conversion of swaps into futures contracts in the US energy market. While it is anticipated that there may be further 'futurisation' in certain asset classes, it is expected that there will be a strong and

continued demand for swaps, particularly rates, which provide the customised hedging solutions that ICAP's customers want and need.

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

Dividend

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

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

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

Outlook

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

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

Markets

ICAP provides services in a wide range of geographies and asset classes, with the breadth of its market coverage being a key strength of the Group. We report on our business segments externally in the same way that we manage and report them internally. The major segments are Global Broking, which we report by geographic region, Electronic Markets and Post Trade Risk and Information.

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

Global Broking

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

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

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

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

For the year ended 31 March 2013 revenue decreased by 15%. Revenue was impacted by a combination of macroeconomic, country and product specific factors including the ongoing Eurozone crisis, uncertainty created by the US fiscal cliff negotiations, historically low interest rates, and regulatory uncertainty around the Dodd-Frank Act and the effect of the Basel III capital adequacy requirements.

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

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

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

Rates

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

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

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

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

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

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

FX and money markets

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

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

Commodities

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

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

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

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

Emerging Markets

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

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

Credit

The credit business comprises corporate bonds and credit derivatives.

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

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

Equities

The equities business principally comprises equity derivatives.

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

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

Electronic Markets

ICAP operates EBS and BrokerTec, the world's leading electronic trading platforms in spot FX and government fixed income. The platforms offer efficient and effective exchange-like trading solutions to more than 2,800 customers in over 50 countries across a range of instruments including spot FX, US Treasuries, European government bonds and EU and US repo. The platforms are built on ICAP's bespoke networks which connect participants in wholesale financial markets.

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

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

	£m	Change %
Operating profit	**113**	(11)

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

EBS

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

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

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

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

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

In November 2012, ICAP announced the upcoming launch of EBS Direct, a new relationship-based disclosed liquidity service which will widen the current customer base. EBS Direct, which is now live with its beta programme and four liquidity providers, delivers increased trading opportunities by enabling the streaming of tailored prices direct to liquidity consumers. EBS Direct has already signed up more than 200 customers in 44 countries with commitment from over 20 liquidity providers and expects to go live in the second half of 2013/14.

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

BrokerTec

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

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

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

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

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

i-Swap

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

From July 2012, volumes on i-Swap in Europe improved as volatility subsided and spreads narrowed following comments by the President of the European Central Bank that it was ready to intervene in the sovereign debt markets. While growth in this nascent electronic market remains delicate, momentum is building and

electronic volumes in the final quarter of 2012 have trended higher. On individual days the number of trades exceeded the highs that were reached prior to the Eurozone crisis of June 2011 representing 35% of ICAP's overall 1-30 year euro swap transactions.

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

On 15 February i-Swap launched in the US with 14 banks submitting credit limits and permissioned to trade electronically. Since its launch, the platform has operated efficiently and customers have taken the opportunity to familiarise themselves with the new style of trading in readiness for the full implementation following the upcoming regulatory reforms. The publication of the final SEF rulebook will define the parameters under which SEFs will operate and act as an additional catalyst for the utilisation of i-Swap going forward.

The next stage in the development of i-Swap will be the extension of the platform to cover other G7 currencies including the British pound and the Australian dollar.

MyTreasury

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

ISDX

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

Post Trade Risk and Information

The Post Trade Risk and Information business comprises the portfolio risk services businesses (Reset, ReMatch and TriOptima), the transaction processing business, Traiana, and the information business which provide services to more than 3,000 customers. Demand for improvements in the efficiency of post trade processing and for reductions in the capital allocated to existing positions continued to provide opportunities for ICAP's range of PTRI businesses. The PTRI services now represent a core and embedded part of its customers' processes and infrastructure.

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

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

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

Reset and ReMatch

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

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

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

TriOptima

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

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

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

For the year ended 31 March 2013 revenue increased by 2% and by 8% on an underlying basis (at constant exchange rates). Revenue growth was mostly driven by an increase in the use of our reconciliation service. triResolve, which is a subscription based service, has benefited from the proactive implementation of best practice in risk management and portfolio reconciliation ahead of changes in regulation. triResolve has more than 250 firms in its network, regularly reconciling more than 7 million OTC derivative trades. In addition to terminating $70 trillion of gross notional outstanding (2011/12 - $72 trillion), TriOptima completed the first termination for precious metal swaps and the first termination cycle within the Singapore Exchange clearing house.

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

Traiana

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

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

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

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

Information

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

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

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

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

Other PTRI investments

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

Profit for the year

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

* Before acquisition and disposal costs and exceptional items.

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

Acquisition and disposal costs

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

Exceptional items

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

For the year to March 2013 exceptional items before tax were £60 million (2011/12 - £nil). Exceptional costs of £30 million were incurred in delivering the Group's cost saving programme which delivered £60 million of savings in the year and an expected £80 million on an annualised basis. Exceptional costs of £18 million

arose as a consequence of key strategic decisions in the EBS business. Further exceptional costs of £12 million related to legal and professional fees for advice in responding to requests for information and in cooperating with some government agencies as part of an industry-wide investigation.

Tax

The overall objective continues to be to plan and manage the tax affairs of the Group efficiently while complying with local tax regulations. The Group's effective tax rate for the year on profits excluding acquisition and disposal costs and exceptional items was 26% (2011/12 - 27%).

The Group's tax charge is affected by the varying tax rates in different jurisdictions applied to taxable profits, the mix of those profits, and the rules impacting deductibility of certain costs. The Group continues to take a prudent approach to the management of its tax affairs and provisions are set to cover tax exposures.

Balance sheet

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

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

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

At 31 March 2013, the Group's Pillar 1 regulatory capital headroom remained stable at £0.9 billion (2011/12 - £0.9 billion) as a result of the low market and credit risk in the Group. The Group continues to benefit from the BIPRU Investment Firm waiver which will fall due for renewal in April 2016.

Earnings and EPS

We believe that the most appropriate EPS measurement ratio for the Group is adjusted basic EPS as this measure better reflects the Group's underlying cash earnings. Adjusted basic EPS excludes the impact of acquisition and disposal costs and exceptional items.

Adjusted basic EPS fell by 18% to 33.0p, reflecting the fall in operating profit before acquisition and disposal costs and exceptional items offset by a lower tax charge. The Group's basic EPS fell from 21.1p to 6.7p.

Dividend

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

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

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

Operating profit/cash conversion

The Group's consolidated cash flow statement is set out in the financial statements.

The Group continues to generate substantial free cash flow. Over the long term it is expected free cash and post tax profit will converge. Free cash flow conversion for the year was 130%. This is higher than the 103% conversion in the prior year due largely to a reduction in operational working capital requirements in the Group.

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

*Before exceptional items

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

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

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

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

Events after the balance sheet date

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

Consolidated income statement
Year ended 31 March 2013

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 13) £m	Exceptional items (note 5) £m	Total £m
Revenue	2	1,472	–	–	1,472
Operating expenses	6	(1,173)	(157)	(60)	(1,390)
Other income	14	9	–	–	9
Operating profit	2	308	(157)	(60)	91
Finance income	11	11	–	–	11
Finance costs	11	(40)	(1)	–	(41)
Share of profit of associates after tax	2	5	–	–	5
Profit before tax		284	(158)	(60)	66
Tax	10	(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	3				6.7
– diluted	3				6.6

Consolidated income statement
Year ended 31 March 2012

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 13) £m	Exceptional items (note 5) £m	Total £m
Revenue	2	1,681	–	–	1,681
Operating expenses	6	(1,335)	(150)	–	(1,485)
Other income	14	26	13	–	39
Operating profit	2	372	(137)	–	235
Finance income	11	10	–	–	10
Finance costs	11	(34)	–	–	(34)
Share of profit of associates after tax	2	6	–	–	6
Profit before tax		354	(137)	–	217
Tax	10	(95)	18	–	(77)
Profit for the year		259	(119)	–	140
Attributable to:					
Owners of the Company		260	(123)	–	137
Non-controlling interests		(1)	4	–	3
		259	(119)	–	140
Earnings per ordinary share (pence)					
– basic	3				21.1
– diluted	3				20.8

Consolidated statement of comprehensive income

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Profit for the year	**43**	140
Other comprehensive income		
Net movement on cash flow hedges	**(13)**	12
Net exchange adjustments on investments in overseas subsidiaries	**50**	(29)
Net exchange adjustments on investments in overseas associates	**(1)**	(2)
Revaluation gains in the year	**–**	4
Net current tax recognised in other comprehensive income (note 10)	**–**	(1)
Net deferred tax recognised in other comprehensive income (note 10)	**(3)**	–
Other comprehensive income/(loss) for the year	**33**	(16)
Total comprehensive income for the year	**76**	124
Total comprehensive income attributable to:		
Owners of the Company	**76**	121
Non-controlling interests	**–**	3
	76	124

Consolidated and Company balance sheet

	Note	Group As at 31 March 2013 £m	Group As at 31 March 2012 £m	Company As at 31 March 2013 £m	Company As at 31 March 2012 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	7(a)	**1,080**	1,188	**–**	–
Intangible assets arising from development expenditure		**83**	68	**–**	–
Property and equipment		**50**	82	**–**	–
Investment in subsidiaries		**–**	–	**2,036**	1,989
Investment in associates		**59**	54	**1**	1
Deferred tax assets	10	**15**	12	**–**	–
Trade and other receivables		**6**	11	**124**	–
Available-for-sale investments		**29**	31	**–**	–
		1,322	1,446	**2,161**	1,990
Current assets					
Trade and other receivables	12	**16,898**	79,254	**98**	95
Restricted funds	9(e)	**37**	50	**–**	–
Cash and cash equivalents	9(c)	**602**	547	**–**	–
		17,537	79,851	**98**	95
Total assets		**18,859**	81,297	**2,259**	2,085
Liabilities					
Current liabilities					
Trade and other payables	12	**(16,880)**	(79,184)	**(429)**	(68)
Borrowings	8(b)	**(71)**	(255)	**–**	(21)
Tax payable		**(134)**	(123)	**–**	–
Provisions		**(1)**	(1)	**–**	–
		(17,086)	(79,563)	**(429)**	(89)
Non-current liabilities					
Trade and other payables		**(29)**	(33)	**–**	(140)
Borrowings	8(a)	**(506)**	(374)	**(124)**	–
Deferred tax liabilities	10	**(66)**	(98)	**–**	–
Retirement benefit obligations		**(3)**	(1)	**–**	–
Provisions		**(13)**	(18)	**–**	–
		(617)	(524)	**(124)**	(140)
Total liabilities		**(17,703)**	(80,087)	**(553)**	(229)
Net assets		**1,156**	1,210	**1,706**	1,856
Equity					
Capital and reserves					
Called up share capital		**66**	66	**66**	66
Share premium account		**454**	453	**454**	453
Other reserves		**78**	91	**1**	1
Translation		**91**	42	**–**	–
Retained earnings		**414**	516	**1,185**	1,336
Equity attributable to owners of the Company		**1,103**	1,168	**1,706**	1,856
Non-controlling interests		**53**	42	**–**	–
Total equity		**1,156**	1,210	**1,706**	1,856

The financial statements were approved by the board on 14 May 2013 and were signed on its behalf by:

Michael Spencer
Group Chief Executive Officer

Iain Torrens
Group Finance Director

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Other reserves £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2012	66	453	91	42	516	1,168	42	1,210
Comprehensive income								
Profit for the year	–	–	–	–	43	43	–	43
Other comprehensive income								
Net movement on cash flow hedges	–	–	(13)	–	–	(13)	–	(13)
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	50	–	50	–	50
Net exchange adjustments on investments in overseas associates	–	–	–	(1)	–	(1)	–	(1)
Net deferred tax recognised in other comprehensive income	–	–	–	–	(3)	(3)	–	(3)
Total comprehensive income for the year	–	–	(13)	49	40	76	–	76
Own shares acquired for employee trusts	–	–	–	–	(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 as at 31 March 2013	66	454	78	91	414	1,103	53	1,156

Consolidated statement of changes in equity continued

	Share capital £m	Share premium £m	Other reserves £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2011	66	452	75	73	565	1,231	20	1,251
Comprehensive income								
Profit for the year	–	–	–	–	137	137	3	140
Other comprehensive income								
Net movement on cash flow hedges	–	–	12	–	–	12	–	12
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	(29)	–	(29)	–	(29)
Net exchange adjustments on investments in overseas associates	–	–	–	(2)	–	(2)	–	(2)
Unrealised revaluation gains in the year	–	–	4	–	–	4	–	4
Net current tax recognised in other comprehensive income	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	–	16	(31)	136	121	3	124
Own shares acquired for employee trusts	–	–	–	–	5	5	–	5
Ordinary shares issued	–	1	–	–	–	1	–	1
Cancellation of ordinary shares	–	–	–	–	(2)	(2)	–	(2)
Share-based payments in the year	–	–	–	–	3	3	–	3
Other movements in non-controlling interests	–	–	–	–	–	–	22	22
Dividends paid in the year	–	–	–	–	(135)	(135)	(3)	(138)
Net Treasury Shares acquired in the year	–	–	–	–	(56)	(56)	–	(56)
Balance as at 31 March 2012	66	453	91	42	516	1,168	42	1,210

Company statement of changes in equity

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

Consolidated and Company statement of cash flow

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

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

1. Basis of preparation

Preparation of financial statements

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

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

The preparation of financial statements requires management to apply judgements and the use of estimates and assumptions about future conditions. Management considers impairment of goodwill and other intangibles assets arising on consolidation (note 7) and tax (note 10) to be the areas where increased judgement is required. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant notes on the financial statements. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Presentation of the income statement

The Group maintains a columnar format for the presentation of its consolidated income statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before acquisition and disposal costs and exceptional items. This is the profit measure used to calculate adjusted EPS (note 3) and is considered to be the most appropriate as it better reflects the Group's underlying earnings. Profit before acquisition and disposal costs and exceptional items are reconciled to profit before tax on the face of the consolidated income statement.

The column 'acquisition and disposal costs' includes: any gains, losses or other associated costs on the full or partial disposal of investments, associates, joint ventures or subsidiaries and costs associated with a combination that do not constitute fees relating to the arrangement of financing; amortisation or impairment of intangibles assets arising on consolidation; any re-measurement after initial recognition of deferred contingent consideration which has been classified as a liability; any gains or losses on the revaluation of previous interests. The column may also include items such as gains or losses on the settlement of pre-existing relationships with acquired businesses and the re-measurement of liabilities that are above the value of indemnification.

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

On the face of the consolidated income statement, basic and diluted EPS have also been disclosed.

Basis of consolidation

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

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

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

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

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

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

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

Foreign currencies

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

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

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

Notes to the financial statements continued

1. Basis of preparation continued

Foreign currencies continued

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

Future accounting developments

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

- IFRS10 'Consolidated financial statements' requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. The standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- IFRS11 'Joint arrangements' replaces IAS31 'Interests in joint ventures' and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- IFRS12 'Disclosure of interests in other entities' requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- IFRS13 'Fair value measurement' replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- In June 2011, the IASB issued amendments to IAS 19 'Employee Benefits' ('IAS 19 revised'). The revised standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IAS 19 revised is required to be applied retrospectively.
- In December 2011, the IASB issued amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.
- In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarify the requirements for offsetting financial instruments and address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.
- IAS 27 (2011) 'Separate financial statements' carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The revised standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.
- IAS 28 (2011) 'Associates and Joint Ventures' includes the requirements for joint ventures and associates, to be equity accounted following the issue of IFRS 11'Joint arrangements'. The revised standard has been endorsed by the EU for annual periods beginning on or after 1 January 2014.

The impact on the Group financial statements of adopting IFRS10, IFRS11, IFRS13, IAS 19R, IAS 32, IAS 27 (2011) and IAS 28 (2011) is currently under review. However, the adoption of these standards is not expected to have a material impact.

1. Basis of preparation continued

In November 2009, the IASB issued IFRS 9 'Financial Instruments' which introduced new requirements for the classification and measurement of financial assets. The IASB is in the process of amending the requirements for classification and measurement to address practice and other issues. IFRS 9 is required to be applied retrospectively but prior periods need not be restated. The final IFRS 9 requirements for classification and measurement and impairment remain uncertain and so ICAP remains unable to provide a date by which it will apply IFRS 9 as a whole and it remains impracticable to quantify the effect of IFRS 9 as at the date of the publication of these financial statements.

Financial risk management

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

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

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

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

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

2. Segmental information

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

The CODM currently considers the business to consist of broking businesses in EMEA, the Americas and Asia Pacific, a global electronic markets business active in fixed income interest rate derivatives and FX markets and a global post trade risk and information business. Each of these five business areas are managed and reviewed by the CODM on a stand-alone basis and, as such, are considered segments. The Group reviews the composition of the operating segments at the beginning of each fiscal year to determine whether they remain appropriate. Any changes would result in restatement of the figures reported in the prior year for comparative purposes.

Revenue comprises commission from the Group's Global Broking business, brokerage or access fees from its Electronic Markets business and fees from the provision of post trade risk and information.

Global Broking

Matched principal and stock lending business

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

Agency business (name give-up)

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

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.

Execution on exchange business

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

Electronic Markets

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

Post trade risk and information

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

Notes to the financial statements continued

2. Segmental information continued

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

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

Notes to the financial statements continued

2. Segmental information continued

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

Revenue earned by product type is disclosed below:

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

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

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

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

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

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

3. Earnings per share

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

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

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

EPS relating to the Group's operations

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

	Year ended 31 March 2013			Year ended 31 March 2012		
Adjusted basic and diluted	**Earnings £m**	**Shares millions**	**Earnings per share pence**	Earnings £m	Shares millions	Earnings per share pence
Basic	**43**	**640**	**6.7**	137	649	21.1
Acquisition and disposal costs (note 13)	**120**	**–**	**18.8**	123	–	19.0
Exceptional items net of tax (note 5)	**48**	**–**	**7.5**	–	–	–
Adjusted basic	**211**	**640**	**33.0**	260	649	40.1
Dilutive effect of share options	**–**	**10**	**(0.5)**	–	9	(0.6)
Adjusted diluted	**211**	**650**	**32.5**	260	658	39.5

Notes to the financial statements continued

4. 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 2013 £m	Year ended 31 March 2012 £m
Final dividend for the year ended 31 March 2012 of 16.00p per ordinary share (2011 – 14.68p)	**102**	96
Interim dividend for the year ended 31 March 2013 of 6.60p per ordinary share (2012 – 6.00p)	**43**	39
Total dividend recognised in the year	**145**	135

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

The directors have proposed a final dividend of 15.4p per share for the year ended 31 March 2013. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £99m.

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

5. Exceptional Items

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

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

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

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

The Group has incurred £12m of legal fees for advice in responding to requests received from and in co-operating with some government agencies as part of industry-wide Libor related investigations. Further details of the investigations are provided in note 15.

6. Operating expenses

Profit before tax is stated after charging:	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Employee costs	824	960
Information technology costs*	136	159
Amortisation of intangible assets arising on consolidation (note 7)	69	70
Impairment of intangible assets arising on consolidation (note 7)	81	103
Other acquisition and disposal costs (note 13)	7	(23)
Professional and legal fees (including auditors' remuneration)	20	16
Amortisation and impairment of intangible assets arising from development expenditure	3	–
Depreciation and impairment of property and equipment	7	7
Governance costs**	13	13
Clearing and settlement fees	14	15
Operating lease rentals – minimum lease payments	25	26
Exchange adjustments	(2)	(6)
Exceptional items (note 5)	60	–
Other	133	145
Total	**1,390**	1,485
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.7	0.6
Fees payable to the Company's auditor for other services:		
- the auditing of any subsidiary of the Company	2.9	2.8
- audit-related assurance services	0.1	–
- taxation compliance services	0.2	0.2
- taxation advisory services	0.5	0.2
- other assurance services	0.1	1.2
	4.5	5.0

* Information technology costs include depreciation and amortisation costs

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

Contractual arrangements

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

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

7. Intangible assets arising on consolidation

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

i. Goodwill

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

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

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

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

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

ii. Separately identifiable intangible assets

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

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

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

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

iii. Impairment

Goodwill is not amortised but is tested for impairment annually and whenever there is an indicator of impairment. Goodwill and other intangible assets arising on consolidation are allocated to a cash-generating unit (CGU) at acquisition. A CGU is the smallest segment on which it is practicable to report, each of which represents one of the Group's businesses. The recoverable amount of a CGU is determined based on the higher of fair value less costs to sell and value-in-use calculations. The Group uses a five-year impairment model under IAS36 'Impairment of Assets' unless a longer period is justified, most notably ICAP Shipping which uses a ten-year model. These calculations use pre-tax cash flow projections which extend forward to perpetuity using a terminal value calculation and which take account of the approved budget for the coming year and the following two-year forecast budget. The forecast takes into account both the strategic actions of the business and impacts associated with its external environment, such as regulatory reform. Cash flows for years four and five rely on estimates of growth factors determined by the business. The Group applies a suitable discount factor to the future cash flows based on its pre-tax weighted average cost of capital. Growth rates are applied conservatively and do not exceed the expected growth in the local economy after the fifth year or for businesses which operate on a global scale, the global GDP. Where the carrying value of the asset exceeds its value-in-use, an impairment charge is recognised immediately in the consolidated income statement, and the asset is 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.

The 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.

Notes to the financial statements continued

7. Intangible assets arising on consolidation continued

a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2012	**1,041**	**621**	**1,662**
Additions	**5**	**2**	**7**
Reclassification	**(4)**	**4**	**–**
Exchange adjustments	**31**	**7**	**38**
As at 31 March 2013	**1,073**	**634**	**1,707**
Amortisation and impairment			
As at 1 April 2012	**143**	**331**	**474**
Amortisation charge for the year	**–**	**69**	**69**
Impairment in the year	**31**	**50**	**81**
Reclassification	**–**	**4**	**4**
Exchange adjustments	**–**	**(1)**	**(1)**
As at 31 March 2013	**174**	**453**	**627**
Net book value			
As at 31 March 2013	**899**	**181**	**1,080**
Cost			
As at 1 April 2011	1,038	621	1,659
Additions	4	5	9
Exchange adjustments	(1)	(5)	(6)
As at 31 March 2012	1,041	621	1,662
Amortisation and impairment			
As at 1 April 2011	45	256	301
Amortisation charge for the year	–	70	70
Impairment in the year	98	5	103
As at 31 March 2012	143	331	474
Net book value			
As at 31 March 2012	898	290	1,188

7. Intangible assets arising on consolidation continued

b) Impairment testing of intangible assets arising on consolidation

Analysis of significant intangible assets

The Group recognises £1,080m of intangible assets arising on consolidation, with £899m relating to goodwill and £181m relating to other intangible assets. The table below represents all the businesses with intangible assets arising on consolidation with residual balances of £25m or greater after amortisation and impairment, which represents 88% of the total balance:

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

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

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

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

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

7. Intangible assets arising on consolidation continued

b) Impairment testing of intangible assets arising on consolidation continued

Key assumptions

Discount rates and growth rates

The Group's long-term pre-tax weighted average cost of capital (WACC) remained at 11%. For broking businesses in Asia Pacific and businesses outside the core interdealer broker franchise, such as ICAP Shipping, management has continued to add a premium to reflect local country risk based on the differential between local sovereign debt rates and the prevailing rates in the UK or the risk associated with the smaller scale of these businesses. The premiums added to the Group WACC for each business are reviewed annually and, where these are deemed to be no longer necessary as businesses grow and integrate further into the Group these will be removed.

The long-term growth rates have been reviewed and the rates applied do not exceed the expected growth in the local economy after the fifth year, or for businesses which operate on a global scale, the global GDP.

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

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

Impairment testing

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group uses a five-year impairment model unless a longer period is justified. With the exception of ICAP Shipping which uses a ten-year model due to its cyclical nature, all the Group's models are over five years. The model uses pre-tax cash flow projections which extend forward to perpetuity using a terminal value calculation and which take account of the approved budget for the coming year and the following two-year forecast. The forecast takes into account both the actions of the business and impacts associated with its external environment, such as regulatory reform. Cash flows for years four and five rely on estimates of growth factors determined by the business. The Group applies a suitable discount factor to the future cash flows based on its pre-tax WACC. Long term growth rates are used to forecast cash flows and do not exceed the expected growth in the local economy GDP after the fifth year, or for businesses which operate on a global scale, the global GDP.

7. Intangible assets arising on consolidation continued
b) Impairment testing of intangible assets arising on consolidation continued

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

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

Link

ICAP acquired Link, a global equity derivatives broker, at the beginning of April 2008. At the time of acquisition, Link held a strong market position as the leading global equity derivatives broker in a market which had expanded significantly over the previous five to seven years. Since acquisition, the business has performed in line with the market, maintained its market leading position and remained profitable. However, since the financial crisis broke, the equity derivatives market has contracted, with industry data showing no return to the growth levels expected on acquisition over the next five years. These factors led to the impairment of the remaining goodwill by £23m to £nil. A separate impairment review of the intangible asset that represents the customer relationships acquired was also undertaken. As a result of the contraction in the market along with a number of customers leaving the market altogether, these relationships are now considered to have limited prospects for future revenue generation. These considerations led to the impairment of the intangible asset by £49m to a carrying value of £6m.

ICAP Shipping

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

Ocean Tomo

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

Notes to the financial statements continued

8. Borrowings

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

a) Long-term borrowings

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

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

To enable the Group to manage the translational exposure which arises as a result of the Notes being denominated in euros and to meet its risk management objective of minimising both interest cost and the impact of interest volatility on its consolidated income statement, the Group entered into a number of cross-currency swaps to convert its obligations over the life of the Notes from euros to pound sterling at 1.16. €100m of the Notes have been swapped from a fixed euro-denominated coupon of 7.5% to a fixed pound sterling denominated coupon of 8.58% and the remaining €200m from a fixed euro-denominated coupon of 7.5% to a floating pound sterling denominated coupon of six month Libor plus 4.92%. The fixed to fixed swaps have been accounted for as a cash flow hedge and at 31 March 2013 have a fair market value of £2m liability (2011/12 – £4m liability). These swaps offset the effect of FX on the Notes, and so resulted in a £nil charge (2011/12 – £nil) being recognised in the consolidated income statement and a £nil credit (2011/12 – £2m credit) in other comprehensive income during the year. The fixed to floating swaps have been treated as a fair value hedge, have a fair market value of £2m (2011/12 – £3m) at 31 March 2013 and resulted in a £nil (2011/12 – £2m charge) being recognised in the consolidated income statement during the year. The impact on the consolidated income statement relating to the fair value movement on the Notes is a £nil (2011/12 – £3m credit).

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

The retail bond discussed above is held in the Company.

8. Borrowings continued

b) Short-term borrowings

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

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

The Group has a $880m RCF incorporating up to a $200m swingline facility with a maturity date of 31 May 2014. The drawings under the revolving credit facility as at 31 March 2013 were £nil (2011/12 – £225m). The facility carries a floating interest rate at Libor plus 2% with an additional 0.5% payable dependent on the debt to earnings ratio. The weighted average effective interest rate for the year was 2.2%
(2011/12 – 2.2%).

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

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

The Group's bank facilities contain a number of customary financial and operational covenants. The Group remained in compliance with the terms of these covenants throughout the year ended 31 March 2013.

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

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

c) Liquidity risk management

Group

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

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

Notes to the financial statements continued

8. Borrowings continued

c) Liquidity risk management continued

ICAP's main liquidity risk is in relation to the margin and collateral requirements of clearing houses either directly or via financial institutions which provide ICAP with access to the clearing houses. Of these, the most significant margin requirements arise in the US where, as part of its broking business, ICAP provides clearing services to customers and is required to deposit margin with the FICC and NSCC. During the year to 31 March 2013, these deposits averaged $36m although following the introduction of a new clearing arrangement for US Treasuries at the start of February, balances have been significantly reduced in the last two months of the year. Cash held at clearing houses, or a financial institution providing ICAP with access to a CCP, is disclosed as restricted funds in the financial statements (see note 9(e)). The Group has no other material margin requirements on a routine basis.

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

The Group has a centralised approach to the provision of contingency funding for its trading entities. Through the GRACC, the board regularly reviews the liquidity demands of the Group and the financial resources available to meet these demands. The GRACC ensures that the Group, in totality and by subsidiary, has sufficient liquidity available in order to provide constant access, even in periods of market turmoil, to an appropriate level of cash, other forms of marketable securities and committed funding lines to enable it to finance its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms. Therefore, to meets its liquidity requirements, the Group has maintained minimum core liquidity, in the form of cash and undrawn debt facilities, of $250m throughout the year.

At 31 March 2013, the Group had gross debt of £577m (2011/12 – £629m) and cash and cash equivalents of £602m (2011/12 – £547m) (see note 9(c)). It is the Group's policy only to hold cash necessary to meet local regulatory, commercial, settlement and short-term working capital requirements and for excess cash to be used to reduce gross debt. Cash has increased from 31 March 2012 due to funds raised as a result of the issue of the retail bond and Japanese yen loan, the Group's cash generation and the fact that the RCF was undrawn.

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

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

Committed facilities

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

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

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

8. Borrowings continued

c) Liquidity risk management continued

Company

The Company's policy is to ensure that it has constant access to an appropriate level of liquidity to enable it to finance its forecast ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms.

If the Company has any cash, it is loaned intra-group for further investment. With the exception of the retail bond of £125m, all of the Company's financial liabilities are payable within three months.

9. Cash

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

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

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

Notes to the financial statements continued

9. Cash continued

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

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

The movement in trade and other receivables and trade and other payables excludes the impact of the gross-up of matched principal trades as permitted by IAS7 'Statement of Cash Flows'. The gross-up has no impact on the cash flow or net assets of the Group. The cash flow movement in trade and other receivables includes the net movement on matched principal transactions and deposits for securities borrowed/loaned. The movement for the year ended 31 March 2013, after accounting for acquisitions, is an outflow of £7m (2011/12 - inflow of £25m).

(b) Net cash/(debt)

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

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

9. Cash continued

(c) Total cash

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

(d) Client money

At 31 March 2013 the Group held client money of £36m (2011/12 – £43m). This amount, together with the corresponding liabilities to customers, is not included in the Group's consolidated balance sheet.

(e) Restricted funds

Restricted funds comprise cash held at a CCP clearing house or a financial institution providing ICAP with access to a CCP. The balance fluctuates based on business events around the year end and fell during the year by £13m to £37m.

10. Tax

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

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

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

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

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

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

10. Tax continued

Tax charged to the consolidated income statement in the year

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

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

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

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

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

10. Tax continued

Tax charged to equity in the year

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

Legislation to reduce the main rate of Corporation Tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015. These latter changes had not been substantively enacted at the balance sheet date and are not included in the tax charge for the period. The reduction to 20% is not expected to have a material impact on the deferred tax balances.

Deferred tax balances recognised on the balance sheet

	As at 31 March 2013 £m	As at 31 March 2012 £m
Deferred tax assets	**15**	12
Deferred tax liabilities	**(66)**	(98)
Net balances	**(51)**	(86)

10. Tax continued

Deferred tax – movement of Group balances before offset within countries

	Goodwill £m	Intangible assets arising on consolidation £m	Employee-related items £m	Deferred income and accrued expenses £m	Losses carried forward £m	Other £m	Total £m
Net balances at 31 March 2012	(38)	(86)	25	8	8	(3)	(86)
Tax credit/(charge)	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 as at 31 March 2013	–	–	33	10	9	19	71
Deferred tax liabilities as at 31 March 2013	(37)	(61)	(11)	(3)	–	(10)	(122)
Net balances as at 31 March 2013	(37)	(61)	22	7	9	9	(51)

	Goodwill £m	Intangible assets arising on consolidation £m	Employee-related items £m	Deferred income and accrued expenses £m	Losses carried forward £m	Other £m	Total £m
Net balances at 31 March 2011	(42)	(107)	24	7	10	8	(100)
Tax (charge)/credit	4	20	(9)	1	(2)	–	14
Reserves	–	(1)	10	–	–	(9)	–
FX adjustments	–	2	–	–	–	(2)	–
Net balances as at 31 March 2012	(38)	(86)	25	8	8	(3)	(86)
Deferred tax assets as at 31 March 2012	13	1	43	11	8	18	94
Deferred tax liabilities as at 31 March 2012	(51)	(87)	(18)	(3)	–	(21)	(180)
Net balances as at 31 March 2012	(38)	(86)	25	8	8	(3)	(86)

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

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

11. Net finance expense

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Finance income		
Interest receivable and similar income		
Bank deposits	**5**	6
	5	6
Other finance income		
Fair value loss on derivative financial instruments (note 8(a))	**–**	(2)
Fair value gain of hedged item (note 8(a))	**–**	3
Dividends received on equity investments	**6**	3
	6	4
Total finance income	**11**	10
Finance costs		
Interest payable and similar charges		
Bank loans and overdrafts	**(40)**	(34)
	(40)	(34)
Other finance costs		
Unwinding of deferred consideration	**(1)**	–
	(1)	–
Total finance costs	**(41)**	(34)
Net finance expense	**(30)**	(24)

12. Matched principal, deposits for securities and other trade receivables

a) Matched principal and deposits for securities

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

The gross amount of matched principal transactions included in trade and other receivables (with an offsetting amount in trade and other payables) is £15,614m (31 March 2012 – £77,997m). During the year the Group introduced a new clearing arrangement for certain US matched principal transactions on a fully disclosed clearing basis, which provided the Group legally enforceable right to set off the recognised amounts and settle on a net basis. As such, matched principal trade receivables and payables were recorded on a net basis, which resulted in the significant downward movement from the 2012 position.

12 Matched principal, deposits for securities and other trade receivables continued

b) Other trade receivables

Other trade receivables at 31 March 2013 were £201m (31 March 2012 £247m) and represent amounts receivable in respect of agency business and information services. As at 31 March 2013 the following other trade receivables were past their normal settlement date but had not been impaired:

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

The Group's provision for impairment at 31 March 2013 is £3m (31 March 2012 - £3m).

13 Acquisition and disposal costs

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

14 Other income

Revenue grants received are credited to the consolidated income statement on an accruals basis over the period the related expenditure is charged.

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

Income from government grants includes amounts relating to a BEIP grant receivable in the US from the state of New Jersey. Income from the grant is recognisable until 2014 and expected to be received by the Group by 2017. The Group is required to maintain its operations in the state of New Jersey until 2017 and the grant is based on the amount of employee tax paid over to the state authorities.

15 Contingent liabilities

Group

(a) Several government agencies in North America and Europe, including the US CFTC, the US Department of Justice, the FCA (formerly the FSA) and the European Commission, continue to conduct investigations in to past submissions made by panel members to the bodies that set various interbank reference rates (notably Libor). The conclusions of enforcement action by certain regulators against three banks that were members of the relevant panels and therefore set Libor, have been publicly reported. Such action included significant financial penalties and undertakings to improve the methodology by which Libor submissions are derived.

Neither ICAP, nor any of its subsidiaries, either were at the relevant time or are now members of the panels that submit data used to set Libor, nor does any ICAP broking company itself trade in any Libor-referencing product that it brokers. However, certain subsidiaries of ICAP's Global Broking division are involved in broking cash deposits and the fixed price component of derivatives that refer to Libor between banks, including members of the relevant panels, and in the course of doing so may receive and communicate information to banks about Libor and Libor-related instruments and trading activity. In certain of the enforcement actions taken against the banks, regulators have included allegations that certain employees of up to six interdealer brokers, which are not named, may have acted improperly with regard to Libor-related information shared with banks. One of the Group's Global Broking subsidiaries has been formally notified that it is the subject of an FCA investigation and, in addition, ICAP companies have been requested to provide regulators and other government agencies with a variety of information connected to the investigations referred to above. ICAP is co-operating fully with such regulators and government agencies, including the FCA, the US Department of Justice and the US CFTC.

It is not practicable to predict the scope and ultimate outcomes of any investigations or to provide an estimate of any potential financial impact on the Group.

In addition, ICAP plc has recently been added as a named defendant to an existing civil litigation originally filed in April 2012 against certain Yen Libor and euro-yen Tibor panel banks in the United States District Court for the Southern District of New York. The complaint alleges the plaintiff was injured as a result of purported manipulation of Yen Libor and/or euro-yen Tibor by trading euro-yen Tibor futures contracts, one component of the underlying calculation of which refers to yen Libor or euro-yen Tibor.

It is not practicable to determine the final outcome of this litigation or to provide an estimate of any potential financial impact on the Group, but ICAP intends to defend it vigorously.

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

(c) in the normal course of business certain Group companies enter into guarantees and indemnities to cover clearing and settlement arrangements and/or the use of third party services or software.

15 Contingent liabilities continued

Company

The Company has provided a subordinated guarantee to a subsidiary company in respect of the $193m subordinated loan notes repayable in 2015, which has a fair value of £nil as at 31 March 2013 (2011/12 - £nil). The Company has also provided guarantees to a subsidiary company in respect of credit lines of £8m which have a fair value of £nil at 31 March 2013 (2011/12 - £nil).

16 Related party transactions

The nature of the various services provided to some of the Group's joint ventures and associates are similar to those previously reported at 31 March 2012 and 30 September 2012 and there have been no material transactions during the year to 31 March 2013.

17 Events after the balance sheet date

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

18 Exchange rates

The principal FX rates which affect the Group, expressed in currency per £1, are shown below:

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

Statement of directors responsibilities for the Annual Report

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company and Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

• select suitable accounting policies and then apply them consistently;

• make judgements and accounting estimates that are reasonable and prudent;

• state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

The directors are also required by the Disclosure and Transparency Rules of the FCA to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company and the Group. Each of the directors, whose name and function is listed in the directors' profiles, confirms that, to the best of their knowledge and belief:

• the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

• the management report disclosures are contained in the business review and include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going Concern

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2013.