Preliminary statement for the year ended 31 March 2012

London - 16 May 2012

ICAP plc (IAP.L), 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 2012.

Continuing operations	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m	Change (%)
Revenue	**1,681**	1,741	(3)
Net operating expenses*	**(1,309)**	(1,366)	4
Profit*	**354**	350	1
Profit before tax – statutory	**217**	233	(7)
EPS (basic)	**21.1p**	28.7p	(26)
EPS (adjusted basic)*	**40.1p**	39.9p	1
Dividend per share	**22.0p**	19.95p	10

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

Group financial highlights:

- Group revenue from continuing operations decreased by 3% to £1,681m with profit* increased by 1% to £354m in line with guidance
- Post trade risk and information revenue increased 13% to a record £208m and produced operating profit of £91m up 15% - ICAP's strongest performance to date
- A record high operating profit for our electronic business of £127m up 4%, while revenue of £301m decreased by 1%
- Electronic and post trade risk and information contributed 59% of operating profit
- £20m cost savings delivered this year
- Significant further run-rate savings expected of at least £50m per annum by the end of March 2014
- The Group's operating profit* margin was 22% (2011: 22%), unchanged on the prior year
- Statutory EPS (basic) down 26% to 21.1p; EPS (adjusted basic)* up 1% to 40.1p
- Ongoing free cash flow of £268m (31 March 2011 - £210m), representing a profit conversion of 103%
- The directors recommend a final dividend of 16.00p per ICAP share which will be paid on 20 July 2012 to shareholders on the register on 29 June 2012. The full-year dividend will be 22.00p per share, an increase of 2.05p per share reflecting confidence in ICAP's medium-term prospects.

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

"In the last quarter of our financial year we saw an improvement in risk appetite in some markets. However activity in April and early May was slow with the ongoing euro crisis and regulatory uncertainty depressing trading volumes. Some resolution on these important issues would give a big and welcome lift to market sentiment. We reduced costs last year and are embarking on a structural overhaul that will result in further significant savings over the next two years.

"Wholesale financial markets play a vital role in global economic development. As the world's leading interdealer broker and infrastructure provider to these markets, ICAP is playing a central role in their evolution and long-term growth and is uniquely positioned to prosper. Our perspective helps inform regulators and policymakers as they

implement reform. We believe we have a responsibility to help create more transparent, efficient and safer financial markets that support the global economy. Having continually invested across all our businesses, especially in technology, we are in a good position to benefit from changing customer and regulatory requirements, giving us a significant competitive advantage as we look forward. We continue to maintain our entrepreneurial edge and have the proven appetite and ability to innovate and develop new products and services. We also remain focused on markets with structurally higher growth.

Our efficient conversion of profit to cash has enabled the directors to recommend a final dividend of 16.00p which will result in an increase of 2.05p in the full year dividend. Our strong balance sheet and diversified business give us options when we look at where best to invest for the future. This will ensure ICAP is extremely well placed when markets normalise."

There will be a briefing for analysts and investors at 09:30 BST on Wednesday 16 May 2012 at 2 Broadgate, London EC2M 7UR. The presentation slides and an audiocast will be available on the website, www.icap.com at 17:00 BST on Wednesday 16 May 2012. The audiocast will remain on the website for six months.

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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.

Preliminary statement for the year ended 31 March 2012

Review of operations

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

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

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

In 2011/12 due in part to a decline in our voice business we moved closer to our aim to generate operating profit evenly between voice, electronic and post trade risk and information with 41%, 34% and 25% delivered by these businesses respectively.

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

Key developments in 2011/12

New financial futures and options team

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

Customer investment in iSwap

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

Acquisitions in commodities

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

New electronic trading platforms for interest rate options and equity derivatives

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

Investing in technology

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

Investing in emerging markets

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

Investment in Japan

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

Expanding our post trade businesses

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

Changing competitive environment

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

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

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

Cost control

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

Management changes

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

Mark Price joined us from Deutsche Bank in October as Group Chief Operating Officer, bringing substantial operational and risk management experience in financial markets. His appointment reflects our commitment to maintaining the strong control and risk management environment we have developed. Mark Yallop, ICAP's previous Group Chief Operating Officer, left us in September after six successful years. Mark made a significant contribution to the strategic development of our business and we wish him well for the future.

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

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

Dividend

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

Outlook

In the last quarter of our financial year we saw an improvement in risk appetite in some markets. However activity in April and early May was slow with the ongoing euro crisis and regulatory uncertainty depressing trading volumes. Some resolution on these important issues would help improve market sentiment. We reduced costs last year and are embarking on a structural overhaul that we expect will result in further significant run-rate savings of at least £50 million per annum by the end of March 2014.

Markets

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

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

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

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

Voice

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

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

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

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

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

Rates

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

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

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

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

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

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

Foreign exchange (FX)

Our FX business comprises spot and forwards and a joint venture in options.

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

Commodities

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

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

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

Emerging markets

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

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

Credit

Our credit business comprises corporate bonds and credit derivatives.

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

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

Equities

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

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

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

Electronic

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

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

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

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

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

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

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

FX

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

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

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

Rates

Government bonds and repo

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

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

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

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

Interest rate swaps (IRS)

In November we received regulatory approval for i-Swap Euro Limited to operate a multilateral trading facility (MTF) for OTC derivatives. i-Swap Euro Limited now runs ICAP's electronic platform for IRS trading and is operated and controlled by ICAP, with Barclays Capital, Bank of America Merrill Lynch, Deutsche Bank and J.P. Morgan together investing £18 million. The four shareholding banks support the platform with streaming prices.

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

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

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

MyTreasury

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

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

Credit

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

Post trade risk and information

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

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

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

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

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

Reset and ReMatch

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

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

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

TriOptima

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

Since its launch in 2008, triReduce has eliminated more than $190 trillion in total notional volume in interest rate swaps. As we anticipated last year, during 2011/12 triReduce saw an increase in activity and eliminated $72 trillion in notional volume in interest rate swaps and $7 trillion in notional volume in CDS. Eliminating trades helps to reduce systemic risk and reduces potential administrative exposure in the event of a default.

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

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

Traiana

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

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

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

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

CME Group for the submission of OTC FX derivatives. In March 2012, Traiana announced that six of the largest FX clearers had chosen Traiana Harmony for their comprehensive client clearing solution.

Information

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

ICAP's data is the key source of mark-to-market data for the industry and of intelligence behind algorithmic trading and research models for customers. With average daily volume data brokered by ICAP fed into our data products, there are 29 million average daily data updates in more than 96,000 instruments delivered to end users. The business has exhibited strong performance versus the prior year with growth in both revenue and profit. It employs a subscription-based charging structure which provides a regular revenue stream.

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

Profit for the year

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

*before acquisition and disposal costs and exceptional items

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

Acquisition and disposal costs

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

Exceptional items

The Group's policy is to disclose separately items in its income statement as exceptional which are non-recurring and, in terms of both size and nature, material.
No exceptional items have been included for the year (2011 – £23 million charge).

Tax

The overall objective continues to be to plan and manage the tax affairs of the Group efficiently while complying with local tax regulations. The Group's effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations is 27% (2011 – 26%).
The Group's tax charge is affected by the varying tax rates in different jurisdictions applied to taxable profits, the mix of those profits, and the rules impacting deductibility of certain costs. The Group continues to take a prudent approach to the management of its tax affairs and provisions are set to cover tax exposures. We expect the Group's effective tax rate, excluding acquisition and disposal costs, exceptional items and discontinued operations to be between 27%-29% for the financial year ending 31 March 2013.

Balance sheet

The Group's net assets as at 31 March 2012 were £1,210 million (2011 – £1,251 million). Gross debt is £629 million, a £64 million increase as a result of additional drawings under the revolving credit facility to finance the capital increase in the UK regulated entities and the issue of European Commercial Paper. Committed headroom at 31 March 2012 was £324 million (2011 - £362 million). As at 31 March 2012, the earliest debt maturity date relating to the RCF was 31 May 2013. However, on 20 April 2012 this facility was extended to 31 May 2014. Cash and cash equivalents increased by £143 million to £547 million, as a result of cash received from the investment by our partners in i-Swap Euro Limited and, as previously mentioned, additional funding of UK regulated entities. As a consequence, Net debt has reduced by £79 million to £82 million.

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

As at 31 March 2012, the Group's Pillar 1 regulatory capital headroom was £0.9 billion down from £1.1 billion in the previous year as a result of the low market and credit risk in the Group. The Group continues to benefit from the BIPRU Investment Firm Consolidation waiver which runs until April 2016.

Earnings and EPS

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

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

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

Dividend

For the current year we propose, subject to shareholder approval, to increase the final dividend to 16.00p which will result in an increase in the full-year dividend of 2.05p to 22.00p. The final dividend will be paid on 20 July 2012 to shareholders on the register on 29 June 2012.
Interim dividends are calculated as 30% of the previous year's full-year dividend. This approach is expected to continue for the 2012/13 financial year.

Free cash flow

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

* Cash generated from operations plus discontinued and exceptional items

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

The Group continues to generate substantial free cash flow. Over the long term it is expected free cash and post-tax profit will converge. At 31 March 2012 our free cash flow conversion was 103% compared to 81% in 2010/11, primarily as a result of an improvement in short-term working capital.

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

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

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

Events after the balance sheet date

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

Consolidated income statement
Year ended 31 March 2012

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 12) £m	Exceptional items £m	Total £m
Continuing operations					
Revenue	2	1,681	–	–	1,681
Operating expenses	5	(1,335)	(150)	–	(1,485)
Other income	13	26	13	–	39
Operating profit	2	372	(137)	–	235
Finance income	10	10	–	–	10
Finance costs	10	(34)	–	–	(34)
Share of profits of associates after tax		6	–	–	6
Profit before tax from continuing operations	2	354	(137)	–	217
Tax	9	(95)	18	–	(77)
Profit for the year from continuing operations		259	(119)	–	140
Profit for the year from discontinued operations		–	–	–	–
Profit for the year		259	(119)	–	140
Attributable to:					
Owners of the Company		260	(123)	–	137
Non-controlling interests		(1)	4	–	3
		259	(119)	–	140
Earnings per ordinary share from continuing operations (pence)					
– basic	3				21.1
– diluted	3				20.8
Earnings per ordinary share from total operations (pence)					
– basic	3				21.1
– diluted	3				20.8

Consolidated income statement
Year ended 31 March 2011

	Note	Before acquisition and disposal costs and exceptional items £m	Acquisition and disposal costs (note 12) £m	Exceptional items £m	Total £m
Continuing operations					
Revenue	2	1,741	–	–	1,741
Operating expenses	5	(1,387)	(88)	(3)	(1,478)
Other income	13	21	–	–	21
Operating profit	2	375	(88)	(3)	284
Finance income	10	5	–	–	5
Finance costs	10	(33)	–	(20)	(53)
Share of profit/(loss) of associates after tax		3	(6)	–	(3)
Profit before tax from continuing operations	2	350	(94)	(23)	233
Tax	9	(90)	32	8	(50)
Profit for the year from continuing operations		260	(62)	(15)	183
Profit for the year from discontinued operations		–	–	4	4
Profit for the year		260	(62)	(11)	187
Attributable to:					
Owners of the Company		260	(62)	(11)	187
Non-controlling interests		–	–	–	–
		260	(62)	(11)	187
Earnings per ordinary share from continuing operations (pence)					
– basic	3				28.1
– diluted	3				27.6
Earnings per ordinary share from total operations (pence)					
– basic	3				28.7
– diluted	3				28.2

Consolidated statement of comprehensive income

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit for the year	**140**	187
Other comprehensive income from continuing operations		
Net movement on cash flow hedges	**12**	(2)
Net exchange adjustments on investments in overseas subsidiaries	**(31)**	(65)
Revaluation gains in the year	**4**	6
Net current tax recognised in other comprehensive income (note 9)	**(1)**	(1)
Other comprehensive loss for the year from continuing operations	**(16)**	(62)
Total comprehensive income for the year	**124**	125
Total comprehensive income attributable to:		
Owners of the Company	**121**	125
Non-controlling interests	**3**	–
	124	125

Consolidated and Company balance sheet

	Note	Group As at 31 March 2012 £m	Group As at 31 March 2011 £m	Company As at 31 March 2012 £m	Company As at 31 March 2011 £m
Assets					
Non-current assets					
Intangible assets arising on consolidation	6	**1,188**	1,358	**–**	–
Intangible assets arising from development expenditure		**68**	63	**–**	–
Property and equipment		**82**	87	**–**	–
Investment in subsidiaries		**–**	–	**1,989**	1,989
Investment in joint ventures		**–**	–	**–**	1
Investment in associates		**54**	31	**1**	–
Deferred tax assets	9	**12**	17	**–**	–
Trade and other receivables		**11**	14	**–**	–
Available-for-sale investments		**31**	30	**–**	–
		1,446	1,600	**1,990**	1,990
Current assets					
Trade and other receivables	11	**79,254**	74,693	**95**	40
Available-for-sale investments		**–**	1	**–**	–
Restricted funds	8	**50**	73	**–**	–
Cash and cash equivalents	8	**547**	404	**–**	–
		79,851	75,171	**95**	40
Total assets		**81,297**	76,771	**2,085**	2,030
Liabilities					
Current liabilities					
Trade and other payables	11	**(79,184)**	(74,634)	**(68)**	(89)
Borrowings	7	**(255)**	(183)	**(21)**	–
Tax payable		**(123)**	(119)	**–**	–
Provisions		**(1)**	(2)	**–**	–
		(79,563)	(74,938)	**(89)**	(89)
Non-current liabilities					
Trade and other payables		**(33)**	(29)	**(140)**	(140)
Borrowings	7	**(374)**	(382)	**–**	–
Deferred tax liabilities	9	**(98)**	(117)	**–**	–
Retirement benefit obligations		**(1)**	(1)	**–**	–
Provisions		**(18)**	(53)	**–**	–
		(524)	(582)	**(140)**	(140)
Total liabilities		**(80,087)**	(75,520)	**(229)**	(229)
Net assets		**1,210**	1,251	**1,856**	1,801
Equity					
Capital and reserves					
Called up share capital		**66**	66	**66**	66
Share premium account		**453**	452	**453**	452
Other reserves		**91**	75	**1**	1
Translation		**42**	73	**–**	–
Retained earnings		**516**	565	**1,336**	1,282
Equity attributable to owners of the Company		**1,168**	1,231	**1,856**	1,801
Non-controlling interests		**42**	20	**–**	–
Total equity		**1,210**	1,251	**1,856**	1,801

The financial statements were approved by the board on 16 May 2012 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 31 March 2011	66	452	75	73	565	1,231	20	1,251
Comprehensive income								
Profit for the year	–	–	–	–	137	137	3	140
Other comprehensive income								
Net movement on cash flow hedges	–	–	12	–	–	12	–	12
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	(31)	–	(31)	–	(31)
Unrealised revaluation gains in the year	–	–	4	–	–	4	–	4
Net current tax recognised in other comprehensive income	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	–	16	(31)	136	121	3	124
Net movement in employee share 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

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 2010	66	425	71	138	498	1,198	17	1,215
Comprehensive income								
Profit for the year	–	–	–	–	187	187	–	187
Other comprehensive income								
Net movement on cash flow hedges	–	–	(2)	–	–	(2)	–	(2)
Net exchange adjustments on investments in overseas subsidiaries	–	–	–	(65)	–	(65)	–	(65)
Unrealised revaluation gains in the year	–	–	6	–	–	6	–	6
Net current tax recognised in other comprehensive income	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	–	4	(65)	186	125	–	125
Own shares acquired for employee trusts	–	–	–	–	(1)	(1)	–	(1)
Ordinary shares issued	–	2	–	–	–	2	–	2
Share-based payments in the year	–	–	–	–	8	8	–	8
Other movements in non-controlling interests	–	–	–	–	(3)	(3)	3	–
Dividends paid in the year	–	25	–	–	(115)	(90)	–	(90)
Net Treasury Shares acquired in the year	–	–	–	–	(8)	(8)	–	(8)
Balance as at 31 March 2011	66	452	75	73	565	1,231	20	1,251

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 2010	66	425	1	694	1,186
Profit for the year	–	–	–	711	711
Total comprehensive income	–	–	–	711	711
Ordinary shares issued	–	2	–	–	2
Dividends paid in the year	–	25	–	(115)	(90)
Net Treasury Shares acquired in the year	–	–	–	(8)	(8)
Balance as at 31 March 2011	66	452	1	1,282	1,801
Profit for the year	**–**	**–**	**–**	**247**	**247**
Total comprehensive income	**–**	**–**	**–**	**247**	**247**
Ordinary shares issued	**–**	**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**

Consolidated and Company statement of cash flow

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

*Group - Payments to acquire own shares for employee share trusts is shown net of £6m (2011 - £4m) of contributions received from participants in the trust.

Notes to the financial statements

1. Basis of preparation

Preparation of financial statements

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

The significant accounting policies adopted by the Group and Company are included at the front of the notes to which they relate.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Management consider goodwill (note 6) and tax (note 9) to be the areas where increased judgement is required. This is discussed further in the notes relating to these areas. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Judgements, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

The financial statements continue to present the notes in an order that reflects management's view of the importance of information contained in the notes to the performance and position of the Group for the year ended 31 March 2012.

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 cash earnings. Profit before acquisition and disposal costs and exceptional items are reconciled to profit before tax on the face of the consolidated income statement.

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

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

On the face of the consolidated income statement, basic and diluted EPS from continuing operations have also been disclosed. This enables the Group to provide clarity of the EPS of the continuing core business.

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

1. Basis of preparation continued

Basis of consolidation

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

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

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

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

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

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

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

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

Foreign currencies

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

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

1. Basis of preparation continued

Foreign currencies continued

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

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

Recent accounting developments

The following amendment is mandatory for the first time for the financial year beginning 1 April 2011 and is considered relevant to the Group:

- Revised IAS24 'Related party disclosures' issued in November 2009 supersedes IAS24 'Related party disclosures' issued in 2003.

  The adoption of this standard will not have a material impact on the Group.

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

- IFRS9 'Financial instruments' addresses classification and measurement of financial assets, as the first phase of the replacement of IAS39 'Financial Instruments – recognition and measurement' and is effective for annual periods beginning after 1 January 2015, subject to EU endorsement. The impact on the Group's financial statements of the future adoption of the standard is still under review.
- IFRS10 'Consolidated financial statements' requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS11 'Joint arrangements' replaces IAS31 'Interests in joint ventures' and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS12 'Disclosure of interests in other entities' requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS13 'Fair value measurement' replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard becomes effective for annual periods beginning on or after 1 January 2013.
- IAS27 'Consolidated and separate financial statements' – reissued as IAS27 'Separate financial statements' (as amended in 2011). This standard is an amended version of IAS27 'Consolidated and separate financial statements' which now deals only with the requirements for separate financial statements, which have been carried over largely unchanged from IAS27 'Consolidated and separate financial statements'. Requirements for consolidated financial statements are now contained in IFRS10 'Consolidated financial statements'. The standard becomes effective for annual periods beginning on or after 1 January 2013.

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

1. Basis of preparation continued

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

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

Voice

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

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

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 clearer for settlement. Revenue is generated from either the difference between the purchase and sale proceeds or by invoice, depending on the product, market and agreements in place with the customer and is recognised on the trade date.

Electronic

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

Post trade risk and information

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

2. Segmental information continued

Reorganisation of portfolio

As a result of the decreasing number of new businesses set up or established over the past two years, for the period commencing 1 April 2011, the CODM has discontinued the new business segment and incorporated the initiatives into the segment operated by the appropriate member of the GEMG. The decision to no longer report the new business segment reflects management's decision 12 months ago to focus on organic expansion and developing partnerships with customers. This has resulted in a low level of new business initiatives which do not otherwise meet the criteria to be reported under core segments. No longer presenting new businesses separately results in the other segments initially showing lower margins as businesses such as Brazil move towards operational maturity. The comparative periods have been re-presented for this change. The business consists of regional voice businesses in EMEA, the Americas and Asia Pacific, a global electronic business active in fixed income interest rate derivatives and FX markets and a global post trade risk and information services business. Each of these five business areas are managed and reviewed by the CODM on a stand-alone basis and, as such, are considered segments.

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

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

2. Segmental information continued

	Year ended 31 March 2011 (re-presented*)					
	Voice					
	EMEA £m	Americas £m	Asia Pacific £m	Electronic £m	Post trade risk and information £m	Total £m
Revenue	587	533	134	303	184	1,741
Operating profit before acquisition and disposal costs and exceptional items	113	66	(5)	122	79	375
Reconciliation to the consolidated income statement						
Acquisition and disposal costs						(88)
Exceptional items						(3)
Operating profit						284
Finance income						5
Finance costs						(53)
Share of loss of associates after tax						(3)
Profit before tax from continuing operations						233
Tax						(50)
Profit for the year from continuing operations						183
Profit after tax from discontinued operations						4
Profit for the year						187

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

Revenue earned by asset type is disclosed below:

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

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

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

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

2. Segmental information continued

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

The depreciation and impairment of property and equipment recognised by the Group on a segmental basis is as follows: EMEA voice £6m (2011 – £9m), the Americas voice £3m (2011 – £6m), Asia Pacific voice £2m (2011 – £2m), electronic £8m (2011 – £6m) and post trade risk and information £2m (2011 – £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 the owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. The Group also calculates adjusted EPS which uses the profit or loss attributable to the owners of the Company before the effect of acquisition and disposal costs and exceptional items. The Group believes that this is the most appropriate measurement since it better reflects the business's underlying cash earnings.

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

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

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

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

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

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

3. Earnings per share continued

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

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

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

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

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

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

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

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

The directors have proposed a final dividend of 16.00p per share for the year ended 31 March 2012. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £103m.

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

5. Operating expenses

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

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

** Other includes exceptional costs of £nil (2011 – £3m).

Contractual arrangements

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

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

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

The Group seeks to ensure that its systems have full redundancy and are capable of operating from business continuity sites.

The balance of costs represent premises, governance, clearing and other costs. These represent 24% of total costs.

5. Operating expenses continued

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.

6. Intangible assets arising on consolidation

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

i. Goodwill

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

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

Goodwill is initially recognised at cost and is subsequently held at cost less any provision for impairment. Goodwill is not subject to amortisation but is tested annually for impairment or whenever there is an indication that the unit may be impaired.

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

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

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

6. Intangible assets arising on consolidation continued

ii. Separately identifiable intangible assets

The Group has recognised separately identified intangible assets on acquisitions where appropriate. These assets generally include customer contracts and relationships. Intangible assets acquired by the Group are initially stated at fair value and subsequently adjusted for amortisation and any impairment. All intangible assets have a finite life.

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

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

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

iii. Impairment

Goodwill is not amortised but is tested for impairment at least annually. Goodwill and other intangible assets arising on consolidation are allocated to a cash generating unit (CGU) at acquisition. A CGU is the smallest segment on which it is practicable to report a Group business. Where the carrying value of the asset exceeds its recoverable amount, an impairment charge is recognised immediately in the consolidated income statement, and the asset is impaired to its recoverable amount. For goodwill, impairment charges previously recognised are not reversed and impaired intangible assets are reviewed annually for reversal of previously recognised impairments.

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

6. Intangible assets arising on consolidation continued

a) Intangible assets arising on consolidation

	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2011	**1,038**	**621**	**1,659**
Additions	**4**	**5**	**9**
Exchange adjustments	**(1)**	**(5)**	**(6)**
As at 31 March 2012	**1,041**	**621**	**1,662**
Amortisation and impairment			
As at 1 April 2011	**45**	**256**	**301**
Amortisation charge for the year	**–**	**70**	**70**
Impairment in the year	**98**	**5**	**103**
As at 31 March 2012	**143**	**331**	**474**
Net book value			
As at 31 March 2012	**898**	**290**	**1,188**
Cost			
As at 1 April 2010	1,073	633	1,706
Adjustments relating to contingent deferred consideration	(2)	–	(2)
Exchange adjustments	(33)	(12)	(45)
As at 31 March 2011	1,038	621	1,659
Amortisation and impairment			
As at 1 April 2010	36	181	217
Amortisation charge for the year	–	73	73
Impairment in the year	9	2	11
As at 31 March 2011	45	256	301
Net book value			
As at 31 March 2011	993	365	1,358

6. Intangible assets arising on consolidation continued

b) Impairment testing of intangible assets arising on consolidation

Analysis of significant intangible assets

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

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

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

Key assumptions

The key assumptions used for impairment testing are as follows:

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

6. Intangible assets arising on consolidation continued

b) Impairment testing of intangible assets arising on consolidation continued

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

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

Impairment testing

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group uses a five-year impairment model as required under IAS36 'Impairment of assets' unless a different period is justified. With the exception of ICAP Shipping which uses a ten-year model due to its cyclical nature, all the Group's models are over five years. The model uses pre-tax cash flow projections which extend forward to perpetuity using a terminal value calculation and which take account of the approved budget for the coming year and the following two-year approved strategy. The strategy takes into account both the strategic actions of the business and impacts associated with its external environment, such as regulatory reform. Cash flows for years four and five rely on estimates of growth factors determined by the business. The Group applies a suitable discount factor to the future cash flows based on its pre-tax WACC. Growth rates are applied conservatively and do not exceed the expected growth in the local economy after the fifth year, or for businesses which operate on a global scale, the global GDP.

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

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

Link

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

6. Intangible assets arising on consolidation continued

b) Impairment testing of intangible assets arising on consolidation continued

Arkhe

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

ICAP Shipping

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

Traiana

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

Other

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

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

7. Borrowings

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

a) Long-term borrowings

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

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

The Group also has in issue €300m of five-year senior notes (the 'Notes') repayable in July 2014 with a coupon of 7.5%. The Notes were issued at a price of €99.496, and are shown net of both this discount and fees of £1m (2011 – £1m) directly attributable to the issue. The carrying value of the Notes of £255m (2011 – £263m) includes a fair value hedging adjustment to increase the carrying value by £5m (2011 – £2m decrease) relating to the mark-to-market of the interest portion of the Notes.

To enable the Group to manage the translational exposure which arises as a result of the Notes being denominated in euros and to meet its risk management objective of minimising both interest cost and the impact of interest volatility on its consolidated income statement, the Group entered into a number of cross-currency swaps to convert its obligations over the life of the Notes from euros to pound sterling at €1.16/£. €100m of the Notes have been swapped from a fixed euro-denominated coupon of 7.5% to a fixed pound sterling denominated coupon of 8.58% and the remaining €200m from a fixed euro-denominated coupon of 7.5% to a floating pound sterling denominated coupon of six month LIBOR plus 4.92%. The interest payments are made annually on the fixed pound sterling swaps and semi-annually on the floating pound sterling swaps. The fixed to fixed swaps have been accounted for as a cash flow hedge and at 31 March 2012 have a fair market value of £4m liability (2011 – £1m liability). These swaps offset the effect of FX on the Notes, which resulted in a £nil charge (2011 – £nil) being recognised in the consolidated income statement and a £2m credit (2011 – £2m charge) in other comprehensive income during the year. The fixed to floating swaps have been treated as a fair value hedge, have a fair market value of £3m (2011 – £5m) at 31 March 2012 and resulted in a £2m charge (2011 – £6m charge) being recognised in the consolidated income statement during the year. The impact on the consolidated income statement relating to the fair value movement on the Notes is a £3m credit (2011 – £6m credit).

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

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

7. Borrowings continued

b) Short-term borrowings

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

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

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

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

The Group's bank facilities contain a number of customary financial and operational covenants. The Group remained in compliance with the terms of these covenants throughout the year ended 31 March 2012.

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

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

c) Liquidity risk management

Group

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

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

ICAP's liquidity risk is restricted to margin and collateral requirements of clearing houses or financial institutions which provide ICAP with access to clearing houses. The most significant margin requirements arise in the US where, as part of its broking business, ICAP provides clearing services to customers and is required to deposit margin with the FICC and NSCC. During the year to 31 March 2012, these deposits averaged $43m. Cash held at clearing houses, or a financial institution providing ICAP with access to a CCP, is disclosed as restricted funds in the financial statements (see note 8). The Group has no other material margin requirements on a routine basis.

7. Borrowings continued

c) Liquidity risk management continued

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. On behalf of the board, the group risk and capital committee (GRACC) regularly reviews the liquidity demands of the Group and the financial resources available to meet these demands. The GRACC ensures that the Group, in totality, has sufficient liquidity available in order to provide constant access, even in periods of market turmoil, to an appropriate level of cash, other forms of marketable securities and committed funding lines to enable it to finance its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms. One metric used in determining adequacy of resources is to ensure that the Group always has £156m ($250m) of centrally available cash and other financial resources.

At 31 March 2012, the Group had gross debt of £629m (2011 – £565m) and cash and cash equivalents of £547m (2011 – £404m) (see note 8(b)). It is the Group's policy to hold only cash necessary to meet local regulatory, commercial, settlement and short-term working capital requirements and for excess cash to be used to reduce gross debt. Cash has increased from 31 March 2011 as a result of cash received from non-controlling interests and additional funding of UK regulated entities.

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

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

Committed facilities

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

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

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

Company

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

7. Borrowings continued

c) Liquidity risk management continued

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

8. Cash

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

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

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

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

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

8. Cash continued

The movement in trade and other receivables and trade and other payables excludes the impact of the gross-up of matched principal trades as permitted by IAS7 'Statement of cash flows'. The gross-up has no impact on the cash flow or net assets of the Group. The cash flow movement in trade and other receivables includes the net movement on matched principal transactions and deposits for securities borrowed/loaned. The movement for the year ended 31 March 2012, after accounting for acquisitions, is an inflow of £25m (2011 outflow of £18m).

(b) Net debt

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

(c) Total net cash

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

(d) Client money

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

(e) Restricted funds

Restricted funds comprises cash held with 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 £23m during the year to £50m.

9. Tax

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

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

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

9. Tax continued

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.

Tax charged to the consolidated income statement in the year

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

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

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

9. **Tax** continued

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

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

Tax charged/(credited) to equity in the year

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

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

Deferred tax balances recognised on the balance sheet

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

9. Tax continued

Deferred tax – movement of Group balances before offset within countries

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

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

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

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

10. Net finance expense

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Finance income		
Interest receivable and similar income		
Bank deposits and other interest receivable	**6**	3
	6	3
Other finance income		
Fair value loss on derivative financial instruments (note 7(a))	**(2)**	(6)
Fair value gain of hedged item (note 7(a))	**3**	6
Dividends received on equity investments	**3**	2
	4	2
Total finance income	**10**	5
Finance costs		
Interest payable and similar charges		
Bank loans and overdrafts	**(34)**	(33)
	(34)	(33)
Other finance costs		
Impairment of loans to associates	**–**	(20)
	–	(20)
Total finance costs	**(34)**	(53)
Net finance expense	**(24)**	(48)

11. Matched principal transactions

Certain Group companies conduct broking by purchasing from one party and selling to another. Such trades are complete only when both sides of the deal are settled and so the Group is exposed to risk in the event that one side of the transaction remains unsettled. Substantially all the transactions settle within a short period of time and the settlement risk is considered to be minimal. All amounts due to and payable by counterparties in respect of matched principal business are shown gross, except where a legally enforceable netting agreement exists and the asset and liability are either settled net or simultaneously.

The gross amount of matched principal transactions included in both trade and other receivables and trade and other payables is £77,997m (31 March 2011 – £73,454m).

Certain Group companies are involved in collateralised stock lending transactions as an intermediary between counterparties. The gross amount of these transactions included within trade and other receivables and trade and other payables is £795m (31 March 2011 – £747m).

12. Acquisition and disposal costs

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

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

13. Other income

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

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

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

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

14. Contingent liabilities

Group

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

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

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

15. Events after the balance sheet date

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

16. Exchange rates

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

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

Statement of directors responsibilities for the Annual Report

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

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

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

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

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

Related Parties

The Group has considered related party transactions and there have been no material changes since those previously reported at 31 March 2011 and 30 September 2011.