

Company Number: 500777

ICAP SECURITIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2008

SATURDAY



A29 *ACOEC516* 234
22/11/2008
COMPANIES HOUSE

ICAP SECURITIES LIMITED

Directors' Report for the year ended 31 March 2008

The directors present their report and the audited financial statements of the company for the year ended 31 March 2008

PRINCIPAL ACTIVITY

The company's principal activity is the broking of securities and is regulated by the Financial Services Authority

The company is incorporated and domiciled in the United Kingdom ("UK") The registered office is 2 Broadgate, London, EC2M 7UR

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The directors consider that the year end financial position was satisfactory and do not anticipate any changes to the principal activities

RESULTS AND DIVIDENDS

The results of the company are set out in the income statement on page 4

Dividends of £30,500,000 (2007 £60,000,000) were paid during the year The profit for the year of £22,348,000 (2007 £24,271,000) has been transferred to reserves

FINANCIAL RISK MANAGEMENT

The company's risk profile and financial risk management policies are disclosed in note 2 to the financial statements

KEY PERFORMANCE INDICATORS

The directors of ICAP plc manage the group's operations on a divisional basis We monitor the voice revenue per voice broker and the variable component of voice broker remuneration as the most relevant efficiency measures of our voice division In addition, a key part of cost control is the overall percentage of staff compensation as a percentage of revenue The development, performance and position of ICAP plc, which includes the company, are discussed in their annual report which does not form part of this report

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company, who held office during the year, were

E T Bowen
V E Cruwys
G MacDonald
P O'Toole
G Smith

None of the directors had any interests in the shares of the company during the year The interests of the directors and their families in the share capital of the ultimate parent undertaking, ICAP plc, are shown in note 10 to the financial statements

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

ICAP SECURITIES LIMITED

Directors' Report for the year ended 31 March 2008

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future and confirm that the company is a going concern.

CREDITOR PAYMENT POLICY

The company has no external trade payables except for those disclosed in note 19, which are settled in the normal course of the company's clearing arrangements.

CHARITABLE DONATIONS

The company made charitable donations amounting to £1,529,000 during the year (2007 £1,031,000).

BASEL II REGULATORY REPORTING

The company's Basel II – Pillar 3 disclosure document is available by written request to the Company Secretary.

LAYING OF REPORTS AND ACCOUNTS

The company has passed an elective resolution dispensing with the requirement to lay reports and accounts before the members of the company in general meeting. However, under the provisions of section 253(2) of the Companies Act 1985 (as amended), any member of the company has the right to require this report and accounts to be laid before the members of the company in general meeting. Any member wishing to exercise this right must deposit notice at the company's registered office within 28 days of the date of this report.

AUDITORS

The company has passed an elective resolution dispensing with the requirement to appoint auditors annually. The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

PROVISION OF INFORMATION TO THE AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board



D Abrehart

Secretary

2 June 2008

ICAP SECURITIES LIMITED

Independent Auditors' Report to the members of ICAP Securities Limited

We have audited the financial statements of ICAP Securities Limited for the year ended 31 March 2008 which comprise the Income Statement, the Statement of Recognised Income and Expenses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

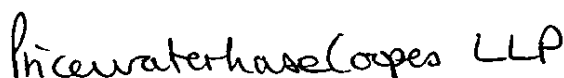
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 June 2008

ICAP SECURITIES LIMITED**Income Statement for the year ended 31 March 2008**

	<u>Note</u>	<u>Year ended</u> <u>31/3/2008</u> £'000	<u>Year ended</u> <u>31/3/2007</u> £'000
Revenue	4	167,413	134,532
Administrative expenses	5	(124,751)	(105,162)
Exceptional item	6	(12,700)	-
Other operating income/(expenses)	7	2,840	(1,108)
Operating profit		<u>32,802</u>	<u>28,262</u>
Finance income	11	2,918	2,786
Finance costs	12	(465)	(250)
Profit before taxation		<u>35,255</u>	<u>30,798</u>
Taxation	13	(12,907)	(6,527)
Profit for the year		<u><u>22,348</u></u>	<u><u>24,271</u></u>

ICAP SECURITIES LIMITED

Statement of Recognised Income and Expenses for the year ended 31 March 2008

	<u>Year ended 31/3/2008</u> £'000	<u>Year ended 31/3/2007</u> £'000
Profit for the year	22,348	24,271
Total recognised income and expense for the year	<u><u>22,348</u></u>	<u><u>24,271</u></u>

ICAP SECURITIES LIMITED
Balance Sheet as at 31 March 2008

	<u>Note</u>	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Non-current assets			
Investments in subsidiary undertakings	14	-	10,000
		<hr/>	<hr/>
		-	10,000
Current assets			
Trade and other receivables	16	6,774,618	13,824,777
Cash and cash equivalents	18	61,061	51,145
		<hr/>	<hr/>
		6,835,679	13,875,922
Total assets		<hr/>	<hr/>
		6,835,679	13,885,922
Current liabilities			
Trade and other payables	19	(6,742,491)	(13,802,723)
Tax payable		(15,576)	(2,668)
Borrowings	20	(19,461)	(14,228)
		<hr/>	<hr/>
		(6,777,528)	(13,819,619)
Total liabilities		<hr/>	<hr/>
		(6,777,528)	(13,819,619)
Net assets		<hr/>	<hr/>
		58,151	66,303
Equity			
Called up share capital	21	53,500	53,500
Retained earnings	22	4,651	12,803
		<hr/>	<hr/>
Total equity	22	58,151	66,303
		<hr/>	<hr/>

The financial statements on pages 4 to 24 were approved by the board of directors on 2 June 2008 and were signed on its behalf by



V E Cruwys
Director

ICAP SECURITIES LIMITED

Cash Flow Statement for the year ended 31 March 2008

	<u>Note</u>	<u>Year ended</u> <u>31/3/2008</u> £'000	<u>Year ended</u> <u>31/3/2007</u> £'000
Cash flows from operating activities			
Profit before taxation		35,255	30,798
Adjustments for			
Net finance income		(2,453)	(2,536)
Operating cash flows before movements in working capital		<u>32,802</u>	<u>28,262</u>
Decrease / (increase) in trade and other receivables		7,050,159	(1,845,227)
(Decrease) / increase in trade and other payables		(7,081,129)	1,818,338
Net cash generated from operating activities		<u>1,833</u>	<u>1,373</u>
Cash flows from investing activities			
Interest income		2,918	2,786
Acquisition of investment in subsidiary		-	(10,000)
Net cash from / (used in) investing activities		<u>2,918</u>	<u>(7,214)</u>
Cash flows from financing activities			
Interest paid		(68)	(250)
Net cash used in financing activities		<u>(68)</u>	<u>(250)</u>
Net increase / (decrease) in cash and cash equivalents		4,683	(6,091)
Net cash and cash equivalents at beginning of year	18	36,917	43,008
Net cash and cash equivalents at end of year	18	<u>41,600</u>	<u>36,917</u>

The payment of dividends and proceeds from the disposal of a subsidiary to fellow subsidiary undertakings of ICAP plc, are settled through the netting of related party balances

Similarly, tax is paid on behalf of the company by a fellow subsidiary undertaking of ICAP plc, and is settled through the netting of related party balances

Therefore, in the absence of the use of cash or cash equivalents, dividends paid, proceeds from the disposal of a subsidiary and tax payments have been excluded from operating activities in the cash flow statement and included within the movement of trade and other payables (2007 trade and other payables)

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, the Companies Act 1985 and under the historical cost convention as modified by the revaluation of certain financial instruments

b) Revenue

Revenue comprises commission and brokerage income derived from securities and derivatives broking and is recognised at trade-date

Securities broking comprises voice broking and is mainly transacted on a matched principal basis. To represent the substance of matched principal services provided by the company, where it acts as principal for the simultaneous purchase and sale of securities to third parties, commission income represents the differential between the consideration received on the sale of the security and its purchase price.

Derivatives broking comprises voice broking and is mainly transacted on an agency basis. For agency trades revenue is stated net of rebates and discounts, value added tax and other sales taxes.

c) Borrowing costs

All borrowing costs relating to the clearing facility are expensed as clearing costs in the income statement.

d) Taxation

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior periods. Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all 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 only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

e) Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the income statement, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken directly to reserves. 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.

f) Matched principal business

The company is involved in the purchase and simultaneous commitment to sell equities and securities between third parties. Such trades are complete only when both sides of the deal are settled, and so the company is exposed to risk in the event that one side of the transaction remains unmatched. Substantially all the transactions settle within a short period of time and the settlement risk is considered to be minimal.

g) Trade receivables

Trade receivables are recognised at fair value less provision for impairment.

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

1. PRINCIPLE ACCOUNTING POLICIES (CONTINUED)

h) Debt provisioning

Provisions are made for specific debts when it is considered that the creditworthiness of the debtor has deteriorated such that the recovery of all or part of a debt is in serious doubt

A provision is made in respect of potential losses which are judged to be present in debtor balances at the balance sheet date, but which will not be identified as such until some time in the future. The level of provision is based upon the previous experience of such losses in the company and is reviewed on a periodic basis. The appropriateness of the provision is periodically assessed against any actual losses that have arisen. All provisions are recorded within administrative expenses in the income statement.

i) Stock lending transactions

The company is involved in collateralised stock lending transactions as an intermediary between counterparties. Although the legal form of such transactions is that the company, as a securities broker, acts as principal on both sides of the transaction, the substance of the transaction is that the company acts as an intermediary and assumes minimal risk.

j) Investments in subsidiary undertakings

Investments comprise equity shareholdings and other interests. These investments are recorded at historical cost less provision for any impairment in their values. Dividend income is recognised upon declaration and interest when receivable.

A subsidiary is an entity over which the company has control. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

k) Cash and cash equivalents

Cash equivalents includes all investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value when it has a maturity of three months or less from the date of acquisition.

l) Client money

The company holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority. Since the company is not beneficially entitled to these amounts, they are excluded from the company balance sheet along with the corresponding liabilities to clients. The amounts held on behalf of clients at the balance sheet date are included in note 17.

m) Share capital

Ordinary shares are classified as equity. Dividends are recognised as deductions from retained earnings in the period in which they are declared.

n) Impairment of assets

An impairment review of the recoverable amounts of assets is undertaken at each balance sheet date or when such events or changes in circumstances indicate that an impairment loss may have occurred.

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The company's activities expose it to a variety of financial risks, including liquidity, interest rate, currency and credit risk. The overall financial risk management framework, strategy and policies of the company are determined by the board of its ultimate parent company, ICAP plc (the "Group"). It does this through two board committees, the Group Risk and Finance Committees, and also by regional and market risk committees. The company does not manage its own financial risk framework.

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets and liabilities

The company's financial assets are classified as loans and receivables

	<u>As at</u> <u>31/3/2008</u> <u>£'000</u>	<u>As at</u> <u>31/3/2007</u> <u>£'000</u>
Financial assets		
Net trade receivables	6,774,618	13,824,777
Cash and cash equivalents	61,061	51,145
<i>Less</i>		
Prepayments	(95)	(89)
	<u>6,835,584</u>	<u>13,875,833</u>

None of the company's financial liabilities are held for trading

a) *Market risk* Foreign exchange risk

The company is exposed to both transactional and translational fluctuations in the value of financial instruments due to exchange rate movements

Transactional exposure arises from administrative and other expenses and remittance of funds in currencies other than the company's functional currency (Sterling), principally United States dollars and Euros. Whilst it is the Group policy to hedge such foreign exchange exposures using derivative financial instruments at a Group level, the company remains exposed to these exposures.

Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into sterling. The Group hedges up to 100% of its translational exposure at a Group level, but the company is exposed to the impact of exchange rate movements.

It is estimated that a 10 cent increase in the exchange rates of the United States dollar and the Euro would have an unfavourable impact of £178,000 and £928,000 respectively on the company's income statement and equity.

The table below summarises the company's exposure to concentrations of foreign currencies as at 31 March 2008

	<u>USD</u> <u>£'000</u>	<u>EUR</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>	<u>GBP</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Assets					
Trade and other receivables	510,207	5,038,340	665,946	560,030	6,774,523
Cash and cash equivalents	2,652	9,156	1,062	48,191	61,061
	<u>512,859</u>	<u>5,047,496</u>	<u>667,008</u>	<u>608,221</u>	<u>6,835,584</u>
Liabilities					
Trade and other payables	(509,108)	(5,016,052)	(664,703)	(552,628)	(6,742,491)
Clearing overdraft	(43)	(18,877)	(539)	(2)	(19,461)
	<u>(509,151)</u>	<u>(5,034,929)</u>	<u>(665,242)</u>	<u>(552,630)</u>	<u>(6,761,952)</u>
Net assets	<u>3,708</u>	<u>12,567</u>	<u>1,766</u>	<u>55,591</u>	<u>73,632</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the company's exposure to concentrations of foreign currencies as at 31 March 2007

	<u>USD</u> £'000	<u>EUR</u> £'000	<u>Other</u> £'000	<u>GBP</u> £'000	<u>Total</u> £'000
Assets					
Trade and other receivables	1,215,965	5,038,084	28,289	7,542,350	13,824,688
Cash and cash equivalents	-	244	-	50,901	51,145
	<u>1,215,965</u>	<u>5,038,328</u>	<u>28,289</u>	<u>7,593,251</u>	<u>13,875,833</u>
Liabilities					
Trade and other payables	(1,530,791)	(7,882,684)	(3,079,643)	(1,309,605)	(13,802,723)
Clearing overdraft	-	-	-	(14,228)	(14,228)
	<u>(1,530,791)</u>	<u>(7,882,684)</u>	<u>(3,079,643)</u>	<u>(1,323,833)</u>	<u>(13,816,951)</u>
Net assets	<u>(314,826)</u>	<u>(2,844,356)</u>	<u>(3,051,354)</u>	<u>6,269,418</u>	<u>58,882</u>

Interest rate risk

The company's interest rate risk arises from cash and cash equivalents and subordinated loans where changes in market rates can have an adverse impact on cash flows and income streams. Interest rate risk is monitored at a Group level by the Treasury Committee. In terms of cash and other interest bearing investments, the company must comply with the Group Investment Policy. Limits are in place to restrict the amount that can be invested at one institution and all investments must be credit rated AA or above and be for less than 18 months, unless approved by the Treasury Committee.

The company estimates that an increase of 0.1% in interest rates would have a favourable impact of £51,000 on the company's income statement and equity.

As at 31 March 2008 there were no instruments with a contracted maturity or re-pricing date in excess of 18 months (2007: none). The company's interest rate profile for the year ended 31 March 2008 was as follows:

	<u>Year Ended 31/3/2008</u>			<u>Total</u> £'000
	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	
Assets				
Trade and other receivables	6,774,523	-	-	6,774,523
Cash and cash equivalents	-	45,385	15,676	61,061
	<u>6,774,523</u>	<u>45,385</u>	<u>15,676</u>	<u>6,835,584</u>
Liabilities				
Trade and other payables	(6,742,491)	-	-	(6,742,491)
Clearing Overdraft	(19,461)	-	-	(19,461)
	<u>(6,761,952)</u>	<u>-</u>	<u>-</u>	<u>(6,761,952)</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2007, the company's interest rate profile, using effective interest rates, was as follows

	<u>Year Ended 31/3/2007</u>			<u>Total</u> £'000
	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	
Assets				
Trade and other receivables	13,824,688	-	-	13,824,688
Cash and cash equivalents	-	30,665	20,480	51,145
	<u>13,824,688</u>	<u>30,665</u>	<u>20,480</u>	<u>13,875,833</u>
Liabilities				
Trade and other payables	(13,802,723)	-	-	(13,802,723)
Clearing overdraft	-	-	(14,228)	(14,228)
	<u>(13,802,723)</u>	<u>-</u>	<u>(14,228)</u>	<u>(13,816,951)</u>

The table below shows the effective annual interest rate for each category of financial liability

	<u>Year ended 31/3/2008</u>		<u>Year ended 31/3/2007</u>	
	<u>Fixed</u> %	<u>Variable</u> %	<u>Fixed</u> %	<u>Variable</u> %
Assets				
Cash at bank	4.54	4.54	-	3.41
Treasury bills and commercial papers	-	-	5.38	-

Price risk

The company is exposed to price risk when one or both counterparties in a matched principal or stock lending transaction fail to fulfil their obligations, through trade mismatches or other errors. Risk is restricted to short term price movements in the underlying stock held.

Unmatched transactions are identified and monitored on a daily basis. The Group has policies and procedures in place to reduce the likelihood of such situations but should they arise, the policy is to close out positions immediately or, with Senior Management approval, to carry them with an appropriate hedge in place.

Price risk in relation to positions is monitored and controlled by the setting of low cash limits and the use of hedging arrangements, such as swaps, where appropriate. As at 31 March 2008 there were no open proprietary positions and thus no such hedges were deemed necessary (2007: none).

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk arises from the potential that a counterparty is unable or unlikely to perform on an obligation resulting in a loss for the company. The company's exposure to credit risk is limited since it acts as an intermediary whereby business is transacted on an agency or matched principal basis. All counterparties are subject to regular review and assessment by regional credit officers and credit limits are set and approved by the appropriate credit committee as overseen by the Group Risk Committee. Limits are set based on Group parameters determining the maximum loss any one company (within the Group) can suffer as a result of counterparty default. Typically the company's counterparties are highly credit rated large financial institutions.

The company has no significant concentrations of credit risk and the maximum exposure is limited to receivables (note 16).

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the company can meet all present and future financial obligations as they fall due and comply with regulatory requirements. The Treasury Committee monitors free cash resources ensuring that all companies within the Group maintain sufficient resources to finance their operations and that all investments comply with the Group Investment Policy. This dictates borrowing and investing limits based on an institutions credit rating and the nature of financial instruments that can be held.

Matched principal trades have no contractual settlement date and are complete only when both sides of the transaction are settled. Therefore, the company's exposure to liquidity risk is not significant.

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
31 March 2008	£'000	£'000	£'000	£'000	£'000
Liabilities					
Trade and other payables	(7,261)	(6,735,230)	-	-	(6,742,491)
Clearing overdraft	-	(19,461)	-	-	(19,461)
	<u>(7,261)</u>	<u>(6,754,691)</u>	<u>-</u>	<u>-</u>	<u>(6,761,952)</u>

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
31 March 2007	£'000	£'000	£'000	£'000	£'000
Liabilities					
Trade and other payables	(10,594)	(13,792,129)	-	-	(13,802,723)
Clearing overdraft	-	(14,228)	-	-	(14,228)
	<u>(10,594)</u>	<u>(13,806,357)</u>	<u>-</u>	<u>-</u>	<u>(13,816,951)</u>

d) Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The fair values of financial instruments are determined as per the company's accounting policies above.

As at 31 March 2008 there were no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (2007: none), due to their short term nature.

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital management

The company is regulated on a standalone basis by the Financial Services Authority under the EU Capital Requirements Directive and is subject to an investment firm consolidation waiver

3. KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. As at 31 March 2008 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements, or a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year

4. REVENUE

	<u>Year</u> <u>ended</u> <u>31/3/2008</u> £'000	<u>Year</u> <u>ended</u> <u>31/3/2007</u> £'000
Commission and brokerage income	167,413	134,532

5. ADMINISTRATIVE EXPENSES

	<u>Year</u> <u>ended</u> <u>31/3/2008</u> £'000	<u>Year</u> <u>ended</u> <u>31/3/2007</u> £'000
Management recharge (note 25)	121,730	102,786
Clearing costs borne directly by the company	3,021	2,376
	<u>124,751</u>	<u>105,162</u>

The company's administrative expenses, including the auditors' remuneration in the UK of £91,650 (2007 £98,000), have been borne by other group undertakings

Fees paid to the company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the company are not disclosed in ICAP Securities Ltd's accounts since the consolidated accounts of ICAP Securities Ltd's parent, ICAP plc, are required to disclose non-audit fees on a consolidated basis

6. EXCEPTIONAL ITEM

A sub-custodian made a post settlement adjustment debiting ICAP's account for a total of £22.5 million without notice or our consent. As a result of the need to resort to litigation to recover the debt relating to the post settlement adjustment described above, ICAP has fully provided against this debt (£12.7 million after offsetting cost recoveries)

7. OTHER OPERATING INCOME/(EXPENSES)

This represents exchange differences arising on transactions in foreign currencies during the year and on the translation at the balance sheet date of assets and liabilities denominated in foreign currencies

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

8. STAFF COSTS

Staff costs comprise

	<u>Year ended</u> <u>31/3/2008</u> £'000	<u>Year ended</u> <u>31/3/2007</u> £'000
Employee costs		
Wages and salaries	80,356	63,526
Social security costs	9,689	7,860
Other pension costs	176	222
	<u>90,221</u>	<u>71,608</u>

All staff costs were borne by a fellow subsidiary undertaking of ICAP plc and were charged to the company by way of the group management charges referred to in note 5

The average number of persons employed by the company during the period was 217 (2007 219)

9. DIRECTORS' REMUNERATION

Remuneration payable to the other directors in respect of their services to the company was as follows

	<u>Year ended</u> <u>31/3/2008</u>	<u>Year ended</u> <u>31/3/2007</u>	<u>Year ended</u> <u>31/3/2008</u>	<u>Year ended</u> <u>31/3/2007</u>
	Total £'000	Highest paid director £'000	Total £'000	Highest paid director £'000
Aggregate emoluments	3,050	1,353	2,313	1,189
Contributions to defined contribution pension schemes	65	12	59	12
	<u>3,115</u>	<u>1,365</u>	<u>2,372</u>	<u>1,201</u>

As at 31 March 2008, retirement benefits are accruing to 2 directors (2007 3 directors) under defined contribution schemes sponsored by ICAP plc

No fees were paid to directors in respect of services to the company during the period (2007 £None)

10. DIRECTORS' INTERESTS

Other directors' interests in shares were as follows

	<u>As at</u> <u>31/3/2008</u>	<u>As at</u> <u>31/3/2007</u>
ICAP plc		
Ordinary shares of 10p each		
E T Bowen	43,814	47,064
V E Cruwys	1,895	5,495
G MacDonald	325,000	400,000
G Smith	<u>80,542</u>	<u>83,292</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

10. DIRECTORS' INTERESTS (CONTINUED)

Further bonus shares arise from awards to the directors under the Senior Executives Equity Participation Plan (see below for details) These interests are held in trust, however the beneficial interest lies with the individual

Other directors' interests in options over shares were as follows

	<u>Scheme</u>	<u>As at</u> <u>1/4/2007</u>	<u>Exercised</u>	<u>Granted</u>	<u>As at</u> <u>31/3/2008</u>	<u>Exercise</u> <u>price (p)</u>
ICAP plc						
Ordinary shares of 10p each						
E T Bowen	SAYE *	4,229	-	-	4,229	224 00
V E Cruwys	SAYE **	2,409	-	-	2,409	388 00
P O'Toole	SAYE ***	-	-	2,255	2,255	419 00
G Smith	SAYE **	2,409	-	-	2,409	388 00

* These options were granted on 21 June 2005 under the Sharesave Scheme Options are exercisable after 3 years from the contract start date

** These options were granted on 30 June 2006 under the Sharesave Scheme Options are exercisable after 3 years from the contract start date

*** These options were granted on 22 June 2007 under the Sharesave Scheme Options are exercisable after 3 years from the contract start date

Interests in options over ICAP plc ordinary shares of 10p each through Long Term Incentive Plans

ICAP plc Senior Executive Equity Participation Plan (SEEPP)

	<u>Grant</u>	<u>As at</u> <u>1/4/2007</u>	<u>Exercised</u>	<u>As at</u> <u>31/3/2008</u>	<u>Exercise</u> <u>price (p)</u>
ICAP plc					
Ordinary shares of 10p each					
G Smith					
Basic award	30/12/03	31,825	(31,825)	-	314 20
Matching award	30/12/03	31,825	(31,825)	-	314 20

The SEEPP is a long term incentive plan for directors and senior executives through which those directors and executives invest in shares of ICAP plc Directors and senior executives were invited to waive part of their potential cash bonus in return for rights over the number of shares (Basic Award) which can be purchased with the foregone bonus at the market value of the shares in ICAP plc on the date of grant Participants may also have been granted a provisional allocation over additional shares (Matching Award), these matching shares are transferred to the executive on a sliding scale if he / she remains in employment as follows no shares up to three years, 40% following completion of three but less than four years, and 100% on the fourth anniversary of the date of grant

Except as disclosed above, none of the directors in office at 31 March 2008 held any interests in the share capital of the company, its ultimate parent undertaking, ICAP plc, or any of its fellow subsidiary undertakings

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

11. FINANCE INCOME

	<u>Year ended 31/3/2008</u> £'000	<u>Year ended 31/3/2007</u> £'000
Bank deposits	2,918	2,102
Other interest receivable	-	684
	<u>2,918</u>	<u>2,786</u>

12. FINANCE COSTS

	<u>Year ended 31/3/2008</u> £'000	<u>Year ended 31/3/2007</u> £'000
Interest payable on loans from group undertakings	397	69
Other interest payable	68	181
	<u>465</u>	<u>250</u>

The interest payable to group undertakings relates to the subordinated loan which has been paid off during the year

13. TAXATION

	<u>Year ended 31/3/2008</u> £'000	<u>Year ended 31/3/2007</u> £'000
(a) Analysis of charge for the year		
Current taxation		
- UK corporation tax	11,397	9,937
- Adjustment to prior periods	1,510	(3,425)
	<u>12,907</u>	<u>6,512</u>
Deferred taxation (note 15)	-	15
	<u>12,907</u>	<u>6,527</u>
(b) Factors affecting the taxation charge for the year		
Profit before taxation	<u>35,255</u>	<u>30,798</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

13. TAXATION (CONTINUED)

	<u>Year ended 31/3/2008 £'000</u>	<u>Year ended 31/3/2007 £'000</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	10,577	9,240
Effects of		
Expenses not deductible for tax purposes (primarily client entertaining)	775	674
Capital allowances in excess of depreciation	(22)	(29)
Adjustment to prior periods	1,510	(3,425)
Other	67	67
Tax charge for the year	<u>12,907</u>	<u>6,527</u>
Effective tax rate	37%	21%

14. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>Year ended 31/3/2008 £'000</u>	<u>Year ended 31/3/2007 £'000</u>
Shares in subsidiary undertakings		
Cost		
As at 1 April	10,000	-
Acquisition of subsidiaries	-	10,000
Disposal of subsidiaries	(10,000)	-
Net book value	<u>-</u>	<u>-</u>
As at 31 March	<u>-</u>	<u>10,000</u>

Subsidiary undertakings

The company's principal subsidiary undertaking, T&M Securities Ltd was disposed of during the year to a fellow subsidiary undertaking

In the previous year, the company's principal subsidiary undertaking was as follows

<u>Name</u>	<u>Country of incorporation and operation</u>	<u>Class of share and percentage held</u>
T & M Securities Ltd	England & Wales	Preference shares 100% held

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

15. DEFERRED TAX ASSET

	<u>Provided</u>		<u>Unprovided</u>	
	<u>As at</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>31/3/2008</u>	<u>31/3/2007</u>	<u>31/3/2008</u>	<u>31/3/2007</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital allowances	<u>-</u>	<u>-</u>	<u>69</u>	<u>88</u>

The movement in the deferred tax asset during the year was as follows

	<u>As at</u>	<u>As at</u>
	<u>31/3/2008</u>	<u>31/3/2007</u>
	<u>£'000</u>	<u>£'000</u>
As at 1 April	-	15
Charged to the income statement	-	(15)
As at 31 March	<u>-</u>	<u>-</u>

16. TRADE AND OTHER RECEIVABLES

	<u>As at</u>	<u>As at</u>
	<u>31/3/2008</u>	<u>31/3/2007</u>
	<u>£'000</u>	<u>£'000</u>
Matched principal trade debtors	6,750,184	13,791,405
Agency trade debtors	18,381	18,696
Provision for impairment	(190)	(149)
Net trade receivables	<u>6,768,375</u>	<u>13,809,952</u>
Amounts owed by related parties	5,631	-
Other debtors	517	14,736
Prepayments and accrued income	95	89
	<u>6,774,618</u>	<u>13,824,777</u>

In the prior year, other debtors included £ 828,000 which related to margins held at exchanges for futures proprietary trading

The prior year also included £4,267,000 pledged as collateral to the London Clearing House in relation to futures clearing

The trade receivables represent amounts receivable in respect of the agency business and matched principal

Matched principal transactions are those where the Group acts as principal in the purchase and simultaneous commitment to sell securities between third parties. Such trades have no contractual settlement date and are complete only when both sides of the transaction are settled, and therefore an aged analysis of matched principal trade debtors is not appropriate. Substantially all matched principal debtors settle within a short period of time, usually within three days of trade date.

The majority of net trade receivables which are neither impaired nor past their normal settlement dates are held with high quality credit institutions.

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 March the following trade receivables were past their normal settlement date, but had not been impaired

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Less than 30 days	182,748	291,838
Over 30 days, but less than 90 days	4,432	3,436
Over 90 days	1,717	817
	<u>188,897</u>	<u>296,091</u>

17. CLIENT MONEY

At 31 March 2008 the company held client money of £9,602,000 (2007 £10,129,000) This amount, together with the corresponding liabilities to clients, is not included in the company's balance sheet

18. CASH AND CASH EQUIVALENTS

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Cash at bank and in hand	15,676	20,480
Short-term bank deposits	45,385	20,665
Treasury bills and commercial paper	-	10,000
	<u>61,061</u>	<u>51,145</u>

The effective interest rates are disclosed in note 2 The short term deposits have a maturity of less than 30 days

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Cash and cash equivalents	61,061	51,145
Clearing overdraft (note 20)	(19,461)	(14,228)
	<u>41,600</u>	<u>36,917</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

19. TRADE AND OTHER PAYABLES

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Trade payables	6,733,212	13,787,312
Amounts owed to group undertakings (note 25)	7,261	10,594
Accruals and deferred income	1,675	3,714
Other creditors	254	1,020
Other taxation and social security	89	83
	<u>6,742,491</u>	<u>13,802,723</u>

20. BORROWINGS

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Current		
Clearing overdraft (note 18)	<u>19,461</u>	<u>14,228</u>

The clearing overdraft is for operational use and not for working capital so any costs relating to this are included within clearing costs (note 5)

21. CALLED UP SHARE CAPITAL

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Authorised		
57,500,000 Ordinary shares of £1 each	<u>57,500</u>	<u>57,500</u>
Allotted and fully paid		
53,500,000 Ordinary shares of £1 each	<u>53,500</u>	<u>53,500</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

22. STATEMENT OF CHANGES IN EQUITY

	<u>Share capital (note 21)</u> £'000	<u>Retained earnings</u> £'000	<u>Total</u> £'000
As at 1 April 2006	8,500	48,532	57,032
Issue of ordinary shares	45,000	-	45,000
Profit for the year	-	24,271	24,271
Dividends paid (note 23)	-	(60,000)	(60,000)
As at 31 March 2007	<u>53,500</u>	<u>12,803</u>	<u>66,303</u>
As at 1 April 2007	<u>53,500</u>	<u>12,803</u>	<u>66,303</u>
Profit for the year	-	22,348	22,348
Dividends paid (note 23)	-	(30,500)	(30,500)
As at 31 March 2008	<u>53,500</u>	<u>4,651</u>	<u>58,151</u>

23. DIVIDENDS

	<u>Year ended 31/3/2008</u> £'000	<u>Year ended 31/3/2007</u> £'000
Equity - £1 Ordinary shares		
Dividend paid of 57 01p per share (2007 112 15p per share)	<u>30,500</u>	<u>60,000</u>

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

24. GUARANTEES AND CONTINGENT LIABILITIES

- The company has granted a charge in favour of Euroclear over stock held on behalf of the company within the Euroclear Settlement System. The company has granted a counter indemnity to Lloyds TSB Bank plc for US\$15,000,000 (2007 US\$15,000,000) in respect of the company's trading line with Euroclear.
- The company has granted a counter indemnity to Lloyds TSB Bank plc for US\$7,000,000 (2007 US\$7,000,000) in respect of the company's trading line with BNP Paribas.
- On 18 September 1998, the company granted a fixed and floating charge in favour of the Bank of New York over all the company's assets under their control in respect of a Securities Clearing Agreement.
- On 20 December 1999, the company granted a fixed and floating charge in favour of NatWest Bank over shares, stocks and other securities held in the company's name within the Crest Settlement Systems.
- As at 31 March 2008, the company has pledged £Nil (2007 £4,267,000) as collateral to the London Clearing House in regards to futures clearing.

25. RELATED PARTY TRANSACTIONS

Parent undertaking

The company's immediate parent undertaking is Garban Securities Holdings (Europe) Limited, which does not prepare consolidated financial statements.

The company's ultimate parent undertaking is ICAP plc, which heads the smallest and largest group of undertakings ("the group") of which the company is a member that prepares consolidated financial statements. Copies of the consolidated financial statements of ICAP plc can be obtained from the Company Secretary, ICAP plc, 2 Broadgate, London, EC2M 7UR.

Related party transactions

During the year ended 31 March 2008, the company entered into transactions with related parties who are members of the group.

	<u>Revenue invoiced and collected</u> £'000	<u>Costs of revenue collection recharged</u> £'000	<u>Interest charges</u> £'000	<u>Shared costs from trading activity</u> £'000	<u>Costs of management services received</u> £'000
Parent undertaking	-	-	397	-	-
Fellow subsidiary undertakings	15,808	24	-	21	121,729

During the year ended 31 March 2007, the company entered into transactions with related parties who are members of the group.

	<u>Revenue invoiced and collected</u> £'000	<u>Costs of revenue collection recharged</u> £'000	<u>Interest charges</u> £'000	<u>Shared costs from trading activity</u> £'000	<u>Costs of management services received</u> £'000
Parent undertaking	-	-	69	-	-
Fellow subsidiary undertakings	24,463	322	-	5	102,786

Administrative expenses arise from management charges from ICAP Management Services Limited. Details relating to this cost can be found in note 5.

ICAP SECURITIES LIMITED

Notes to the financial statements for the year ended 31 March 2008

25. RELATED PARTY TRANSACTIONS (CONTINUED)

The company clears trades and collects revenue on behalf of Exotix Limited, Exotix Investments Limited and Guy Butler Limited. The parent of the company holds an investment in Exotix Limited and Exotix Investments Limited parent, and a fellow subsidiary of the company owns an investment in Guy Butler Limited. The company does not receive a fee for this service, but does recharge the companies for their share of related costs. As at 31 March 2008 the company had a balance of £5,631,000 due from Exotix Limited.

The company had the following outstanding balances owed to related parties who are members of the group

	<u>As at</u> <u>31/3/2008</u> £'000	<u>As at</u> <u>31/3/2007</u> £'000
Parent undertaking	(559)	(167)
Fellow subsidiary undertakings	(6,702)	(10,427)
	<u>(7,261)</u>	<u>(10,594)</u>

All group undertakings are party to a netting agreement. All balances are unsecured, non-interest bearing and have no fixed terms of repayment, except the subordinated loan which has been disclosed in note 12.

Remuneration of key management personnel

There are no key management personnel other than the directors of the company. Directors' remuneration is disclosed in note 9.

26. POST BALANCE SHEET EVENTS

On the 13 May 2008, ICAP Securities Limited issued 173,850,104 ordinary shares to ICAP plc for £173,850,104.

Subsequently, the company acquired all of the share capital of ICAP Holdings UK Limited, a UK company which acts as a holding company to other UK trading companies of the Group. The total consideration payable is £173,850,104.

The company's immediate parent undertaking will become ICAP plc, previously Garban Securities Holdings (Europe) Limited.