ICAP Securities Limited
Summary Annual Report
for the year ended 31 March 2014

Connecting the world’s financial markets
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ICAP is the world’s premier voice and electronic interdealer broker and provider of post trade services. The Group is active in the wholesale markets in interest rates, credit, commodities, FX, emerging markets and equity derivatives. The Group facilitates the flow of capital and investment through the financial system and supports government and corporate borrowing. It plays an important role in contributing to the stability of the financial markets.

**Global Broking**

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

ICAP offers broking services for a wide range of asset classes including rates, FX, commodities, emerging markets, credit and equities. For each of these asset classes, ICAP has electronic capability which gives customers the choice to enter prices and execute trades electronically, directly via one of ICAP’s electronic trading systems, and/or to engage with a broker to identify and help negotiate trades.

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

**Electronic Markets**

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

In addition the Group also operates a number of other platforms including MyTreasury, which is ICAP’s fully automated electronic trading platform for corporate treasury investors.

**Post Trade Risk**

The post trade risk services help users of financial products to reduce operational and system-wide risks. This increases the efficiency of trading, clearing and settlement and lowers costs. The information business empowers customers to make trading decisions with market information across key asset classes. More than 1,000 institutions use the post trade risk services.
About ICAP Securities Limited and its subsidiaries

ICAP Securities Limited (ISL) is a subsidiary of ICAP plc. The ICAP Securities Limited Group (ISL Group) is active in the wholesale markets in interest rates, credit, commodities, FX, emerging markets and equity derivatives. For each of these asset classes, the ISL Group has hybrid capability. The ISL Group defines hybrid broking as providing customers with the choice to enter prices and execute trades electronically, directly via one of its electronic trading systems, and/or to engage with a broker to identify and help negotiate trades.

The ISL Group’s voice strategy is to extend our hybrid capabilities, to invest in growth markets and seize opportunities as they arise, to expand market share in products where it is not the leader, and to maintain our market share where it is the leader.

Turnover for the ISL Group comprises commission from name give-up transactions and brokerage from matched principal and exchange traded transactions. It does not engage in proprietary transactions.

Turnover is generated from either the difference between the purchase and sale proceeds or by commission, depending on the product, market and agreements in place with the customer and is recognised on trade date.

The following companies are the subsidiaries of ISL*

- ICAP Energy Limited
- ICAP WCLK Limited
- The Link Asset and Securities Company Limited
- MyTreasury Limited
- ICAP Global Derivatives Limited
- ICAP Contracts and Settlements Limited

*All of the above companies are owned indirectly by ICAP Securities Limited.

Name give-up broking

The ISL Group identifies and introduces counterparties who have indicated their willingness to trade with each other, and who have reciprocal credit or clearing, and/or where two or more customers’ orders match. These counterparties contract directly with each other and/or the relevant clearing house/security depository bearing the settlement obligation as well as the counterparty credit risk themselves. Increasingly these trades are novated into clearing and the ISL Group aims to automate the messaging process where possible.

Matched principal broking

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

Exchange broking – give-up

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

Risk

- No credit risk or contractual link between ICAP and dealers.
- Delivery versus payment model minimises settlement risk. Any unmatched positions are closed out as soon as reasonably practicable.
- ICAP has minimal settlement risk but may be called to deliver margin to the exchange intra-day before the customer’s clearer accepts the trade.
Business review
ICAP Securities Limited  Summary Annual Report 2014

Business review

The financial statements on pages 8 to 12 represent the results of ICAP Securities Limited (ISL) on a standalone basis. The business review includes additional information about ISL and its subsidiaries (ISL Group) together with a proforma consolidated profit and loss account.

ICAP Securities Limited

In the year ended 31 March 2014, ISL generated turnover from continuing operations of £106.9m (2013 – £122.8m), a reduction of 12.9% from the prior year.

The turnover for ISL includes turnover transacted on behalf of fellow subsidiary companies under various trading agreements. The profit on these trades is passed back to the fellow subsidiary companies after deducting a fee for the services provided by ISL. These trades negatively impact the operating profit margin from ISL’s perspective.

ISL continues to be highly cash generative to support its continuing programme of investments and benefits from a strong balance sheet. ISL maintains sufficient cash balances and funding facilities to ensure it can finance its ongoing operations at all times, and excess cash is passed up to its parent company, ICAP Group Holdings plc. In the year to 31 March 2014, net assets decreased slightly from £388.3m to £379.8m.

The ICAP Securities Limited Group

The table below shows the unaudited proforma aggregated profit and loss account for the ISL Group presenting only the results from the continuing operations.

<table>
<thead>
<tr>
<th></th>
<th>Unaudited proforma year ended 31 March 2014 £m</th>
<th>Unaudited proforma year ended 31 March 2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>235</td>
<td>247</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(203)</td>
<td>(213)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>–</td>
<td>(5)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Net interest receivable</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Profit on ordinary activities</td>
<td>31</td>
<td>29</td>
</tr>
</tbody>
</table>

Review of ICAP Securities Limited Group’s operations

Turnover from the ISL Group was below the prior year. Trading conditions throughout the year were difficult reflecting a combination of structural and cyclical factors including bank deleveraging, regulatory change and muted interest rate and exchange rate volatility.

The ISL Group sold its investment in ICAP Europe Limited during the year to a fellow subsidiary company of ICAP plc, which has resulted in a reduction in the ISL Group’s aggregated profit and loss account. The comparatives in the table above have been restated to exclude this company.

Rates

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

Rates products experienced a marked decline in activity as a result of the low interest rate environment, flat yield curves and economic uncertainty. There was a positive performance from UK gilts which benefited from better than expected UK economic data. Both repo and mortgages suffered from central bank intervention and new leverage rules are expected to depress further activity levels in repo markets.

Credit

The credit business comprises corporate bonds and credit derivatives. Credit products contribute the smallest share of the ISL Group’s turnover. Credit markets remained challenged due to a particularly quiet summer, low interest rates and the ongoing shift in secondary market trading to the buy side all negatively impacting activity. The ISL Group continues to actively manage down the cost base of this business primarily through the reduction of headcount and employee compensation.

The shifting dynamics of credit markets with increased use of electronic platforms and the changing client base from bank to buy side has resulted in a focus on the more profitable elements of the business where customer demand is expected to stabilise and then grow over time.
Commodities
The commodities business comprises energy (including electricity, crude oils, refined products, natural gas, coal and alternative fuels), metals, agriculture and salt commodities. Turnover decreased this year as a result of a mild European winter affecting continental demand for electricity and fuel use. While a majority of commodities turnover is generated from non-bank customers, a number of investment banks have reduced the scope of their trading activity due to regulatory requirements and their desire to limit exposure to commodities markets.

The ISL Group's energy swaps and future brokers are fully registered and licensed to broker energy products as futures or swaps. The Group has been a leading brokerage house for block-sized futures for many years on behalf of its diversified customer base that includes trading houses and corporates.

FX
The FX business comprises spot and forwards FX and cash products. Turnover decreased this year reflecting difficult market conditions as FX volumes in spot, forwards and options all declined as a result of reduced exchange rate volatility, the low interest rate environment and bank internationalisation of FX flows. This was compounded by a lower risk appetite and increased commission pressure.

Emerging markets
The ISL Group is active in emerging markets across Central and Eastern Europe and Africa. Emerging market turnover includes domestic activity in local markets and cross border activity in globally traded emerging market money and interest rate products. Turnover increased during the year reflecting a strong performance across all regions. Trading in emerging markets saw a resurgence with increased market volatility prompted by geopolitical developments.

Risk
As a world leading markets operator and provider of risk mitigation and information services, the ISL Group is predominantly exposed to operational, strategic and liquidity risk. It has a very different risk profile from that of a bank, investment bank, asset manager, insurance company or hedge fund and does not engage in bank style risk taking in the course of its business. The ISL Group only enters into transactions when executing on behalf of customers or providing customer access to clearing services. The Group’s day-to-day business is not capital intensive and it holds capital primarily to ensure continuity of business by covering future costs and short-term liquidity needs. The profit and cash flows of the business are driven by the level of activity of its customers and do not depend on the valuation of its assets and liabilities. The majority of the ISL Group's businesses have a fast conversion of turnover to cash.

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

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

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

As a consequence of the above market factors, the trend seen in the second half of 2013/14 in the relative performances of the ISL Group’s businesses has been largely replicated in the new financial year. Trading activity continues to be subdued. The ISL Group remains committed to its strategy of reshaping Global Broking in response to the new market structure.

The ISL Group today is a very different organisation from that of just a few years ago as it has re-engineered and restructured its business to ensure a global alignment of management resources and infrastructures so that it can more effectively meet the existing and future customers’ needs, and be more collaborative across the business than it has ever been. What has not changed is the ISL Group’s desire to be and to behave as a market leader, and to continue to provide outstanding service to its customers across all the businesses.

Presentation of information
These summary financial statements include the primary statements and selected notes which have been extracted from the audited financial statements of ISL as well as certain unaudited proforma information.

The summary financial statements do not contain sufficient information to allow as full an understanding of the results of the Company and state of affairs of the Company and of their policies and arrangements concerning directors’ remuneration as would be provided by the full financial statements. The full financial statements can be obtained from the Company Secretary, ICAP Securities Limited, 2 Broadgate, London EC2M 7UR.

The full financial statements of ICAP Securities Limited were unqualified. These financial statements did not contain a qualification under section 496 of the Companies Act 2006 or any statement under section 498(2) or (3) of the Companies Act 2006.
Financial statements
### Profit and loss account

<table>
<thead>
<tr>
<th>Note</th>
<th>Audited year ended 31 March 2014 £'000</th>
<th>Audited year ended 31 March 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>106,949</td>
<td>122,786</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(104,592)</td>
<td>(113,144)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(2,366)</td>
<td>(1,268)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>2</td>
<td>(3,926)</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(9)</td>
<td>4,448</td>
</tr>
<tr>
<td>Income from fixed asset investments</td>
<td>3,800</td>
<td>52,190</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>165</td>
<td>270</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>(55)</td>
<td>(301)</td>
</tr>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td>3,901</td>
<td>56,607</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>(397)</td>
<td>(1,526)</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>3,504</td>
<td>55,081</td>
</tr>
</tbody>
</table>
## Balance sheet

### Assets

#### Fixed assets
- Investments
  - £'000: 298,331, 298,331
- Available-for-sale investments: 1,809, 1,809
- Deferred tax asset: 31, 36

#### Current assets
- Debtors: 6,238,230, 5,663,193
- Restricted funds: 986, 816
- Cash at bank and in hand: 53,193, 72,592

### Liabilities

#### Creditors: amounts falling due within one year
- £'000: (6,211,447), (5,646,141)
- Bank loans and overdrafts: (575), (420)
- Tax payable: (453), (1,537)
- Provisions for liabilities: (276), (334)

### Total liabilities
- £'000: (6,212,751), (5,648,432)

### Net current assets
- £'000: 79,658, 88,169

### Net assets
- £'000: 379,829, 388,345

### Capital and reserves
- Called up share capital: 351,331, 351,331
- Other reserves: 9,700, 9,700
- Profit and loss account: 18,798, 27,314

### Total shareholders’ funds
- £'000: 379,829, 388,345

Approved by the board on 24 June 2014 and signed on its behalf by:

**N Dargan**  
Director
Statement of changes in equity

<table>
<thead>
<tr>
<th></th>
<th>Called up share capital £’000</th>
<th>Other reserves £’000</th>
<th>Profit and loss account £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 April 2012</td>
<td>351,331</td>
<td>9,700</td>
<td>25,153</td>
<td>386,184</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>55,081</td>
<td>55,081</td>
</tr>
<tr>
<td>Dividends paid in the year (note 3)</td>
<td>–</td>
<td>–</td>
<td>(52,940)</td>
<td>(52,940)</td>
</tr>
<tr>
<td>Retranslation of overseas branches</td>
<td>–</td>
<td>–</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>As at 31 March 2013</td>
<td>351,331</td>
<td>9,700</td>
<td>27,314</td>
<td>388,345</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>3,504</td>
<td>3,504</td>
</tr>
<tr>
<td>Dividends paid in the year (note 3)</td>
<td>–</td>
<td>–</td>
<td>(12,000)</td>
<td>(12,000)</td>
</tr>
<tr>
<td>Retranslation of overseas branches</td>
<td>–</td>
<td>–</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td>As at 31 March 2014</td>
<td>351,331</td>
<td>9,700</td>
<td>18,798</td>
<td>379,829</td>
</tr>
</tbody>
</table>

**Called up share capital**

The balance classified as called up share capital includes the nominal value of the proceeds on issue of the Company’s called up share capital, comprising £1 ordinary shares.

**Other reserves**

The other reserves relate to a capital contribution reserve.
Notes to the Summary financial statements

1 Basis of preparation
The summary financial statements have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101) and the Companies Act 2006 (the ‘Act’) as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a ‘qualifying entity’ as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

ICAP Securities Limited (the ‘Company’) is a qualifying entity for the purposes of FRS 101. The Company’s ultimate parent, ICAP plc, prepares consolidated financial statements in accordance with IFRS and copies may be obtained from the Company Secretary, ICAP plc, 2 Broadgate, London EC2M 7UR.

The following disclosure exemptions have been adopted:
• comparatives for tangible and intangible fixed asset reconciliations;
• cash flow statements;
• key management compensation; and
• related party transactions between wholly owned group companies.

The financial statements have been prepared on a going concern basis.

The Company has exercised its entitlement not to produce consolidated financial statements since consolidated financial statements have been prepared by its ultimate parent company, ICAP plc.

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 Company’s results. These are shown as ‘exceptional items’ on the face of the profit and loss account.

These summary financial statements consist of the primary statements and selected notes which have been extracted from the audited financial statements of the Company for the year ended 31 March 2014.

Accounting policies
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 2014, there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements. None of these items give rise to a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Full details of accounting policies applied in these summary financial statements are included in the audited financial statements, copies of which can be obtained from the Company Secretary, ICAP Securities Limited, 2 Broadgate, London EC2M 7UR.

2 Exceptional items
No exceptional costs were incurred by the Company in the current year. As a result of the cost reduction programme announced in May 2012, the Company recognised staff termination costs of £3.9m during the prior year.

3 Dividends

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>First interim dividend for the year ended 31 March 2014 of 1.99p per share (2013: 0.21p per share)</td>
<td>7,000</td>
</tr>
<tr>
<td>Second interim dividend for the year ended 31 March 2014 of 1.42p per share (2013: 7.27p per share)</td>
<td>5,000</td>
</tr>
<tr>
<td>Third interim dividend for the year ended 31 March 2014 of nil p per share (2013: 7.59p per share)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>12,000</td>
</tr>
</tbody>
</table>
4 Matched principal transactions
The Company is involved as principal in the purchase and simultaneous commitment to sell securities and other financial instruments between third parties. Such trades are complete only when both sides of the transaction are settled and therefore the Company 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 on a delivery versus payment basis and, as such, the settlement risk is considered to be low. All amounts due to and payable by counterparties in respect of matched principal business are shown gross as matched principal debtors and matched principal creditors, except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

5 Investments
Subsidiaries
The Company owns 100% of ICAP Holdings (UK) Limited. The principal subsidiaries of ICAP Holdings (UK) Limited, which are incorporated in England, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of acquisition</th>
<th>% held</th>
<th>Principal activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICAP WCLK Limited</td>
<td>13 May 2008</td>
<td>100%</td>
<td>Matched principal interdealer broker</td>
</tr>
<tr>
<td>ICAP Energy Limited</td>
<td>13 May 2008</td>
<td>100%</td>
<td>Agency broker in commodity derivatives market</td>
</tr>
<tr>
<td>ICAP Global Derivatives Limited (formerly ICAP Electronic Broking Limited)</td>
<td>13 May 2008</td>
<td>100%</td>
<td>Money broker</td>
</tr>
<tr>
<td>MyTreasury Limited</td>
<td>13 May 2008</td>
<td>88.75%</td>
<td>Provider of electronic cash management solutions</td>
</tr>
<tr>
<td>The Link Asset and Securities Company Limited</td>
<td>29 August 2008</td>
<td>100%</td>
<td>Equity derivatives broker</td>
</tr>
</tbody>
</table>

During the year, ICAP Holdings (UK) Limited sold its investment in ICAP Europe Limited to a fellow subsidiary company of ICAP plc.

6 Liquidity risk management
The Company seeks to ensure that it has 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.

The Company retains sufficient cash balances to meet regulatory and working capital requirements. Excess cash is passed up to ICAP Group Holdings plc by way of dividend or loan. At 31 March 2014, the Company had net cash at bank and in hand of £53.6m (31 March 2013: £73.0m). In addition the Company has access to a number of clearing facilities in its own name. In order to formalise the financing facilities available, the Company has entered into a £100.0m intercompany revolving credit facility with ICAP Group Holdings plc providing it with access to same day funding.
Independent review report to ICAP Securities Limited
Independent auditors’ statement to the members of ICAP Securities Limited

We have examined the summary financial statements which comprise the Summary Profit and Loss Account, Summary Balance Sheet, Summary Statement of Changes in Equity and related notes as set out on pages 8–12.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the summarised annual report in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the ICAP Securities Limited Summary Annual Report 2014 with the full annual financial statements and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the ICAP Securities Limited Summary Annual Report 2014 and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

This statement, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with section 427 of the Companies Act 2006 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 statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Company’s full annual financial statements describes the basis of our audit opinion on those financial statements.

Opinion
In our opinion the summary financial statement is consistent with the full annual financial statements of ICAP Securities Limited for the year ended 31 March 2014 and complies with the applicable requirements of section 427 of the Companies Act 2006, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 June 2014