Interim Results for the Half Year to 30 September 2008

London – 18 November 2008

ICAP plc (IAP.L), the world's premier interdealer broker, today announced its report for the half year ended 30 September 2008.

Highlights:

	Six months to 30 September 2008	Six months to 30 September 2007	Increase
	£m	£m	
Revenue	764	626	22%
Net operating expenses[1,3]	(581)	(465)	25%
Profit[2]	174	161	8%
Profit before tax – statutory	148	141	5%
EPS (basic)	13.2p	12.6p	5%
EPS (adjusted basic)	17.2p	15.4p	12%
Dividends per share	4.7p	3.7p	27%

- **Record Group revenue, profit and earnings per share**
- **Group revenue rose by 22% to £764m**
- **Electronic revenue increased by 24% to £156m and operating profit[3] by 34% to £63m**
- **Significant acquisitions and investment during the period, which have driven the development of new voice, electronic and post-trade businesses. No exceptional costs were recognised**
- **Revenue from new businesses, started or acquired in the last 3 years, increased to 27% of Group total revenue**
- **On an underlying basis[4] revenue grew by 9% and operating profit[3] by 8%**
- **The Group's operating profit[3] margin was 24% (2007: 26%), reflecting acquisitions and investment**
- **Free cash flow[5] of £75m (2007: £109m). Net debt[6] of £243m (31 March 2008 : net debt £59m) after investing £129m on acquisitions**
- **An interim dividend of 4.7 pence per share (2007: 3.7 pence) covering the six-month period to 30 September 2008 will be paid on 20 February 2009 to shareholders on the register on 23 January 2009**

Michael Spencer, Group Chief Executive Officer, said, "ICAP has continued to benefit from the generally high levels of volatility in the wholesale financial markets. As a result ICAP produced a record profit in the half year to 30 September 2008 of £174m.

Our strategy has positioned ICAP well in the current market storm and allowed the firm to further progress during the turbulent markets of the past six months. It has also placed us in a good position to take full advantage of the likely restructuring of the financial markets. Our business structure and diversity are a major source of strength; and we continue to believe that the changing environment makes this the right time to invest in the future growth of the business. There are significant opportunities to build our business by attracting high quality people and acquiring assets at attractive prices.

Revenue in October remained strong and, although cautious, we remain confident about the outlook."

Notes

1. Includes operating expenses net of other income.
2. Profit is defined as pre-tax profit before amortisation and impairment of intangibles arising on consolidation and exceptional items.
3. Excludes amortisation and impairment of intangibles arising on consolidation and exceptional items.
4. As per note 3 and adjusted to exclude the impact of foreign exchange and acquisitions.
5. Free cash flow is net cash flow from operating activities after deducting capital expenditure and adding dividends received from associates and investments.
6. Net debt is cash and cash equivalents less long and short term borrowings and overdrafts.

There will be a briefing for analysts and investors at 09:30 GMT on Tuesday 18 November 2008 at 2 Broadgate, London EC2M 7UR. An audiocast of the presentation made to analysts at 09:30 GMT on Tuesday 18 November 2008 will be available on the web site, www.icap.com at 17:00 GMT on Tuesday 18 November 2008. It will remain on the web site for six months. A further conference call will be held at 14:30 GMT/09:30 EST for investors and analysts based in North America. For dial in details and a copy of the presentation please contact Maitland on +44 (0) 20 7379 5151.

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ICAP plc

Interim management report for the half year to 30 September 2008

Review of operations

ICAP has continued to benefit from the generally high levels of volatility in the wholesale financial markets. Having had a busy first quarter, markets quietened during the summer period, following the normal seasonal pattern - in contrast with the same period in 2007, which was unusually busy. During September, extraordinary events in financial markets again generated record trading volumes in many markets as participants reassessed their exposures and the flight to quality and liquidity resumed.

As a result ICAP produced a record profit in the half year to 30 September 2008 of £174m (2007: £161m) before taxation, amortisation and impairment of intangibles arising on consolidation and exceptional items; this represents an 8% increase over the prior year. On a statutory basis, profit before taxation was £148m for the half year ended 30 September 2008 (2007: £141m). We continue to believe that profit before taxation, amortisation and impairment of intangibles arising on consolidation and exceptional items better reflects the Group's underlying year-on-year performance. This measure is reconciled to profit before taxation on the face of the consolidated income statement.

Delivering on our strategy

We have continued to make significant progress towards consolidating our position as the leading global intermediary in the wholesale OTC markets by a clear margin. There are three components to our strategy:

- Expanding our leading voice broking business both organically and by acquisition. We continue to develop our business in the key "focus" areas of equities, credit, emerging markets and commodities.
- Growing our leading electronic broking business both in existing products and by developing new markets.
- Developing our post trade businesses to provide innovative services that enable our customers to reduce their costs and increase their efficiency, return on capital and capacity to process trades.

This strategy has enabled ICAP to make significant progress during the current turbulent markets and be well positioned to take full advantage of the likely restructuring of the financial markets.

Performance during unprecedented market turbulence

Amid growing signs of macroeconomic stress we have seen increasing pressure on the financial markets leading to very high volatility in commodity, foreign exchange, interest rate, credit, equity and related markets. Banks and other firms have announced huge credit write-downs in recent months, which have accelerated the deleveraging of balance sheets, and led to emergency central bank intervention.

Through this turmoil the over the counter ("OTC") markets proved themselves to be extremely robust. The close-out of Lehman Brother's interest rate swap and credit derivatives portfolios demonstrated how effectively these markets operate.

We have seen very high trading volumes in many of our markets as "risky assets" have been liquidated and there has been a dramatic migration to "safe-haven assets". Steeper yield curves, the higher price of credit and continuing disruption in the money markets suggest that this period of increased activity is not yet over. In these market conditions high volume, liquid products like spot foreign exchange prosper and structured products suffer. Traders also concentrate their business in the largest, deepest and most reliable liquidity pools offered by the largest interdealer brokers.

The scale and the diversity of ICAP are key strengths of the business. Our extensive customer base is located in more than 50 countries worldwide. Our global electronic broking global network covers more than 6,000 workstations on more than 2,000 dealing floors. The business is more diversified by asset class, type of activity and customer base than any time in the past. No single customer accounts for more than 5% of our global revenue. Across all regions and businesses our net exposure on the collapse of Lehman Brothers was £3 million.

ICAP's business has not been directly affected by the difficulties experienced by some hedge funds recently.

ICAP's pure intermediary role means that we do not have the exposures or the leverage of many other financial services businesses. ICAP has low capital requirements, a strong balance sheet and strong cash flow.

Changing markets

We believe that the credit crisis, which has now lasted well over a year, will leave a profound impression on wholesale markets and their participants.

Capital will be scarcer and more expensive. Leverage will be lower and unsecured funding will be more constrained. Market share will probably be more concentrated in the hands of the major banks and the business model of investment banks will change radically. Investors will be much less adventurous and demand for structured products will be much lower. Regulatory oversight of markets will increase.

Each of these consequences will create opportunities for ICAP.

Lower leverage and scarcer, more expensive capital will reduce volumes in balance sheet intensive products but will increase spreads in these products and will increase the volume of derivative and off-balance sheet trading. These latter factors should work to ICAP's advantage. Increased investor demand for high volume, liquid products, which account for the overwhelming majority of our business, will also play to ICAP's strengths.

Changes in our customers' business models and retrenchment in the banking industry will also create new opportunities for an un-conflicted, independent agency broker like ICAP. We expect that consolidation of market share among fewer, larger banks will also create the conditions for further consolidation of market share among interdealer brokers.

We were encouraged by the G20 declaration, which required immediate actions by 31 March 2009, that "Supervisors and regulators, building on the imminent launch of central counterparty services for credit default swaps (CDS) in some countries, should: speed efforts to reduce the systemic risks of CDS and over-the-counter (OTC) derivatives transactions; insist that market participants support exchange traded *or electronic trading platforms for CDS contracts; expand OTC derivatives market transparency; and ensure that the infrastructure for OTC derivatives can support growing volumes."*

In addition the G20 pledged "to strengthen our regulatory regimes, prudential oversight, and risk management… while ensuring that regulation is efficient, does not stifle innovation, and encourages expanded trade in financial products and services."

Increased regulatory oversight and the drive for greater transparency in OTC markets will push more OTC products to central counterparty or cleared mechanisms for settlement and provide a further boost to electronic trading. These will be welcome developments for ICAP as they will reduce the overall cost of trading and thereby serve to increase trading volumes. We emphatically do not believe that OTC markets will suddenly become exchange listed.

It is probable that there will be a relatively prolonged period of very low short term interest rates and steep yield curves, which tend to make favorable trading conditions for dealers and investors. Government bond issuance will certainly rise and ICAP is the leading global bond broker.

Investing in the future growth of the business

With these and other changes in prospect, we continue to believe that this is the right time to invest in the future growth of the business. There are significant opportunities to build our business by attracting high quality people and acquiring assets at attractive prices.

In addition to acquisitions, the Group is investing substantially in the organic build of new voice, electronic and post-trade businesses. During this half year 27% of ICAP's revenue was derived from new businesses (those acquired or started in the previous three years).

During this period we have made significant investments, focussed on our strategic priorities. In equity derivatives we completed the acquisition of Link Asset and Securities Company Ltd. (Link) in April, doubling ICAP's market share. The integration has gone well. The development of our global cash equities agency business has also made significant progress with 34 staff hired in the UK, US and Asia; we expect this rapid growth to continue, albeit from a relatively low base. Our position in shipping and freight derivatives was strengthened by the acquisition of Capital Shipbrokers. The London Metal Exchange approved ICAP's application for Category 2 membership and we expect to begin base metal broking in December. We have recently announced the acquisition of Arkhe, a leading independent broker in Brazil, which will strengthen our position in that market.

We continue to invest in the expansion and development of the Group's electronic systems to handle future demand generated by both manual and algorithmic trading and to add more electronic trading customers. During this half year we have spent 11% of our revenue on technology. This is a significant but essential investment to differentiate our platforms and keep pace with customer demand.

The widely anticipated expansion of central clearing for OTC derivatives products is expected to accelerate the adoption of electronic trading – particularly in credit derivatives. Already 80% of all trading in credit default swap indices and 40% of all trading of single name credit default derivatives in Europe is conducted electronically with the associated auditability, STP and cost benefits.

The overhaul of OTC market infrastructure and the focus on liquidity and risk management will create significant opportunities and sources of revenue growth for ICAP's post trade businesses. We are investing to further develop this very important third leg to ICAP's business.

ICAP has maintained its strong cost control processes. Excluding the impact of foreign exchange, operating costs during this half year have increased by £102m with half of this increase coming from acquisitions. The remainder of the increase is due to investments in new businesses, increased IT expenditure, performance-related broker bonuses and the small provision related to the Lehman collapse. As a result of the investments, staff compensation as percentage of revenue has increased to 58% from 57% in the comparable period.

Divisional performance

Voice broking

	£m	**Headline growth**	**Underlying growth[1]**
Revenue	586	22%	8%
Operating profit[1]	109	6%	0%

Voice broking volumes have continued to benefit from the higher activity level created by increased volatility and continuing disruption in the money markets. In this period the combination of generally active markets, significant investments and the impact of the Lehman's provision has led to good revenue growth with unchanged underlying profits.

There was particularly strong growth in interest rate and inflation swaps - as traders sought the most liquid safe haven markets in Europe and reacted to rising inflation concerns.

In the Americas, the strong growth in US Treasuries led to reduced volumes in interest rate derivatives. Mortgage revenues slowed significantly as a result of the market turmoil.

Corporate bond revenues grew as bid-ask spreads widened; credit derivatives revenues grew modestly, as demand to hedge credit spreads offset credit market turmoil, and in Europe the proportion of CDS business traded electronically increased.

The commodities business performed well with increases in oil, gas and electricity derivatives, and was helped by the acquisition of the shipping businesses. We have seen record emissions volumes and expanded successfully into soft commodities.

Equities revenues benefited from the acquisition of Link and the investments in cash equities. However, the financial crisis adversely affected our risk arbitrage and structured equity desks.

Overall, emerging market products have performed well in difficult circumstances and against a backdrop of a very strong performance last year. We continue investing to build businesses in the emerging markets and our joint venture with CFETS-ICAP in Shanghai is performing well.

Voice revenues per broker have increased to £268,000 for the six months. This represents an increase of 8% over the prior year. Whilst approximately half of this increase is due to the impact of foreign exchange, this is a strong performance in the context of the high levels of investment in new areas which are initially less productive.

Electronic broking

	£m	**Headline growth**	**Underlying growth[1]**
Revenue	156	24%	13%
Operating profit[1]	63	34%	26%

Electronic broking has had another very successful half year with record volumes, revenue and profit. Electronic broking now represents 34% of Group operating profit[1], up from 32% in the previous financial year. Both the BrokerTec and EBS platforms have performed very well.

Overall for the six month period ending 30 September 2008 average daily volumes in spot foreign exchange were 22% higher than the previous year. In fixed income, US Treasuries and Euro repo volumes were marginally down on the previous year and US$ repo volume was down by 11%. Electronic broking volumes of Mortgage Backed Securities declined during the summer as liquidity and volumes moved back to voice broking in slower markets.

Non-deliverable forward foreign exchange (NDF) trading was introduced on the EBS platform in February 2008. There are currently more than 100 NDF counterparties live on the platform and more than 140 prospective customers in the pipeline. There have been several new additions to the NDF product offering including four new Latin American currency pairs (Argentinean Peso, Columbian Peso, Chilean Peso & Peruvian Sol) and three new Chinese Yuan Tenors (3 month, 6 month and 1 year).

All of ICAP's post trade businesses, Reset, Traiana, and our associate TriOptima, performed strongly. ICAP's post trade revenue and profit are reported as part of electronic broking. TriOptima terminated $24.5 trillion of CDS tear-ups in the first three quarters of 2008 alone, more than 100% of entire CDS index market at 31 December 2007. Traiana's message service, Harmony, processed an average of 160,000 FX trades per day in September, an increase of almost 300% over the same month in 2007.

Information division

	£m	Headline growth	Underlying growth[1]
Revenue	22	10%	7%
Operating profit[1]	11	0%	-4%

ICAP is the source of global market information and commentary for professionals in the international financial markets. Our market data offers real-time, end-of-day and historical market data sourced from our global interdealer trading platforms, providing authoritative and comprehensive information on global markets across a broad range of asset classes. A significant part of the revenue of ICAP's information division is drawn from the electronic broking businesses.

Geographic performance

Europe Middle East & Africa (EMEA)

	£m	Headline growth	Underlying growth[1]
Revenue	361	22%	10%
Operating profit[1]	91	11%	9%

EMEA was the most profitable region with the highest operating profit[1] margin. The region delivered a very good performance during the period with both voice and electronic profit growing rapidly.

The Americas

	£m	Headline growth	Underlying growth[1]
Revenue	296	18%	5%
Operating profit[1]	66	6%	0%

The relatively low profit and underlying growth figures reflect the significant investments we are making in the Americas, principally in equities and equity derivatives, credit and emerging markets.

Asia Pacific

	£m	Headline growth	Underlying growth[1]
Revenue	107	35%	18%
Operating profit[1]	26	53%	38%

The main driver of revenue growth was the continued growth of RESET, one of ICAP's post trade businesses. We saw reasonable underlying revenue growth in the voice broking businesses but the market remains highly competitive and profit from voice broking was largely unchanged in the region.

Markets

The combination of the above factors drive the following growth of ICAP's business by market segment.

Revenue £m	2008	2007	Growth
Interest rates	310	252	23%
Credit	79	75	5%
Commodities	76	61	25%
FX	108	93	16%
Equities	105	63	67%
Emerging markets	64	62	3%
Information	22	20	10%
Total	764	626	22%

Profit / cash conversion

The Group remains a highly cash generative business. Between April 2006 and September 2008, ICAP produced total profit after tax excluding amortisation of intangibles of £488 million. Free cash flow[2] during the same period was £497 million.

In the six months ended September 2008, free cash flow[2] was £75 million (2007: £109 million). Cash generated by operations was £151 million (2007: £185 million). Operating cash flow, before improvements in working capital, increased by £26 million but was offset by the impact of the year on year timing of trade settlement (£22 million) and a short-term, working capital increase of £38 million, principally as a result of the impact on receivables of September's record trading results, movement in bonus accruals and timing of indirect tax payments. Capital expenditure in the period increased by £4 million to £23 million.

Balance sheet

At 30 September 2008, net debt[3] was £243 million, up £184 million mainly as a result of the acquisition of Link. Gross debt was £694 million and included drawings of £53 million under the revolving facility to meet FICC margin calls which ensured the Group's operating units had immediate access to liquidity during the most turbulent part of the recent crisis.

Cash and cash equivalents increased during the period by £67 million to £451 million and includes the drawing to meet the liquidity requirements noted above.

In April 2008, ICAP entered into a £150 million term loan, repayable within 2 years, to finance the acquisition of Link. The Group had originally planned to refinance this facility into the bond markets; however, as these markets have remained closed, the Group has instead taken advantage of the support of its lenders to restructure the facility into an amortising term loan. The new facility, which is for £135 million, commenced on 17 November 2008 and runs to January 2011. ICAP has no refinancing requirement before 2011.

At 30 September 2008, the matched principal business resulted in the Group's balance sheet being grossed up by £44 billion (September 2007: £54 billion).

Exceptional Items and Related Party Transactions

ICAP has not recognised any exceptional items nor have any material or unusual related party transactions occurred during the period. Costs associated with the integration of Link and Capital Shipbrokers (£5 million) and collapse of Lehman Brothers (£3 million) have been included in operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items.

Dividend

In the normal course of events, ICAP's interim dividends are calculated at 30% of the previous year's full year dividend. As a result, an interim dividend of 4.7 pence per share (2007: 3.7 pence) covering the 6 month period to 30 September 2008 will be paid on 20 February 2009 to shareholders on the register on 23 January 2009.

Foreign Exchange

The impact of sterling weakening against the US dollar and the Euro was to increase profit by £7 million in the period. Should Sterling and the Euro continue to trade at $1.50/£1 and €1.20/£1 respectively, the impact on the full year would be to increase profit by £40 million compared with 2007/8. Should Sterling continue to trade at these levels, the year on year impact in 2009/10 would be an increase in operating profit of over £60 million.

Outlook

Our strategy has positioned ICAP well in the current market storm and allowed the firm to further progress during the turbulent markets of the past six months. It has also placed us in a good position to take full advantage of the likely restructuring of the financial markets. Our business structure and diversity are a major source of strength; and we continue to believe that the changing environment makes this the right time to invest in the future growth of the business.

Revenue in October remained strong and, although cautious, we remain confident about the outlook. Average daily electronic broking volumes remained resilient during October. In the spot FX market, volumes on the EBS platform increased by 22%, compared with the previous year, to US$244 billion. Average daily volume in total fixed income products (US Treasury products, US and European repo) on the Brokertec platform was US $561 billion a day.

We expect there to be significant consequences for wholesale markets and their participants in the aftermath of the current crisis. As discussed above, we believe many of these consequences will create interesting opportunities for ICAP to further develop its businesses.

In the longer term our business will continue to be driven by the "mega trends" - the resolution of significant economic imbalances, the impact of demographic changes, the rising economic power of emerging markets and developments in technology – as well as by the major overhaul of market infrastructure and structural changes in the banking industry that are now inevitable. These changes in market infrastructure and in the banking industry are sources of tremendous opportunity for our growing post trade businesses and for the Group as a whole.

Current conditions make forecasting market activity during the balance of the year more difficult than usual. However, after investing significantly in the future growth of the business, profit (before tax, amortisation and impairment of intangibles arising on consolidation and exceptional items) for the financial year ending 31 March 2009 is anticipated to be ahead of the average of analysts' current forecasts[#].

Notes to editors:

About ICAP
ICAP is the world's premier voice and electronic interdealer broker and the source of global market information and commentary for professionals in the international financial markets. The Group is active in the wholesale markets in interest rates, credit, commodities, foreign exchange and equity derivatives. ICAP has an average daily transaction volume in excess of US$2.3 trillion, more than 40% of which is electronic. ICAP plc was added to the FTSE 100 Index on 30 June 2006. For more information go to www.icap.com.

1. *Operating profit excludes amortisation and impairment of intangibles arising on consolidation and exceptional items. Underlying additionally excludes the impact of foreign exchange and acquisitions.*
2. *Free cash flow is net cash flow from operating activities after deducting capital expenditure and adding dividends received from associates and investments.*
3. *Net debt is cash and cash equivalents less long and short term borrowings and overdrafts.*

The current forecasts for ICAP plc pre- tax profits referred to in this announcement are based on forecasts of profit before tax, amortisation and impairment of intangibles arising on consolidation and exceptional items provided by 13 equity analysts. The average of those forecasts for the year to March 2009 is £347 million compared with the results for the year to March 2008 when ICAP plc's profit was £330 million.

Consolidated income statement continued

Unaudited 6 months ended 30 September 2008

	Note	Before amortisation and impairment of intangibles arising on consolidation and exceptional items £m	Amortisation and impairment of intangibles arising on consolidation £m	Exceptional items (note 3) £m	Total £m
Revenue	2	764	–	–	764
Operating expenses		(589)	(25)	–	(614)
Other income		8	–	–	8
Operating profit	2	183	(25)	–	158
Finance income		9	–	–	9
Finance costs		(22)	–	–	(22)
Share of profits of associates after tax		4	(1)	–	3
Profit before tax	2	174	(26)	–	148
Tax	4	(59)	–	–	(59)
Profit for the period		115	(26)	–	89
Attributable to:					
Equity holders of the parent		109	(25)	–	84
Minority interests		6	(1)	–	5
		115	(26)	–	89
Earnings per ordinary share					
– basic	6				13.2p
– diluted	6				12.9p
Interim dividend per share	5				4.7p

Consolidated income statement continued

Unaudited 6 months ended 30 September 2007

	Note	Before amortisation and impairment of intangibles arising on consolidation and exceptional items £m	Amortisation and impairment of intangibles arising on consolidation £m	Exceptional items (note 3) £m	Total £m
Revenue	2	626	–	–	626
Operating expenses		(473)	(16)	(18)	(507)
Other income		8	–	15	23
Operating profit	2	161	(16)	(3)	142
Finance income		10	–	–	10
Finance costs		(12)	–	–	(12)
Share of profits of associates after tax		2	(1)	–	1
Profit before tax	2	161	(17)	(3)	141
Tax	4	(57)	–	2	(55)
Profit for the period		104	(17)	(1)	86
Attributable to:					
Equity holders of the parent		97	(16)	(1)	80
Minority interests		7	(1)	–	6
		104	(17)	(1)	86
Earnings per ordinary share					
– basic	6				12.6p
– diluted	6				12.3p
Interim dividend per share	5				3.7p

Consolidated income statement continued

Audited year ended 31 March 2008

	Note	Before amortisation and impairment of intangibles arising on consolidation and exceptional items £m	Amortisation and impairment of intangibles arising on consolidation £m	Exceptional items (note 3) £m	Total £m
Revenue	2	1,304	–	–	1,304
Operating expenses		(988)	(42)	(26)	(1,056)
Other income		16	–	15	31
Operating profit	2	332	(42)	(11)	279
Finance income		23	–	–	23
Finance costs		(30)	–	–	(30)
Share of profits of associates after tax		5	(2)	–	3
Profit before tax	2	330	(44)	(11)	275
Tax	4	(117)	4	4	(109)
Profit for the period		213	(40)	(7)	166
Attributable to:					
Equity holders of the parent		199	(36)	(7)	156
Minority interests		14	(4)	–	10
		213	(40)	(7)	166
Earnings per ordinary share					
– basic	6				24.5p
– diluted	6				23.9p
Interim dividend per share	5				3.7p

Consolidated statement of recognised income and expense

	Unaudited 6 months ended 30 September 2008 £m	Unaudited 6 months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Revaluation of available-for-sale investments	(2)	–	1
Net movement on cash flow hedges	6	(1)	(23)
Net exchange adjustments on net investments in overseas subsidiaries	38	(19)	2
Revaluation gains realised in the period	–	(11)	(11)
Net current tax on items recognised in equity	10	(1)	3
Net deferred tax on items recognised in equity	(3)	3	1
Income and expense recognised directly in equity	49	(29)	(27)
Profit for the period	89	86	166
Total recognised income and expense for the period	138	57	139
Total recognised income and expense for the period attributable to:			
Equity holders of the parent	132	51	129
Minority interests	6	6	10
	138	57	139

Consolidated balance sheet

	Note	Unaudited as at 30 September 2008 £m	Unaudited as at 30 September 2007 £m	Audited as at 31 March 2008 £m
Assets				
Non-current assets				
Intangible assets arising on consolidation	8	1,084	694	843
Intangible assets arising from development expenditure		38	30	36
Property, plant and equipment		64	51	55
Investment in associates		35	29	32
Deferred tax assets		43	33	47
Trade and other receivables		9	12	10
Available-for-sale investments		23	22	22
		1,296	871	1,045
Current assets				
Trade and other receivables	7	44,999	54,971	38,036
Available-for-sale investments		13	10	12
Cash and cash equivalents	11(b)	451	314	384
		45,463	55,295	38,432
Total assets		46,759	56,166	39,477
Liabilities				
Current liabilities				
Trade and other payables	7	(44,935)	(54,952)	(38,037)
Contingent deferred consideration	8	(62)	(35)	(41)
Short-term borrowings and overdrafts	9	(586)	(18)	(346)
Tax payable		(96)	(67)	(84)
Short-term provisions		(15)	(12)	(15)
		(45,694)	(55,084)	(38,523)
Non-current liabilities				
Trade and other payables		(20)	(17)	(9)
Contingent deferred consideration	8	(59)	(23)	(9)
Long-term borrowings	9	(108)	(255)	(97)
Retirement benefit obligations		(1)	(1)	(1)
Tax payable		–	–	(4)
Long-term provisions		(1)	(1)	(1)
		(189)	(297)	(121)
Total liabilities		(45,883)	(55,381)	(38,644)
Net assets		876	785	833
Equity				
Capital and reserves				
Called up share capital		65	65	65
Share premium account		398	397	398
Other reserves		(7)	34	12
Retained earnings		407	266	345
Equity attributable to equity holders of the parent	10	863	762	820
Minority interests	10	13	23	13
Total equity		876	785	833

Consolidated cash flow statement

	Note	Unaudited 6 months ended 30 September 2008 £m	Unaudited 6 months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Cash flows from operating activities	11 (a)	94	126	268
Cash flows from investing activities				
Dividends received from associates		4	2	4
Other equity dividends received		–	1	3
Payments to acquire property, plant and equipment		(17)	(5)	(19)
Intangible development expenditure		(6)	(14)	(24)
Receipts from sale of property, plant and equipment		–	–	1
Net payments in respect of available-for-sale investments		(3)	–	–
Acquisition of interests in businesses, net of cash acquired		(123)	(8)	(196)
Acquisition of associates and joint ventures		(3)	(6)	(8)
Net cash flows from investing activities		(148)	(30)	(239)
Cash flows from financing activities				
Dividends paid to minority interests		(6)	(6)	(13)
Equity dividend paid		(76)	(59)	(83)
Payments to acquire Treasury Shares		(10)	(9)	(9)
Payments to acquire own shares for employee trusts		(22)	(5)	(13)
Proceeds from reissue of Treasury Shares		2	–	7
Hedging payments		(16)	–	–
Net funds received from borrowing		235	(16)	144
Net cash flows from financing activities		107	(95)	33
Exchange adjustment		30	(5)	3
Net increase/(decrease) in cash and cash equivalents		83	(4)	65
Net cash and cash equivalents at beginning of period		365	300	300
Net cash and cash equivalents at end of period	11 (b)	448	296	365

Notes to the financial statements

1 Basis of preparation

The half year report for the six months to 30 September 2008 does not constitute statutory financial information as defined in section 240 of the Companies Act 1985. The half year report is unaudited but has been reviewed by the auditors, PricewaterhouseCoopers LLP, and their report is set out at the end of this document. The Annual Report for the year ended 31 March 2008 has been filed with the Registrar of Companies and the auditors issued an unqualified report thereon which did not contain any statement under section 237 of the Companies Act 1985.

The half year report for the six months to 30 September 2008 has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS34 "Interim Financial Reporting" as adopted by the European Union (EU). This half year report should be read in conjunction with the Annual Report for the year ended 31 March 2008 which was prepared in accordance with IFRS as adopted by the EU.

The preparation of the half year report requires the Group to make various estimates and assumptions when determining the carrying value of certain assets and liabilities. The significant judgements and estimates applied by the Group in this half year report have been applied on a consistent basis with the Annual Report for the year ended 31 March 2008.

The Group maintains a columnar format for the presentation of its consolidated income statement. This enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before amortisation and impairment of intangibles arising on consolidation and exceptional items. This is the profit measure used to calculate adjusted EPS and is considered to be the most appropriate as it better reflects the Group's underlying cash earnings. Profit before amortisation and impairment of intangibles arising on consolidation and exceptional items is reconciled to profit before tax on the face of the income statement.

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

Intangible assets arising on consolidation represent goodwill and other separately identifiable intangible assets on business combinations since 1 April 2004. The amortisation of separately identifiable intangible assets and any impairment of goodwill is included in the income statement within the column 'amortisation and impairment of intangibles arising on consolidation'.

The Group has chosen to present contingent deferred consideration as a separate line item on the face of the balance sheet. This has resulted in reclassifications from trade and other payables in the comparative periods.

Accounting policies

The accounting policies followed in the half year report for the six months to 30 September 2008 are the same as those published in the Annual Report for the year ended 31 March 2008.

2 Segment reporting

(a) Analysis by geographic segment

	6 months ended 30 September 2008			
	Americas £m	EMEA £m	Asia Pacific £m	Total £m
Revenue	296	361	107	764
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	66	91	26	183
Amortisation and impairment of intangibles arising on consolidation	(9)	(8)	(8)	(25)
Exceptional items	–	–	–	–
Operating profit	57	83	18	158
Net finance income/(expense)	(7)	(7)	1	(13)
Share of profits of associates after tax	–	3	–	3
Profit before tax	50	79	19	148

Included in revenue is £11m in respect of joint ventures (Americas £5m, EMEA £4m, Asia Pacific £2m). Included in operating profit is £3m in respect of joint ventures (Americas £1m, EMEA £1m, Asia Pacific £1m).

2 Segment reporting continued

	6 months ended 30 September 2007			
	Americas £m	EMEA £m	Asia Pacific £m	Total £m
Revenue	250	297	79	626
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	62	82	17	161
Amortisation and impairment of intangibles arising on consolidation	(4)	(6)	(6)	(16)
Exceptional items	3	(11)	5	(3)
Operating profit	61	65	16	142
Net finance income/(expense)	(1)	(2)	1	(2)
Share of profits of associates after tax	–	1	–	1
Profit before tax	60	64	17	141

Included in revenue is £11m in respect of joint ventures (Americas £4m, EMEA £5m, Asia Pacific £2m). Included in operating profit is £3m in respect of joint ventures (Americas £1m, EMEA £1m, Asia Pacific £1m).

	Year ended 31 March 2008			
	Americas £m	EMEA £m	Asia Pacific £m	Total £m
Revenue	528	610	166	1,304
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	129	167	36	332
Amortisation and impairment of intangibles arising on consolidation	(17)	(15)	(10)	(42)
Exceptional Items	4	(20)	5	(11)
Operating profit	116	132	31	279
Net finance income/(expense)	(2)	(6)	1	(7)
Share of profits of associates after tax	-	1	2	3
Profit before tax	114	127	34	275

Included in revenue is £21m in respect of joint ventures (Americas £8m, EMEA £9m, Asia Pacific £4m). Included in operating profit is £5m in respect of joint ventures (Americas £2m, EMEA £2m, Asia Pacific £1m).

Notes to the financial statements continued

2 Segment reporting continued

(b) Analysis by business segment

	6 months ended 30 September 2008			
	Voice division £m	Electronic division £m	Information division £m	Total £m
Revenue	586	156	22	764
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	109	63	11	183
Amortisation and impairment of intangibles arising on consolidation	(8)	(17)	–	(25)
Exceptional items	–	–	–	–
Operating profit	101	46	11	158

Revenue of £11m and operating profit of £3m in respect of joint ventures is all included in the voice division.

	6 months ended 30 September 2007			
	Voice division £m	Electronic division £m	Information division £m	Total £m
Revenue	480	126	20	626
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	103	47	11	161
Amortisation and impairment of intangibles arising on consolidation	(3)	(13)	–	(16)
Exceptional items	3	(6)	–	(3)
Operating profit	103	28	11	142

Revenue of £11m and operating profit of £3m in respect of joint ventures is all included in the voice division.

	Year ended 31 March 2008			
	Voice division £m	Electronic division £m	Information division £m	Total £m
Revenue	990	274	40	1,304
Operating profit before amortisation and impairment of intangibles arising on consolidation and exceptional items	203	107	22	332
Amortisation and impairment of intangibles arising on consolidation	(13)	(29)	–	(42)
Exceptional items	2	(13)	–	(11)
Operating profit	192	65	22	279

Revenue of £21m and operating profit of £5m in respect of joint ventures is all included in the voice division.

3 Exceptional items

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
EBS related exceptional costs	–	(6)	(13)
Disputed post-trade settlement clearing adjustment	–	(12)	(13)
Exceptional costs	–	(18)	(26)
Disposal and closure of operations in prior periods	–	1	1
Other exceptional gains	–	14	14
Exceptional income	–	15	15
Net exceptional items before tax	–	(3)	(11)
Tax	–	2	4
	–	(1)	(7)

The Group has recognised no exceptional items during the period.

The EBS related exceptional item during the year ended 31 March 2008 represented reorganisation and rationalisation costs following the acquisition of EBS in June 2006. No further exceptional costs are expected in relation to the acquisition of EBS.

During the year ended 31 March 2008, a sub-custodian made a post-trade settlement adjustment without notice or the Group's consent. As a result of the need to resort to litigation to recover the debt, the Group fully provided against this debt. The issue remains outstanding as at 30 September 2008.

During the year ended 31 March 2007, the Group closed a number of its futures operations. The gain that arose in the year ended 31 March 2008 was as a result of the disposal of shares and memberships included within available-for-sale assets whose disposal was restricted in the year ended 31 March 2007. This was offset by rationalisation and other costs related to the closure of these businesses.

Other exceptional gains in the year ended 31 March 2008 arose from the disposal of exchange shares and seats together with litigation settlements in Australia and Hong Kong.

4 Tax

Tax charged to the income statement in the period

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Current tax			
UK Corporation Tax at 28% (Comparative periods – 30%)			
– Current period	20	24	44
– Double tax relief	–	–	(1)
– Adjustment to prior periods	–	1	5
Overseas tax			
– Current period	40	32	65
– Adjustment to prior periods	(1)	–	(3)
	59	57	110
Deferred tax	–	(2)	(1)
	59	55	109

The UK Corporation tax rate changed from 30% to 28% on 1 April 2008.

The Group's share of profit of associates in the income statement is shown net of tax of £2m (30 September 2007 – £2m; 31 March 2008 – £3m).

Notes to the financial statements continued

5 Dividends

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 March 2008 of 11.95p (2007 – 9.3p) per share	76	59	59
Interim dividend for the year ended 31 March 2008 of 3.7p per share	–	–	24
	76	59	83

On 17 November 2008 the Board approved an interim dividend for the year ended 31 March 2009 of 4.7p per share.

6 Earnings per ordinary share

The Group continues to calculate an adjusted EPS measurement ratio in the notes to the financial statements as it believes that it is the most appropriate measurement, since it better reflects the Group's underlying cash earnings.

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Earnings attributable to equity holders of the parent	84	80	156
Amortisation and impairment of intangibles arising on consolidation net of taxation and minority interests	25	16	36
Exceptional items net of tax	–	1	7
Adjusted	109	97	199

	Shares millions	Shares millions	Shares millions
Weighted average number of shares			
Basic and Adjusted	635	636	635
Dilutive effect of share options	15	16	17
Diluted	650	652	652

	Pence	Pence	Pence
Earnings per share			
Basic	13.2	12.6	24.5
Diluted	12.9	12.3	23.9
Adjusted basic	17.2	15.4	31.3
Adjusted diluted	16.8	14.9	30.5

7 Matched principal transactions

Certain Group companies are involved as principal in the purchase and simultaneous commitment to sell securities between third parties. 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 £43,894m (September 2007 – £54,144m, March 2008 – £36,906m).

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 £684m (September 2007 – £525m, March 2008 – £771m).

8 Acquisitions

Subsidiaries

The Link Asset and Securities Company Limited and subsidiaries (Link)

On 7 April 2008, the Group completed the acquisition of Link, a global equity derivatives broker for initial consideration of £135m. Consideration of £21m has also been paid for their surplus net assets. Contingent deferred consideration equal to 25% of nine times the profit after tax for the year ended 31 March 2010 of Link plus certain complementary existing businesses of the Group will be paid in June 2010; currently this is estimated to be £54m, with a net present value at acquisition of £45m. Total consideration is capped at £250m, excluding the amount paid for the surplus net assets. The fair value of the assets acquired is given below.

The fair value adjustments include the recognition of intangible assets arising on consolidation of £110m, the majority of which is in respect of customer relationships that are being amortised over ten years and provisions of £17m. The Group considers that the fair value of £73m for the goodwill is reasonable and relates to the value of the future growth potential of the business, its liquidity, and the assembled workforce. These assets are not separately identifiable.

In the period from acquisition to 30 September 2008, the Link business was integrated with certain complementary Group businesses. It is estimated that Link contributed an additional £46m to revenue and £2m to profit before tax before amortisation of intangibles arising on consolidation and exceptional items, but after restructuring costs and the impact of the unwinding of discount on the contingent deferred consideration. If the acquisition had been completed on the first day of the financial year, the estimated revenue would have been £48m with profit before tax before amortisation of intangibles arising on consolidation and exceptional items of £3m.

	Link	
	Book value £m	Provisional fair value £m
Net assets acquired		
Intangible assets arising on consolidation	–	110
Property, plant and equipment	1	1
Cash and cash equivalents	33	33
Trade and other receivables	3,278	3,278
Trade and other payables	(3,284)	(3,301)
	28	121
Goodwill		73
Consideration		194
Satisfied by:		
Cash		156
Less: dividend received from pre-acquisition retained earnings		(9)
Acquisition costs capitalised		2
Contingent deferred consideration		45
		194

8 Acquisitions continued

Other acquisitions

The Group acquired 79% of ICAP Equities Limited (ICAP Equities) for £1m initial consideration . ICAP Equities is a newly incorporated UK company involved in the voice broking of pan-European cash equities. A put/call option arrangement exists for the Group to acquire the minority interest, the consideration for which is based on business performance. The options allow the minority to put up to one third of their equity annually from 2012 to the Group and for the Group to call the equity after 2012.

Other acquisitions, including Escorfin SA and Moving Pictures and Television LLC, totalling £3m were made during the period. Escorfin SA is a Mexican broker of mutual funds and Moving Pictures and Television LLC is a US company involved in broking media content.

Associates

The Group acquired a 20% stake in Blockcross Holdings LLC (Blockcross), a company incorporated in the US involved in the development of software for trading platforms, for consideration of £3m. As the Group has significant influence on the operating and financial policies of Blockcross, this investment is recognised as an associate of the Group.

Contingent deferred consideration in respect of acquisitions

A number of acquisitions made by the Group are satisfied in part by contingent deferred consideration. The Group has re-estimated the amounts due where necessary, with any corresponding adjustments being made to goodwill.

A final payment is due in respect of Reset Pte Limited (Reset) in January 2009 of £48m, which represents the estimated amount payable based on the updated profit forecast of Reset. The discount rate used in this estimate was the Group's expected borrowing rate of 6% and the net present value of the amount due as at 30 September 2008 is £47m.

A final payment for Link is due in June 2010, currently this is estimated to be £54m with a net present value as at 30 September 2008 of £48m. The vendors have the option to have a payment on account of £15m in April 2009. A discount rate of 10% has been used.

The Group currently estimates the contingent deferred consideration for the acquisition of the minority in ICAP Equities will be £10m and has recognised contingent deferred consideration with a net present value as at the date of acquisition of £6m. A discount rate of 10% has been used.

The minority shareholders of ICAP Shipping International Limited (ICAP Shipping) (formerly ICAP Hyde International Limited) have the option to put up to one-third of their holding (currently 25%) to the Group annually from April 2010. Additionally, the Group has a call option to acquire the outstanding minority from 2012. Contingent deferred consideration with an estimated net present value of £15m has been recognised as at 30 September 2008. The estimated total amount payable of £18m has been discounted at a rate of 10%.

Final payments for the acquisition of Capital Shipbrokers Limited (part of ICAP Shipping) are due in annual instalments for three years from 2010, currently this is estimated to be £6m, with a net present value at 30 September 2008 of £5m. A discount rate of 10% has been used.

	6 months ended 30 September 2008				
	ICAP Equities £m	Reset £m	ICAP Shipping £m	Link £m	Total £m
Contingent deferred consideration outstanding as at 1 April 2008	–	41	9	–	50
Acquisitions in the period	6	–	–	45	51
Consideration paid in the period	–	–	(3)	–	(3)
Unwinding of discount	–	1	1	3	5
Adjustment to goodwill during the period	–	–	13	–	13
Exchange adjustment	–	5	–	–	5
Contingent deferred consideration outstanding as at 30 September 2008	6	47	20	48	121

8 Acquisitions continued

	6 months ended 30 September 2007			
	Reset £m	ICAP Shipping £m	BSN £m	Total £m
Contingent deferred consideration outstanding as at 1 April 2007	36	–	6	42
Acquisition in the period	–	2	–	2
Consideration paid in the period	–	–	(6)	(6)
Unwinding of discount	2	–	–	2
Adjustment to goodwill during the period	20	–	–	20
Exchange adjustment	(2)	–	–	(2)
Contingent deferred consideration outstanding as at 30 September 2007	56	2	–	58

	Year ended 31 March 2008			
	Reset £m	ICAP Shipping £m	BSN £m	Total £m
Contingent deferred consideration outstanding as at 1 April 2007	36	–	6	42
Acquisition in the year	–	9	–	9
Consideration paid in the year	(49)	–	(6)	(55)
Unwinding of discount	3	–	–	3
Adjustment to goodwill during the year	49	–	–	49
Exchange adjustment	2	–	–	2
Contingent deferred consideration outstanding as at 31 March 2008	41	9	–	50

The contingent deferred consideration consists of cash only.

Intangible assets arising on consolidation

Intangible assets arising on consolidation consist of goodwill of £714m and separately identifiable intangible assets of £370m. Additions recognised during the period were £79m of goodwill and £110m of separately identifiable intangible assets. A re-estimate of the amounts due as contingent deferred consideration has added a further £14m to goodwill as at 30 September 2008. Intangible assets arising on consolidation are recognised in the currency of the underlying assets acquired and this has given rise to an exchange adjustment of £63m in the period. Amortisation of separately identifiable intangible assets of £25m has been charged during the period. No impairments of intangible assets arising on consolidation were required during the period.

9 Borrowings

Long-term borrowings

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
Subordinated loan notes	108	94	97
Bank loans	–	161	–
	108	255	97

In June 2005, the Group issued $225m of guaranteed subordinated loan notes repayable in 2015. The issue consisted of $32m floating rate notes and a further $193m of notes which had a fixed coupon of 5.84% for the first five years and LIBOR plus 1.95% thereafter. In June 2007, the Group redeemed the floating rate notes.

Notes to the financial statements continued

9 Borrowings continued

Short-term borrowings

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
Bank overdrafts	3	8	19
Revolving credit facilities	433	10	327
Term loan	150	–	–
	586	18	346

In March 2008, the Group refinanced its existing £175m credit facility and $328m term loan into a new three year unsecured revolving credit facility of which £473m is available for general corporate purposes, including the financing of acquisitions, with the remaining $94m to meet margin calls arising from the Fixed Income Clearing Corporation (FICC). The short-term revolving credit facility as at 30 September 2008 of £433m (£380m and $94m) is net of capitalised fees of £2m. To take advantage of lower short-term interest rates, the amounts drawn as at 30 September 2008 were for a one month period and have been included within short-term borrowings. The facility carries a floating interest rate of LIBOR plus 0.45% with an additional 0.10% payable dependent upon the debt to earnings ratio. The weighted average effective interest rate for the period was 5.28%.

In April 2008, the Group entered into a £150m term loan with The Royal Bank of Scotland to finance the acquisition of Link. The term loan has a term of 364 days and provides ICAP with the option, exercisable by giving the lender at least 30 days' notice, to extend the facility for a further 364 days. The coupon on the loan steps up over the life of the facility. For the six months to 30 September 2008 the margin was LIBOR plus 0.75% and increases on 1 October 2008 to LIBOR plus 1.0%. The balance outstanding on the term loan as at 30 September 2008 was £150m net of capitalised fees of £nil. The weighted average effective interest rate for the period was 6.69%.

The Group had originally planned to refinance this facility into the bond markets, however, as these markets have remained closed, the Group has instead restructured the facility into an amortising term loan. The new facility, which is for £135m, commenced on 17 November 2008 and runs to 31 January 2011, with repayments of £10m after 12, 18 and 24 months. The facility is priced at LIBOR plus 3.0%, with a step-up to LIBOR plus 3.5% after 12 months.

In May 2008, the Group entered into a £75m 364 day unsecured revolving credit facility with LloydsTSB. The facility, which is committed, is available for general corporate purposes including the financing of acquisitions and carries a floating interest rate of LIBOR plus 1.0%. The facility remained undrawn throughout the period and will expire in May 2009.

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

10 Reconciliation of total equity

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Equity attributable to equity holders of the parent			
As at beginning of period	820	781	781
Total recognised income and expenses for the period	132	51	129
Ordinary shares issued	–	–	1
Net own shares and Treasury Shares acquired	(17)	(12)	(14)
Dividends paid in the period	(76)	(59)	(83)
Net share-based payments in the period	4	1	6
As at end of period	863	762	820
Minority interests – equity	13	23	13
Total equity	876	785	833

11 Cash flow

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

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Profit before tax	148	141	275
Operating exceptional items	–	3	11
Share of operating profits of associates after tax	(4)	(2)	(5)
Amortisation and impairment of intangible assets arising on consolidation	26	17	44
Amortisation of intangible assets arising from development expenditure	7	5	14
Depreciation of property, plant and equipment	10	11	22
Revaluation of available-for-sale investments	2	–	1
Share-based payments	4	3	6
Net finance costs	13	2	6
Operating cash flows before movements in working capital	206	180	374
Increase in trade and other receivables	(27)	(15)	(59)
(Decrease)/increase in trade and other payables	(28)	20	58
Net receipts in respect of financial assets held at fair value	–	1	1
Cash generated by operations before exceptional items	151	186	374
Operating exceptional items paid	–	(1)	(11)
Cash generated by operations	151	185	363
Interest received	6	8	16
Interest paid	(16)	(9)	(21)
Tax paid	(47)	(58)	(90)
Net cash flow from operating activities	94	126	268

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 “Cash Flow Statements”. The gross-up has no impact on the cashflow or net assets of the Group. Excluding the impact of the gross-up the increase in the debtor for matched principal transactions (principally initially unsettled transactions) and deposits for securities borrowed/loaned was £22m (September 2007 – £21m, March 2008 – decrease £1m).

(b) Net cash and cash equivalents

Net cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Net cash and cash equivalents comprise the following amounts:

	6 months ended 30 September 2008 £m	6 months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Cash and cash equivalents included in current assets	451	314	384
Short-term bank overdrafts	(3)	(8)	(19)
Other short-term borrowings classified as cash equivalents	–	(10)	–
Net cash and cash equivalents	448	296	365

Cash increased during the period by £67m to £451m and includes £53m ($94m) drawn down under the £520m unsecured revolving credit facility, which was used to ensure all business units had immediate access to funds during a period of unprecedented financial instability. The impact of exchange on US dollar cash balances and the acquisition of Link have resulted in cash held by the Group’s trading subsidiaries, to support regulatory, clearing house and commercial requirements, increasing during the period by £50m to £310m.

Notes to the financial statements continued

12 Contingent liabilities

(a) The highly regulated nature of the Group's business means that from time to time the Group is subject to regulatory enquiries and investigations, particularly in the US. The Group is currently involved in a number of these. Some of these regulatory enquiries and investigations are broad and tend to be interdealer industry wide in nature.

In the US, the Securities and Exchange Commission ("SEC") has issued a formal order of investigation to ICAP Securities USA LLC, a wholly-owned subsidiary of the Group, and other interdealer brokers in government and other fixed income securities. In addition, the SEC has issued a request for information relating to ICAP Securities USA LLC's voice mortgage desk. ICAP Securities USA LLC is co-operating with the inquiry. Although ICAP Securities USA LLC has not received notice of an intention by the SEC to bring any charges against ICAP Securities USA LLC or its executives, the potential range of penalties generally available to the SEC include, among other things, financial penalties, disgorgement, fines, actions against individuals, and injunctive and other remedial relief.

Such matters are inherently subject to many uncertainties and the Group cannot predict their outcomes. However, there are no issues which are currently expected to have a material adverse financial impact on the Group's results or net assets.

(b) In 2004, the National Australian Bank (NAB) announced that it had incurred FX option trading losses of AUD 360m. NAB subsequently alleged in correspondence sent to ICAP plc that one of ICAP's subsidiaries had helped NAB traders mask these losses. The Group does not accept any responsibility for NAB's losses, and has not received any further correspondence from NAB since October 2006.

(c) From time to time the Group is engaged in litigation on employee related and other matters. It is not possible to quantify the extent of such liabilities but they are not expected to have a material adverse effect on the Group's results or net assets.

13 Post-balance sheet events

On 7 November 2008, the Group entered into an agreement to acquire 100% of the share capital of Arkhe Distribuidora De Títulos E Valores Mobiliários S.A. (Arkhe DTVM), a leading independent broker in Brazil, for an initial consideration of US$17m plus a further deferred element, payable three years after closing and dependent on future business performance. The agreement is subject to regulatory approvals.

14 Related party transactions

The Group has no new material or unusual related party transactions during the period to 30 September 2008. The nature of the various services to some of its joint ventures and associates is similar to those for the year ended 31 March 2008.

The basis of remuneration of key management personnel remains consistent with that disclosed in the Annual Report for the year ended 31 March 2008. The addition of a new long-term incentive share option plan is in line with other remuneration plans disclosed in the Annual Report. Full details of the scheme will be disclosed in the Annual Report for the year ending 31 March 2009. Kim Rosenkilde has been appointed to the Global Executive Management Group during the period as Chief Executive Officer of ICAP Asia Pacific.

15 Exchange rates

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

	Closing rate as at 30 September 2008	Closing rate as at 30 September 2007	Closing rate as at 31 March 2008	Average rate 6 months ended 30 September 2008	Average rate 6 months ended 30 September 2007	Average rate year ended 31March 2008
US dollar	1.78	2.04	1.99	1.93	2.00	2.01
Euro	1.27	1.43	1.25	1.26	1.47	1.42
Yen	189.23	234.33	197.83	203.67	238.48	228.89

Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS34 as adopted by the European Union, and that the interim management report and the condensed set of financial statements herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

Principal risks

The principal risks that could impact the Group's long-term performance remain those detailed on pages 24-28 and 93-103 of the Group's 2008 Annual Report and Financial Statements, a copy of which is available on the Group's website www.icap.com. The Group Chief Executive Officer's Review and Business Review in this Half Year Report include a commentary of the principal uncertainties affecting the Group in the current market conditions.

Changes in directors

The directors of ICAP plc are listed in the ICAP plc Annual Report for the year ended 31 March 2008. There have been no changes in directors since the Annual Report was published on 20 May 2008.

By order of the Board

Michael Spencer
Group Chief Executive Officer

Matthew Lester
Group Finance Director

18 November 2008

Independent review report to ICAP plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year report for the six months ended 30 September 2008 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of half year report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
18 November 2008

Notes:

a) The maintenance and integrity of the ICAP website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.